

**Community Futures Peace
Country
Financial Statements**
March 31, 2009

Contents

| | <u>Page</u> |
|---|--------------------|
| Auditors' Report | 1 |
| Balance Sheet | 2 |
| Statement of Income and Changes in General Fund Balance | 3 |
| Statement of Income and Changes in Restricted Fund Balances | 4 |
| Statement of Cash Flow | 5 |
| Notes to the Financial Statements | 6-10 |



MEYERS NORRIS PENNY LLP

Auditors' Report

To the Board of Directors of
Community Futures Peace Country

We have audited the balance sheet of Community Futures Peace Country as at March 31, 2009 and the statements of income and changes in general and restricted fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Peace River, Alberta
June 2, 2009

Chartered Accountants

Community Futures Peace Country Balance Sheet

March 31,

| | General Fund | Loan Repayable | Investment Funds Non-Repay | Disabled | 2009 Total | 2008 Total |
|---|-----------------|-------------------|-------------------------------|----------------|-------------------|------------------|
| Assets | | | | | | |
| Current | | | | | | |
| Cash in bank | \$ 125,863 | \$ 137,062 | \$ 15,415 | \$ 29,143 | \$ 307,483 | \$ 723,767 |
| Accounts receivable | 6,175 | 11,027 | 26,723 | 5,951 | 49,876 | 49,559 |
| Prepaid expenses | 140,444 | - | - | - | 140,444 | 6,275 |
| Inter-fund receivable | - | 135,864 | - | - | 135,864 | - |
| Current portion of loans | - | 321,926 | 130,705 | 16,790 | 469,421 | 465,533 |
| | 272,482 | 605,879 | 172,843 | 51,884 | 1,103,088 | 1,245,134 |
| Property and equipment (Note 3) | 20,869 | - | - | - | 20,869 | 32,043 |
| Investment loans receivable, net of allowance for credit loss (Note 4, 5) | - | 1,231,226 | 629,869 | 204,112 | 2,065,207 | 1,537,884 |
| Less: current portion | - | 321,926 | 130,705 | 16,790 | 469,421 | 465,533 |
| | - | 909,300 | 499,164 | 187,322 | 1,595,786 | 1,072,351 |
| Total assets | 293,351 | 1,515,179 | 672,007 | 239,206 | 2,719,743 | 2,349,528 |
| Liabilities and fund balances | | | | | | |
| Current | | | | | | |
| Short-term debt (Note 7) | \$ - | \$ 200,000 | \$ - | \$ - | \$ 200,000 | \$ - |
| Inter-fund payable | 135,864 | - | - | - | 135,864 | - |
| Accounts payable | 26,540 | - | - | - | 26,540 | 28,142 |
| | 162,404 | 200,000 | - | - | 362,404 | 28,142 |
| Fund Balances | | | | | | |
| Invested in property and equipment | 20,869 | - | - | - | 20,869 | 32,043 |
| Externally restricted (Note 6) | - | 1,315,179 | 672,007 | 239,206 | 2,226,392 | 2,174,843 |
| Unrestricted | 110,078 | - | - | - | 110,078 | 114,500 |
| | 130,947 | 1,315,179 | 672,007 | 239,206 | 2,357,339 | 2,321,386 |
| Total liabilities and fund balances | 293,351 | 1,515,179 | 672,007 | 239,206 | 2,719,743 | 2,349,528 |

On behalf of the Board _____ Director _____ Director

See accompanying notes to the financial statements.

Community Futures Peace Country Statement of Income and Changes in General Fund Balance

Year ended March 31,

| | 2009 | | 2008 |
|---|----------------|----|----------------|
| Revenue | | | |
| WD Contribution | \$ 304,179 | \$ | 308,509 |
| Bank interest | 227 | | 760 |
| Program revenues (Note 9) | 53,760 | | 54,476 |
| Loan and technical fees | 7,500 | | 5,500 |
| Rental income | 7,200 | | 6,330 |
| Other revenues | 815 | | 635 |
| | 373,681 | | 376,210 |
| Operating expenses | | | |
| Salaries and benefits | 186,507 | | 192,572 |
| Advertising and promotion | 7,103 | | 10,180 |
| Bad debts | 750 | | - |
| Bank charges | 238 | | 879 |
| Board members expenses | 13,128 | | 10,442 |
| Books and publications | 367 | | 153 |
| Contractor expenses | 19,592 | | 2,188 |
| Computers, equipment and improvements | - | | 12,242 |
| Insurance and memberships | 4,664 | | 4,855 |
| Janitorial | 8,418 | | 8,368 |
| Legal and audit fees | 13,940 | | 8,255 |
| Loan expenses | 1,167 | | 611 |
| Meeting expenses | 5,115 | | 5,581 |
| Non-refundable GST | 4,050 | | 4,027 |
| Office rent | 33,450 | | 30,877 |
| Office supplies and postage | 8,187 | | 8,015 |
| CED expenses | 3,950 | | 5,350 |
| Property taxes | 4,925 | | 5,098 |
| Repairs and maintenance | 1,198 | | 2,727 |
| Small equipment and furniture | 2,075 | | 2,653 |
| Special Projects – other | 21,054 | | 5,043 |
| Staff development | 4,874 | | 3,568 |
| Staff travel | 16,270 | | 19,885 |
| Utilities | 17,081 | | 17,336 |
| | 378,103 | | 360,905 |
| Income (loss) before the following items | (4,422) | | 15,305 |
| Add back: Computers, equipment and improvements capitalized | - | | 12,242 |
| Less: Loss on disposal of capital assets | (1,703) | | - |
| Less: Amortization | (9,471) | | (12,398) |
| Net income (loss) for the year | (15,596) | | 15,149 |
| General fund balance, beginning of year | 114,500 | | 99,195 |
| Transfer from invested in property and equipment | 11,174 | | 156 |
| General fund balance, end of year | \$ 110,078 | \$ | 114,500 |

See accompanying notes to the financial statements.

Community Futures Peace Country Statement of Income and Changes in Restricted Fund Balances

| | Year Ended March 31, | | | | |
|--|------------------------------|-----------|----------|------------------|-----------|
| | <u>Loan Investment Funds</u> | | | 2009 | 2008 |
| | Repayable | Non-Repay | Disabled | Total | Total |
| Revenue | | | | | |
| Interest and fees on investments and bank account | \$ 2,540 | \$ 1,101 | \$ 1,577 | \$ 5,218 | \$ 14,563 |
| Investment fees | 280 | - | - | 280 | 141 |
| Interest on loans | 116,310 | 59,918 | 15,169 | 191,397 | 163,841 |
| | 119,130 | 61,019 | 16,746 | 196,895 | 178,545 |
| Expenses | | | | | |
| Bank and investment charges | 1,581 | - | - | 1,581 | 317 |
| Long term interest CFLIP | 65 | - | - | 65 | - |
| Bad debts | 124,365 | 10,476 | 8,816 | 143,657 | 3,055 |
| GST expense | 43 | - | - | 43 | 6 |
| | 126,054 | 10,476 | 8,816 | 145,346 | 3,378 |
| Net income (loss) for the year | (6,924) | 50,543 | 7,930 | 51,549 | 175,167 |
| Interfund transfers | (71,665) | 72,125 | (460) | - | - |
| Earned fund balance, beginning of year (Note 6) | 556,268 | 199,339 | 31,736 | 787,343 | 612,176 |
| Earned fund balance, end of year (Note 6) | 477,679 | 322,007 | 39,206 | 838,892 | 787,343 |
| Original contributions | 837,500 | 350,000 | 200,000 | 1,387,500 | 1,387,500 |
| Fund balance, end of year (Note 6) | 1,315,179 | 672,007 | 239,206 | 2,226,392 | 2,174,843 |

See accompanying notes to the financial statements.

Community Futures Peace Country Statement of Cash Flows

Year Ended March 31,

| | General | Loan Investment Funds | | | 2009 | 2008 |
|------------------------------------|---------|-----------------------|-----------|-----------|------------------|-----------|
| | Fund | Repayable | Non-Repay | Disabled | Total | Total |
| Sources of Cash | | | | | | |
| WD Contribution | 304,179 | - | - | - | 304,179 | 308,509 |
| Interest received | 227 | 134,369 | 49,579 | 11,618 | 195,793 | 153,844 |
| Other revenues | 70,006 | 280 | - | - | 70,286 | 87,957 |
| Advances of short term debt | - | 200,000 | - | - | 200,000 | - |
| Transfer in | 135,821 | - | 72,125 | - | 207,946 | 84,146 |
| Investment loan repayments | - | 334,410 | 114,066 | 6,844 | 455,320 | 491,481 |
| | 510,233 | 669,059 | 235,770 | 18,462 | 1,433,524 | 1,125,937 |
| Uses of Cash | | | | | | |
| Salaries & benefits | 185,430 | - | - | - | 185,430 | 192,572 |
| Materials & services | 193,163 | 85 | - | - | 193,248 | 149,208 |
| Deposit on building | 135,000 | - | - | - | 135,000 | - |
| Interest paid | 238 | 1,646 | - | - | 1,884 | 1,196 |
| Purchase of property and equipment | - | - | - | - | - | 12,242 |
| Transfer out | - | 207,486 | - | 460 | 207,946 | 84,146 |
| Investment loan advances | - | 628,300 | 320,000 | 178,000 | 1,126,300 | 528,000 |
| | 513,831 | 837,517 | 320,000 | 178,460 | 1,849,808 | 967,364 |
| Net increase (decrease) in cash | (3,598) | (168,458) | (84,230) | (159,998) | (416,284) | 158,573 |
| Cash, beginning of year | 129,461 | 305,520 | 99,645 | 189,141 | 723,767 | 565,194 |
| Cash, end of year | 125,863 | 137,062 | 15,415 | 29,143 | 307,483 | 723,767 |

See accompanying notes to the financial statements.

Community Futures Peace Country Notes to the Financial Statements

March 31, 2009

1. Purpose of the organization

Community Futures Peace Country is a community-based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The Corporation is incorporated under the Alberta Companies Act as a non-profit organization. It is exempt from income taxes under the Income Tax Act as a non-profit organization.

2. Significant accounting policies

Revenue Recognition – Restricted Fund Method

Community Futures Peace Country follows the restricted method of accounting for contributions.

The General Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Investment Fund reports restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

Property and equipment

Property and equipment acquisitions over \$1,000 are recorded at cost and are expensed in the General Fund and then added back as a contribution from the General Fund in the Capital Fund.

Property and equipment are being amortized on a straight-line basis over their estimated useful lives as follows;

| | |
|---------------------------------------|----------|
| Computer equipment | 4 years |
| Equipment between \$1,000 and \$5,000 | 5 years |
| Equipment over \$5,000 | 10 years |
| Leasehold improvements | 10 years |

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Community Futures Peace Country Notes to the Financial Statements

March 31, 2009

2. Significant accounting policies (continued)

Financial Instruments

Held for trading

The Corporation has classified the following financial assets and liabilities as held for trading: cash and short term investments. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in net income.

Loans and receivables

The Corporation has classified the following financial assets as loans and receivables: trade accounts receivable and long term loans receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate method, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Gains or losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Other financial liabilities

The Corporation has classified the following financial liabilities as other financial liabilities: accounts payable and accruals and short-term debt. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Community Futures Peace Country Notes to the Financial Statements

March 31, 2009

3. Property and equipment

| | | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>2009 Net Book Value</u> | <u>2008 Net Book Value</u> |
|-----------------------------|----|-------------|-------------------------------------|------------------------------------|------------------------------------|
| Computer equipment | \$ | 21,520 | \$ 20,996 | \$ 524 | \$ 1,814 |
| Equipment \$1,000 - \$5,000 | | 22,993 | 22,750 | 243 | 1,086 |
| Equipment over \$5,000 | | 23,859 | 14,065 | 9,794 | 13,349 |
| Leasehold improvements | | 54,865 | 44,557 | 10,308 | 15,794 |
| | \$ | 123,237 | \$ 102,368 | \$ 20,869 | \$ 32,043 |

4. Allowance for Credit Loss

An allowance for losses on investment loans is made based on expected loan default rates, potential loss ratios and review of loan portfolios, as determined by management, as follows:

| | <u>2008 Ending Balance</u> | <u>Written Off</u> | <u>Recovery</u> | <u>Provision for Credit Losses</u> | <u>2009 Ending Balance</u> |
|----------------------------------|------------------------------------|------------------------|-----------------|--|------------------------------------|
| Loan Investment Fund - Repayable | \$ 74,580 | \$ - | - | \$ 109,793 | \$ 184,373 |
| - Non-Repayable | 62,964 | - | - | 9,874 | 72,838 |
| - Disability | 2,199 | - | - | 8,544 | 10,743 |
| | \$ 139,743 | \$ - | - | \$ 128,211 | \$ 267,954 |

Actual write-offs, net of recoveries, will be deducted from the allowance for credit losses. The provision for credit losses in the statement of income and changes in fund balances is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses.

5. Loans receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 7.25% to 10% with monthly principal and interest repayments amortized for terms between 12 and 84 months. Security is taken on these loans as appropriate to the situation, and includes personal guarantees, general security agreements covering business assets and mortgages on land and building. This security is usually subordinated to those of a primary lender.

| | <u>Repayable</u> | <u>Non-Repay</u> | <u>Disability</u> | <u>2009 Total</u> | <u>2008 Total</u> |
|--|------------------|------------------|-------------------|-----------------------|-----------------------|
| Investment loans receivable | \$ 1,415,599 | \$ 702,707 | \$ 214,855 | \$ 2,333,161 | \$ 1,677,627 |
| Less: Allowance for credit loss (Note 4) | 184,373 | 72,838 | 10,743 | 267,954 | 139,743 |
| | \$ 1,231,226 | \$ 629,869 | \$ 204,112 | \$ 2,065,207 | \$ 1,537,884 |

Community Futures Peace Country Notes to the Financial Statements

March 31, 2009

6. Externally Restricted Fund Balance

Major categories of externally imposed restrictions on fund balances are as follows:

| | <u>2009</u> | <u>2008</u> |
|---|------------------|------------------|
| <u>Loan Investment Funds</u> | | |
| Loan Investment Funds restricted to loans and Equity investments to entrepreneurs | | |
| - Repayable – contributions | 837,500 | 837,500 |
| - Repayable – earned | <u>477,679</u> | <u>556,268</u> |
| | <u>1,315,179</u> | <u>1,393,768</u> |
| <hr/> | | |
| - Non-Repayable – contributions | 350,000 | 350,000 |
| - Non-Repayable – earned | <u>322,007</u> | <u>199,339</u> |
| | <u>672,007</u> | <u>549,339</u> |
| <hr/> | | |
| - Disabled – contributions | 200,000 | 200,000 |
| - Disabled – earned | <u>39,206</u> | <u>31,736</u> |
| | <u>239,206</u> | <u>231,736</u> |
| <hr/> | | |
| | <u>2,226,392</u> | <u>2,174,843</u> |

Under the terms and conditions of the contribution agreement between the Corporation and the Department of Western Economic Diversification, the Conditionally Repayable Loan Funds are repayable if any of the following conditions occur:

- i. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in this Agreement; or
- ii. Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund of the Corporation, the Conditionally Repayable Investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of Community-owned or controlled businesses, and strengthening of the western Canadian economy; or
- iii. In the opinion of the Minister, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the western Canadian economy; or
- iv. The Agreement is terminated as described in Section 16; or
- v. An event of default occurs, as described in Section 17 of the Agreement; or
- vi. The Minister does not approve terms and conditions to extend the project beyond March 31, 2011.

Community Futures Peace Country Notes to the Financial Statements

March 31, 2009

7. Short-term debt

Short-term debt consists of a line of credit totalling \$500,000 of which \$200,000 was drawn as of March 31, 2009 (2008 – nil). The interest rate included on the line of credit is fixed at prime minus 2.0% at the date of initial draw down. Funds can be drawn in increments of \$50,000. The line of credit is payable on demand and in any case not later than sixty (60) months following the date of the first loan advance. Amount is secured by a demand promissory note executed by the Corporation and related general security agreement securing all assets and undertakings of the borrower.

8. Commitments

As of March 31, 2009, the corporation had approved and committed to disburse funds for one new loan in the amount of \$63,000 (2008 – 5 new loans in the amount of \$235,000). Subsequent to year-end, \$63,000 related to this loan has been disbursed.

9. Program revenues

| | <u>2009</u> | <u>2008</u> |
|--|-----------------|-----------------|
| Self Employment Program (Alberta HR&E) | \$ 11,400 | \$ 22,100 |
| Youth Connections Program (Alberta HR&E) | - | 16,800 |
| PREDA | 5,040 | 4,800 |
| Other | 3,613 | - |
| Special Projects | 33,707 | 10,776 |
| | <hr/> \$ 53,760 | <hr/> \$ 54,476 |

10. Subsequent events

On April 1, 2009, the Corporation purchased a building in the amount of \$398,000. A portion of this purchase was funded by internal resources in the amount of \$135,000. As this was disbursed before year-end it has been included in prepaid expenses. The remaining balance of \$263,000 was obtained subsequent to year-end through bank financing.