

**Community Futures Peace
Country
Financial Statements**
March 31, 2008



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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, 2008 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, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Harris Penny LLP

Peace River, Alberta
June 1, 2008

Chartered Accountants



Community Futures Peace Country Balance Sheet

March 31,

	Loan Investment Funds				2008		2007	
	General Fund	Repayable	Non-Repay	Disabled	Total	Total	Total	Total
Assets								
Current								
Cash in bank	\$ 129,461	\$ 305,520	\$ 99,645	\$ 189,141	\$ 723,767	\$ 565,194		
Accounts receivable	6,906	26,546	15,283	824	49,559	45,159		
Prepaid expenses	6,275	-	-	-	6,275	7,468		
Current portion of loans	-	343,131	113,348	9,054	465,533	487,592		
	142,642	675,197	228,276	199,019	1,245,134	1,105,413		
Property and equipment (Note 4)	32,043	-	-	-	32,043	32,199		
Investment loans receivable, net of allowance for credit loss (Note 5, 6)	-	1,061,702	434,411	41,771	1,537,884	1,504,376		
Less: current portion	-	343,131	113,348	9,054	465,533	487,592		
	-	718,571	321,063	32,717	1,072,351	1,016,784		
Total assets	174,685	1,393,768	549,339	231,736	2,349,528	2,154,396		
Liabilities and fund balances								
Current								
Accounts payable	\$ 28,142	\$ -	\$ -	\$ -	\$ 28,142	\$ 23,326		
Fund Balances								
Invested in property and equipment	32,043	-	-	-	32,043	32,199		
Externally restricted (Note 7)	-	1,393,768	549,339	231,736	2,174,843	1,999,676		
Unrestricted	114,500	-	-	-	114,500	99,195		
	146,543	1,393,768	549,339	231,736	2,321,386	2,131,070		
Total liabilities and fund balances	174,685	1,393,768	549,339	231,736	2,349,528	2,154,396		

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,

	2008	2007
Revenue		
WD Contribution	\$ 308,509	\$ 292,950
Bank interest	760	506
Program revenues (Note 9)	54,476	199,349
Special Project RCED	-	21,425
Loan and technical fees	5,500	5,500
Rental income	6,330	6,420
Other revenues	635	558
	376,210	526,708
Operating expenses		
Salaries and benefits	192,572	270,436
Advertising and promotion	10,180	16,227
Bank charges	879	1,074
Board members expenses	10,442	10,348
Books and publications	153	437
Contractor expenses	2,188	2,027
Computers, equipment and improvements	12,242	2,094
Insurance and memberships	4,855	5,060
Janitorial	8,368	8,508
Legal and audit fees	8,255	6,250
Loan expenses	611	675
Meeting expenses	5,581	3,005
Non-refundable GST	4,027	4,381
Office rent	30,877	30,877
Office supplies and postage	8,015	12,419
CED expenses	5,350	7,133
Property taxes	5,098	5,261
Repairs and maintenance	2,727	351
Small equipment and furniture	2,653	1,175
Special Project RCED	-	21,425
Special Projects – other	5,043	-
Staff development	3,568	11,306
Staff travel	19,885	19,535
Utilities	17,336	17,984
	360,905	457,988
Income before the following items	15,305	68,720
Add back: Computers, equipment and improvements capitalized	12,242	2,094
Less: Amortization	(12,398)	(11,708)
Net income for the year	15,149	59,106
General fund balance, beginning of year	99,195	30,475
Transfer from capital fund	156	9,614
General fund balance, end of year	\$ 114,500	\$ 99,195

See accompanying notes to the financial statements.

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

Year Ended March 31,

	Loan Investment Funds			2008	2007
	Repayable	Non-Repay	Disabled	Total	Total
Revenue					
Interest and fees on investments and bank account	\$ 5,009	\$ 5,321	\$ 4,233	\$ 14,563	\$ 22,237
Investment fees	141	-	-	141	143
Interest on loans	108,643	45,742	9,456	163,841	126,532
	113,793	51,063	13,689	178,545	148,912
Expenses					
Bank and investment charges	317	-	-	317	81
Bad debts	2,568	(1,758)	2,245	3,055	55,135
GST expense	6	-	-	6	-
	2,891	(1,758)	2,245	3,378	55,216
Net income for the year	110,902	52,821	11,444	175,167	93,696
Interfund transfers	84,106	(84,146)	40	-	-
Fund balance, beginning of year (Note 7)	361,260	230,664	20,252	612,176	518,480
Fund balance, end of year (Note 7)	556,268	199,339	31,736	787,343	612,176

See accompanying notes to the financial statements.

Community Futures Peace Country Statement of Cash Flow

Year Ended March 31,

	General Fund	Loan Investment Funds			2008 Total	2007 Total
		Repayable	Non-Repay	Disabled		
Sources of Cash						
WD Contribution	308,509	-	-	-	308,509	292,950
Interest received	759	97,533	42,732	12,820	153,844	142,607
Other revenues	87,816	141	-	-	87,957	224,821
Transfer in	-	84,106	-	40	84,146	-
Investment loan repayments	-	263,522	111,930	116,029	491,481	541,111
	397,084	445,302	154,662	128,889	1,125,937	1,201,489
Uses of Cash						
Salaries & benefits	192,572	-	-	-	192,572	270,436
Materials & services	149,202	6	-	-	149,208	215,809
Interest paid	879	317	-	-	1,196	1,155
Purchase of property and equipment	12,242	-	-	-	12,242	2,094
Transfer out	-	-	84,146	-	84,146	-
Investment loan advances	-	290,000	78,000	160,000	528,000	784,600
	354,895	290,323	162,146	160,000	967,364	1,274,094
Net increase (decrease) in cash	42,189	154,979	(7,484)	(31,111)	158,573	(72,605)
Cash, beginning of year	87,272	150,541	107,129	220,252	565,194	637,799
Cash, end of year	129,461	305,520	99,645	189,141	723,767	565,194

See accompanying notes to the financial statements.

Community Futures Peace Country Notes to the Financial Statements

March 31, 2008

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, 2008

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. 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, 2008

3. Change in accounting policies

Effective April 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards.

CICA 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to cash flow hedges or available-for-sale financial assets, outside of net income, in a statement of comprehensive income (loss). Comprehensive income (loss) is defined as the change in equity of the Corporation arising from transactions and other events and circumstances, except those resulting from owner investment and distribution. Accumulated comprehensive income (loss) is separately disclosed as a component of equity.

Transitional provisions require that any cumulative gains and losses arising from translation of a self-sustaining foreign operation, appraisal increase credits and donations from non-owners, be reclassified as accumulated other comprehensive income, and that prior year comparative figures be restated. The Corporation had no items requiring reclassification to accumulate other comprehensive income.

Although the requirements of CICA 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to CICA 4400 Not-For-Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives, hedges, and other financial instruments as separate components of the changes in net assets.

The application of hedge accounting is covered in CICA 3865 Hedges. The Corporation does not have any transactions which qualify for hedge accounting.

As described in Accounting Policies, Note 2, the corporation recognizes its held for trading financial assets and liabilities at their fair value. Prior to this classification, required at the time the Corporation adopted the Financial Instruments standards, these items were recognized at their cost, adjusted for any permanent impairment. There was no effect in the current period from this change in accounting policy. The new requirements were applied prospectively and prior periods have not been restated.

As described in Accounting Policies, Note 2, the Corporation recognizes its loans and receivables and other financial liabilities at amortized cost. Prior to this classification, required at the time the Corporation adopted the Financial Instruments standards, these items were recognized at their cost, adjusted for any permanent impairment. There was no effect in the current period from this change in accounting policy. The new requirements were applied prospectively and prior periods have not been restated.

Community Futures Peace Country Notes to the Financial Statements

March 31, 2008

4. Property and equipment

		Accumulated	2008	2007
	Cost	Depreciation	Net Book Value	Net Book Value
Computer equipment	\$ 46,310	\$ 44,496	\$ 1,814	\$ 3,103
Equipment \$1,000 - \$5,000	27,582	26,496	1,086	3,153
Equipment over \$5,000	40,895	27,546	13,349	4,662
Leasehold improvements	54,865	39,071	15,794	21,281
	<u>\$ 169,652</u>	<u>\$ 137,609</u>	<u>\$ 32,043</u>	<u>\$ 32,199</u>

5. 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:

	2007 Ending Balance	Written Off	Recovery	Provision for Credit Losses	2008 Ending Balance
Loan Investment Fund - Repayable	\$ 73,322	-	-	1,258	\$ 74,580
- Non-Repayable	65,566	-	(2,602)	-	62,964
- Disability	-	-	-	2,199	2,199
	<u>\$ 138,888</u>	<u>\$ -</u>	<u>(2,602)</u>	<u>\$ 3,457</u>	<u>\$ 139,743</u>

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.

6. Loans receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 7.5% to 10% with monthly principal and interest repayments amortized for terms between 14 and 60 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.

	Repayable	Non-Repay	Disability	2008 Total	2007 Total
Investment loans receivable	\$ 1,136,282	\$ 497,375	\$ 43,970	\$ 1,677,627	\$ 1,643,264
Less: Allowance for credit loss	74,580	62,964	2,199	139,743	138,888
	<u>\$ 1,061,702</u>	<u>\$ 434,411</u>	<u>\$ 41,771</u>	<u>\$ 1,537,884</u>	<u>\$ 1,504,376</u>

Community Futures Peace Country Notes to the Financial Statements

March 31, 2008

7. Externally Restricted Fund Balance

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

	<u>2008</u>	<u>2007</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	556,268	361,260
	1,393,768	1,198,760
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- Non-Repayable – contributions	350,000	350,000
- Non-Repayable – earned	199,339	230,664
	549,339	580,664
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- Disabled – contributions	200,000	200,000
- Disabled – earned	31,736	20,252
	231,736	220,252
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	2,174,843	1,999,676

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, 2008

8. Commitments

Rental of office premises is covered by a three-year lease that expires in October 2008. Minimum annual lease payments are \$30,877 under this agreement. There is a five-month buy-out clause in the agreement.

As of March 31, 2008, the corporation had approved and committed to disburse funds for five new loans in the amount of \$235,000. Subsequent to year-end \$100,000 of these loans had been disbursed.

9. Program revenues	<u>2008</u>	<u>2007</u>
Self Employment Program (Alberta HR&E)	\$ 22,100	\$ 27,189
Youth Connections Program (Alberta HR&E)	16,800	164,910
PREDA	4,800	4,230
Special Projects	10,776	3,020
	<hr/> \$ 54,476	<hr/> \$ 199,349