

**Community Futures  
Peace Country  
Financial Statements**  
*March 31, 2010*

# Community Futures Peace Country

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Year Ended March 31, 2010

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## Auditors' Report

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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, 2010 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, 2010 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Peace River, Alberta  
May 20, 2010

*Meyers Morris Penny LLP*

Chartered Accountants

# Community Futures Peace Country

## Balance Sheet

As at March 31, 2010

	<u>Loan Investment Funds</u>				2010	2009
	<i>General Fund</i>	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>		
<b>Assets</b>						
<b>Current</b>						
Cash in bank and short term investments	137,917	347,148	59,160	47,285	591,510	307,483
Accounts receivable	60,324	17,964	31,789	10,883	120,960	49,876
Prepaid expenses	2,617	-	-	-	2,617	140,444
Inter-fund receivable	-	57	-	-	57	135,864
Assets held for resale	-	13,000	-	-	13,000	-
Current portion of loans	-	431,498	144,095	19,707	595,300	469,421
	200,858	809,667	235,044	77,875	1,323,444	1,103,088
Property and equipment (Note 3)	396,009	-	-	-	396,009	20,869
Investment loans receivable						
net of allowance for credit loss (Note 4, 5)	-	1,390,644	621,323	188,086	2,200,053	2,065,207
Less: current portion	-	431,498	144,095	19,707	595,300	469,421
	-	959,146	477,228	168,379	1,604,753	1,595,786
<b>Total assets</b>	596,867	1,768,813	712,272	246,254	3,324,206	2,719,743
<b>Liabilities and fund balances</b>						
<b>Current</b>						
Short-term debt (Note 7)	-	500,000	-	-	500,000	200,000
Inter-fund payable	57	-	-	-	57	135,864
Accounts payable	35,644	-	-	-	35,644	26,540
Deferred Revenue (Note 10)	45,499	-	-	-	45,499	-
Current portion of long-term debt (Note 11)	17,533	-	-	-	17,533	-
	98,733	500,000	-	-	598,733	362,404
Long-term debt (Note 11)	229,395	-	-	-	229,395	-
<b>Fund Balances</b>						
Invested in property and equipment	149,081	-	-	-	149,081	20,869
Externally restricted (Note 6)	-	1,268,813	712,272	246,254	2,227,339	2,226,392
Unrestricted	119,658	-	-	-	119,658	110,078
	268,739	1,268,813	712,272	246,254	2,496,078	2,357,339
<b>Total liabilities and fund balances</b>	596,867	1,768,813	712,272	246,254	3,324,206	2,719,743

Approved on behalf of the Board

\_\_\_\_\_  
Director

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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, 2010*

	2010	2009
<b>Revenue</b>		
WD contribution	309,963	304,179
Bank interest	26	227
Program revenues (Note 9)	76,340	53,760
Loan and technical fees	7,135	7,500
Rental income	2,400	7,200
Other revenues	700	815
	<b>396,564</b>	<b>373,681</b>
<b>Operating expenses</b>		
Advertising and promotion	22,124	7,103
Amortization	12,028	9,471
Bad debts	-	750
Bank charges	354	238
Board members expenses	13,359	13,128
Books and publications	352	367
CED expenses	3,350	3,950
Contractor expenses	37,001	19,592
Insurance and memberships	5,130	4,664
Janitorial	8,425	8,418
Legal and audit fees	14,044	13,940
Loan expenses	1,178	1,167
Long term interest	7,666	-
Meeting expenses	4,328	5,115
Non-refundable GST	4,036	4,050
Office rent	-	33,450
Office supplies and postage	7,630	8,187
Property taxes	2,531	4,925
Repairs and maintenance	585	1,198
Salaries and benefits	164,222	186,507
Small equipment and furniture	-	2,075
Special projects - other	54,836	21,054
Staff development	3,627	4,874
Staff travel	16,817	16,270
Utilities	15,132	17,081
	<b>398,755</b>	<b>387,574</b>
Loss before the following items	(2,191)	(13,893)
Less: Loss on disposal of capital assets	(10,831)	(1,703)
Net loss for the year	(13,022)	(15,596)
General fund balance, beginning of year	110,078	114,500
Transfer from restricted fund	150,814	-
Transfer to/from investment in property and equipment	(128,212)	11,174
Unrestricted net assets, end of year	<b>119,658</b>	<b>110,078</b>

See accompanying notes to the financial statements

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

*Year Ended March 31, 2010*

	<i>Loan Investment Funds</i>			<b>2010</b>	<b>2009</b>
	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>		
<b>Revenue</b>					
Interest and fees on investments and bank account	277	77	66	420	5,218
Investment fees	525	-	-	525	280
Interest on loans	132,856	55,538	14,489	202,883	191,397
	133,658	55,615	14,555	203,828	196,895
<b>Expenses</b>					
Bank and investment charges	9,794	-	-	9,794	1,581
Long term interest - CFLIP	1,154	-	-	1,154	65
Bad debts (recovery of)	42,132	(486)	(584)	41,062	143,657
GST expense	57	-	-	57	43
	53,137	(486)	(584)	52,067	145,346
Net income for the year	80,521	56,101	15,139	151,761	51,549
Interfund transfers	23,927	(15,836)	(8,091)	-	-
Transfer to general fund	(150,814)	-	-	(150,814)	-
Earned fund balance, beginning of year (Note 6)	477,679	322,007	39,206	838,892	787,343
Earned fund balance, end of year (Note 6)	431,313	362,272	46,254	839,839	838,892
Original contributions	837,500	350,000	200,000	1,387,500	1,387,500
Total fund balance, end of year (Note 6)	1,268,813	712,272	246,254	2,227,339	2,226,392

See accompanying notes to the financial statements

**Community Futures Peace Country**  
**Statement of Cash Flows**

*As at March 31, 2010*

	<u>Operating Activities</u>	<u>Financing and Investing Activities</u>			<b>2010</b>	<b>2009</b>
	<i>General Fund</i>	<u>Loan Investment Funds</u>				
		<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>		
<b>Sources of Cash</b>						
WD Contribution	309,963	-	-	-	309,963	304,179
Interest received	26	126,196	50,549	9,623	186,394	195,793
Other revenue	77,925	525	-	-	78,450	70,286
Advances of short term debt	-	300,000	-	-	300,000	200,000
Advances of long term debt	263,000	-	-	-	263,000	-
Transfer in	14,950	8,977	-	-	23,927	207,946
Investment loan repayments	-	474,750	121,032	16,610	612,392	455,320
	665,864	910,448	171,581	26,233	1,774,126	1,433,524
<b>Uses of Cash</b>						
Salaries and benefits	162,986	-	-	-	162,986	185,430
Materials and services	68,732	114	-	-	68,846	193,248
Deposit on building	-	-	-	-	-	135,000
Interest and investment expenses paid	8,020	10,948	-	-	18,968	1,884
Purchase of property and equipment	398,000	-	-	-	398,000	-
Repayment of long term debt	16,072	-	-	-	16,072	-
Transfer out	-	-	15,836	8,091	23,927	207,946
Investment loan advances	-	689,300	112,000	-	801,300	1,126,300
	653,810	700,362	127,836	8,091	1,490,099	1,849,808
Net increase (decrease) in cash	12,054	210,086	43,745	18,142	284,027	(416,284)
Cash, beginning of year	125,863	137,062	15,415	29,143	307,483	723,767
Cash, end of year	137,917	347,148	59,160	47,285	591,510	307,483

See accompanying notes to the financial statements

# Community Futures Peace Country

## Notes to the Financial Statements

March 31, 2010

### 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.

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
Buildings	30 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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of Property, Plant and Equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

# Community Futures Peace Country

## Notes to the Financial Statements

March 31, 2010

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### 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, short-term debt and long 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, 2010

**3. Property and equipment**

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>2010 Net Book Value</i>	<i>2009 Net Book Value</i>
Building	298,000	9,933	288,067	-
Computer equipment	8,373	8,373	-	524
Equipment \$1,000 - \$5,000	22,993	22,993	-	243
Equipment over \$5,000	23,859	15,917	7,942	9,794
Land	100,000	-	100,000	-
	453,225	57,216	396,009	10,561

**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:

	<i>2009 Ending Balance</i>	<i>Written Off</i>	<i>Recovery</i>	<i>Provision for Credit Losses</i>	<i>2010 Ending Balance</i>
Loan Investment Fund - Repayable	184,373	(18,701)	-	52,322	217,994
Loan Investment Fund - Non - Repayable	72,838	(14,783)	(2,122)	-	55,933
Loan Investment Fund - Disability	10,743	-	(844)	-	9,899
	267,954	(33,484)	(2,966)	52,322	283,826

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.

	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disability</i>	<i>2010 Total</i>	<i>2009 Total</i>
Investment loans receivable	1,608,638	677,256	197,985	2,483,879	2,333,161
Less: Allowance for credit loss (Note 4)	217,994	55,933	9,899	283,826	267,954
	1,390,644	621,323	188,086	2,200,053	2,065,207

**Community Futures Peace Country**  
**Notes to the Financial Statements**  
*March 31, 2010*

**6. Externally Restricted Fund Balance**

	<i>2010</i>	<i>2009</i>
<u>Loan Investment funds</u>		
Loan Investment Funds restricted to loans and Equity Investments to entrepreneurs		
Repayable - contributions	837,500	837,500
Repayable - earned	431,313	477,679
	1,268,813	1,315,179
Non-Repayable - contributions	350,000	350,000
Non-Repayable - earned	362,272	322,007
	712,272	672,007
Disabled - contributions	200,000	200,000
Disabled - earned	46,254	39,206
	246,254	239,206
	2,227,339	2,226,392

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, 2010

### 7. Short-term debt

Short-term debt consists of a line of credit totalling \$1,000,000 of which \$500,000 was drawn as of March 31, 2010 (2009 – \$200,000). 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, 2010, the corporation did not have any loans that were approved but not disbursed (2009 – 1 loan at \$63,000).

### 9. Program revenues

	2010	2009
Self Employment Program (Alberta HR&E)	5,675	11,400
PREDA	5,040	5,040
Other	27,342	3,613
Special Projects	38,283	33,707
	76,340	53,760

### 10. Deferred revenue

During the year, the Corporation administered a number of projects in which they received \$72,841 in allocations. Of this amount only \$27,343 was spent on the related projects. The excess contributions over expenses incurred for 2010 is \$45,499 (2009 - Nil).

### 11. Long term debt

	2010	2009
CIBC building mortgage with monthly principal payments of \$1,461 plus interest at prime plus 1%, secured by the related land and building	246,928	-
Less: current portion	17,533	-
	229,395	-

Principal payments over the next five years are as follows:

2011	17,533
2012	17,533
2013	17,533
2014	17,533
2015	17,533