

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE

Financial Statements

For the year ended March 31, 2008

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE

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For the year ended March 31, 2008

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AUDITORS' REPORT

To: The Board of Directors of
the Southwest Alberta Business Development Institute

We have audited the statement of financial position of the Southwest Alberta Business Development Institute as at March 31, 2008 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Institute'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 Southwest Alberta Business Development Institute as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fort Macleod, Alberta
June 2, 2008

Young Parkyn McNab LLP

Chartered Accountants

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE
STATEMENT OF FINANCIAL POSITION
As at March 31, 2008

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2008 Total	2007 Total
ASSETS						
Current assets						
Cash and short-term investments (note 3)	\$ -	\$ 571,397	\$ 536,515	\$ 116,993	\$ 1,224,905	\$ 383,820
Accounts receivable	91,205	-	-	-	91,205	75,144
Loans receivable (note 4)	91,205	571,397	536,515	116,993	1,316,110	458,964
Investment in subsidiary (note 5)	-	776,605	912,588	113,113	1,802,306	2,388,908
Property and equipment (note 6)	33,413	-	-	-	33,413	1
	50,871	-	-	-	50,871	27,431
	\$ 175,489	\$ 1,348,002	\$ 1,449,103	\$ 230,106	\$ 3,202,700	\$ 2,875,304

LIABILITIES AND FUND BALANCES

Current liabilities						
Cheques issued in excess of funds on deposit	\$ 24,962	\$ -	\$ -	\$ -	\$ 24,962	\$ -
Accounts payable and accrued liabilities	41,182	-	-	-	41,182	26,519
Deferred revenue	-	-	-	-	-	56,717
	66,144	-	-	-	66,144	83,236
Unamortized deferred capital contributions	8,571	-	-	-	8,571	-
Repayable investment funds	-	-	800,000	200,000	1,000,000	1,000,000
	74,715	-	800,000	200,000	1,074,715	1,083,236
Contingency (note 7)						
Fund balances						
Unrestricted	58,474	-	-	-	58,474	29,160
Externally restricted	-	1,348,002	649,103	30,106	2,027,211	1,735,476
Invested in property and equipment	42,300	-	-	-	42,300	27,432
	100,774	1,348,002	649,103	30,106	2,127,985	1,792,068
	\$ 175,489	\$ 1,348,002	\$ 1,449,103	\$ 230,106	\$ 3,202,700	\$ 2,875,304

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE
STATEMENT OF OPERATIONS
For the year ended March 31, 2008

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2008 Total	2007 Total
Revenue						
Investment income - clients - bank	\$ -	\$ 87,918	\$ 94,973	\$ 11,562	\$ 194,453	\$ 218,777
Operating grants	283,579	-	-	-	283,579	277,947
RCED grants	90,972	-	6,752	-	21,730	12,976
S.E.A. grant	26,200	-	-	-	90,972	13,283
Other grants	22,194	-	-	-	26,200	39,100
Consulting	74,424	-	-	-	22,194	1,994
Miscellaneous	20,200	-	-	-	74,424	32,764
Town of Pincher Creek	12,000	-	-	-	20,200	38,520
Amortization of deferred capital contributions	1,429	-	-	-	12,000	12,000
Equity in earnings of subsidiary	33,412	-	-	-	1,429	-
	564,410	102,896	101,725	11,562	780,593	647,361
Expenditures (schedule 1)	520,228	(9,751)	(65,801)	-	444,676	574,865
Excess of revenue over expenditures	\$ 44,182	\$ 112,647	\$ 167,526	\$ 11,562	\$ 335,917	\$ 72,496

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended March 31, 2008

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2008 Total	2007 Total
Fund balances						
Equity in property and equipment, beginning of year	\$ 27,432	\$ -	\$ -	\$ -	\$ 27,432	\$ 22,459
Purchase of property and equipment	37,581	-	-	-	37,581	14,163
Deferred capital contributions	(10,000)	-	-	-	(10,000)	-
Amortization of deferred capital contributions	1,429	-	-	-	1,429	-
Amortization	(14,142)	-	-	-	(14,142)	(9,190)
Equity in property and equipment, end of year	42,300	-	-	-	42,300	27,432
Externally restricted funds, beginning of year	-	1,235,355	481,577	18,544	1,735,476	1,664,657
Excess of revenue over expenditures	-	112,647	167,526	11,562	291,735	70,819
Externally restricted funds, end of year	-	1,348,002	649,103	30,106	2,027,211	1,735,476
Unrestricted funds, beginning of year	29,160	-	-	-	29,160	32,456
Purchase of property and equipment	(37,581)	-	-	-	(37,581)	(14,163)
Excess of revenue over expenditures	44,182	-	-	-	44,182	1,677
Deferred capital contributions	10,000	-	-	-	10,000	-
Amortization of deferred capital contributions	(1,429)	-	-	-	(1,429)	-
Amortization	14,142	-	-	-	14,142	9,190
Unrestricted funds, end of year	58,474	-	-	-	58,474	29,160
	\$ 100,774	\$ 1,348,002	\$ 649,103	\$ 30,106	\$ 2,127,985	\$ 1,792,068

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE
STATEMENT OF CASH FLOWS
For the year ended March 31, 2008

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2008 Total	2007 Total
Cash flows from operating activities						
Excess of revenue over expenditures	\$ 44,182	\$ 112,647	\$ 167,526	\$ 11,562	\$ 335,917	\$ 72,496
Items not involving cash:						
Provision for credit losses	-	(9,751)	(65,801)	-	(75,552)	160,932
Amortization	14,142	-	-	-	14,142	9,190
Amortization of deferred capital contributions	(1,429)	-	-	-	(1,429)	-
Equity in earnings of subsidiary	(33,412)	-	-	-	(33,412)	-
	23,483	102,896	101,725	11,562	239,666	242,618
Net change in non-cash working capital items						
Accounts receivable	(19,066)	2,822	183	-	(16,061)	(62,711)
Accounts payable and accrued liabilities	14,661	-	-	-	14,661	2,191
Deferred revenue	(56,717)	-	-	-	(56,717)	56,717
	(37,639)	105,718	101,908	11,562	181,549	238,815
Cash flows from investing activities						
Purchase of property and equipment	(37,581)	-	-	-	(37,581)	(14,163)
Loan advances	-	(35,000)	(405,000)	-	(440,000)	(1,564,772)
Loan payments received	-	445,654	642,175	5,591	1,093,420	731,686
Accrued interest on loan portfolio	-	3,854	4,838	43	8,736	318
	(37,581)	414,508	242,013	5,634	624,575	(846,931)
Cash flows from financing activities						
Capital contributions received	10,000	-	-	-	10,000	-
	10,000	-	-	-	10,000	-
(Decrease) increase in cash and cash equivalents	(65,220)	520,226	343,921	17,196	816,123	(608,114)
Cash and cash equivalents, beginning of year	40,258	51,171	192,594	99,797	383,820	991,934
Cash and cash equivalents, end of year	\$ (24,962)	\$ 571,397	\$ 536,515	\$ 116,993	\$ 1,199,943	\$ 383,820
Cash and cash equivalents consists of:						
Cash	\$ -	\$ 571,397	\$ 536,515	\$ 116,993	\$ 1,224,905	\$ 275,610
Cheques issued in excess of funds on deposit	(24,962)	-	-	-	(24,962)	-
	\$ (24,962)	\$ 571,397	\$ 536,515	\$ 116,993	\$ 1,199,943	\$ 383,820

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2008

1. **Nature of operations**

Southwest Alberta Business Development Institute is a community based non-profit Society that has been established to provide loan and financial services to small businesses that are otherwise unable to obtain financing. The Institute is registered as a Society under the laws of the Province of Alberta and is exempt from income tax under paragraph 149 1(l) of the Income Tax Act.

2. **Significant accounting policies**

(a) Accounting Change

The Institute has applied the new recommendations of the Canadian Institute of Chartered Accountants regarding the recognition, measurement and presentation of financial instruments following the release of the new handbook section "Financial instruments". The Institute has reclassified all of its financial assets and liabilities, and has revalued them at either fair value or amortized cost depending on the classification. No changes were required to opening fund balances as a result of the change in accounting policy.

(b) Financial instruments

(i) Classification

Cash and short-term investments have been classified as held-for-trading.

Accounts receivable and loans receivable have been classified as loans and receivables.

Accounts payable and accrued liabilities have been classified as other financial liabilities.

(ii) Recognition and measurement

Held-for-trading assets which are purchased for sale in the near term are reported at estimated fair value. Realized and unrealized gains and losses are recognized in the results of operations as they arise.

Loans and receivables include financial assets resulting from the delivery of cash or other assets in return for a promise to repay and are reported at amortized cost using the effective interest method. Gains and losses are recognized in the results of operations when the asset is derecognized. Impairment writedowns are recognized in the results of operations as they arise.

Other financial liabilities are all liabilities other than those designated as held-for-trading and are reported at amortized cost using the effective interest method. Gains and losses are recognized in the results of operations when the liability is derecognized.

(iii) Policies and assumptions

The carrying amount of cash, accounts receivable and accounts payable and accrued liabilities is comparable to its fair value due to the approaching maturity of these financial instruments.

(c) Fund accounting

The Institute follows the restricted fund method of accounting for contributions.

2 Significant accounting policies, continued

The Operating Fund reports all assets, liabilities, revenue and expenditures to carry out community development and administrative activities and the assets, liabilities, revenue and expenditures related to the Institute's capital assets.

The Non-Repayable Investment Fund is a non-repayable contribution that is restricted in accordance with the Community Futures Program. All revenue from loans approved under the investment fund and all repayments on account of principal shall be credited to the investment fund. This agreement is in effect from the date it is signed by the Government of Canada until six years following the end of the funding period.

The Repayable Investment Fund is a repayable contribution that is restricted in accordance with the Community Futures Program. All revenue from loans approved under the repayable investment fund and all repayments on account of principal shall be credited to the repayable investment fund. Effective April 1, 2001, the Repayable Western Youth Entrepreneur Investment Fund has been merged with the Repayable Investment Fund, as per direction from the Minister of Western Economic Diversification. As a result, \$219,840 was transferred from the Repayable Youth Fund to the Repayable Investment Fund. Subsequent principal repayments will be repaid within fifteen days of each month until the original repayable investment fund contribution is entirely repaid. Interest earned after March 31, 2005 shall be credited to the Fund. The amount repayable will be the original investment contribution, net of any investment losses. Once the amount has been repaid in full, the obligation to repay the Minister will be terminated.

The Repayable Disability Fund is a repayable contribution that is restricted in accordance with the Community Futures Program. Assistance may be provided to persons who have a disability due to physical or mental impairment such that the ability to perform at least one of the basic activities of self-employment or entrepreneurship is restricted. The maximum for any one business will normally be \$125,000.

Loans approved and disbursed under the Non-Repayable Investment Fund, Repayable Investment Fund and the Repayable Disability Fund are made for the purpose of investing in local businesses. The Institute must demonstrate that the funds will be used to develop and diversify the local economy, to create or maintain employment by assisting local businesses to stabilize or expand, or to help entrepreneurs create new local businesses. Assistance to businesses will be provided in the form of loans, loan guarantees or equity participation.

(d) Revenue recognition

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenditures are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

(e) Investment in subsidiary

The equity method is used to account for the Institute's investment in 1024267 Alberta Ltd. (100% subsidiary). This method of accounting brings into consolidated earnings the income (loss) of the subsidiary, which is also added to the carrying value of the investment.

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2008

2 Significant accounting policies, continued

(f) Allowance for impaired loans

The Institute maintains an allowance that reduces the carrying value of loans to their estimated realizable amount. The allowance is increased by a charge to income and reduced by write-offs, net of recoveries. Specific provisions are established through examination of individual loans in order to reduce their book values to their estimated net realizable values. Estimated realizable values are determined by reference to their underlying security.

(g) Property and equipment

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of the contribution. Amortization is provided for on a straight-line basis over the assets' estimated useful lives.

Computer equipment	3 1/2 years
Office equipment	5 years
Leasehold improvements	5 years

In the year of acquisition these rates are reduced by one-half.

(h) Measurement uncertainty

The financial statements by their nature contain estimates and are subject to measurement uncertainty. Accounts receivable and loans receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided based on management's best information available at the time. The amounts recorded for amortization of capital assets are based on estimates of the useful life of the related assets. The effect on the financial statements of changes in such estimates in future periods could be significant.

3. Cash and short-term investments

Included in cash and short-term investments is a guaranteed investment certificate of \$103,033 (2007 - \$103,210) that matures in May 2008 with an interest rate of 2.8%. Also included are investments held at the Community Futures Lending and Investment Pool of \$12,980.

4. Loans receivable

		Loans receivable	Accrued loan interest receivable	Allowance for impaired loans		2008	2007
Non-repayable	\$	768,541	\$ 8,064	\$ -	\$	776,605	\$ 1,181,361
Repayable		899,767	12,821	-		912,588	1,088,800
Disability		112,189	924	-		113,113	118,747
	\$	1,780,497	\$ 21,809	\$ -	\$	1,802,306	\$ 2,388,908

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2008

5. **Investment in subsidiary**

The investment in 1024267 Alberta Ltd. consists of 100 class A common shares at \$100, plus the earnings in the subsidiary of \$33,313.

As at March 31, 2008, 1024267 Alberta Ltd. reported the following balances:

	2008	2007
Assets	\$ 82,318	\$ 75,927
Liabilities	(48,906)	(173,727)
Retained earnings (deficit)	\$ 33,412	\$ (97,800)

For the period ended March 31, 2008, 1024267 Alberta Ltd. had the following transactions:

	2008	2007
Revenue	\$ 364,037	\$ 109,721
Expenses	(212,421)	(105,196)
Income taxes	(20,404)	-
Net income	\$ 131,212	\$ 4,525

For the period ending March 31, 2008, 1024267 Alberta Ltd. had the following cash flows:

	2008	2007
Cash flows from operating activities	\$ 152,647	\$ (447)
Cash flows from investing activities	2,045	2,026
Cash flows from financing activities	(149,900)	-
Net increase (decrease) in cash and cash equivalents	\$ 4,792	\$ 1,579
Cash and cash equivalents, beginning of year	13,936	12,357
Cash and cash equivalents, end of year	18,728	13,936

Included in accounts receivable at March 31, 2008 is \$5,649 due from 1024267 Alberta Ltd. (2007 - \$6,745).

During the year, the Institute received \$6,735 in interest revenue from the subsidiary (2007 - \$8,625) and provided bookkeeping services for \$12,000 (2007 - \$12,000) to the subsidiary.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2008

6. Property and equipment

			2008			2007
	Cost	Accumulated amortization	Net	Net	Net	Net
Computer equipment	\$ 103,072	\$ 76,408	\$ 26,664	\$	1,781	\$
Furniture and equipment	75,351	55,687	19,664	\$	17,963	\$
Leasehold improvements	24,659	20,116	4,543	\$	7,687	\$
	\$ 203,082	\$ 152,211	\$ 50,871	\$	27,431	\$

7. Contingency

The Institute has been named in a claim by Canada Revenue Agency relating to property disposed of by the Institute to recover funds advanced to Precision Applying Services Ltd. The amount of the settlement, if any, cannot be reasonably estimated at this time and therefore, no accrual has been included in the financial statements.

8. Donated materials and services

During the year, the Town of Pincher Creek donated the use of office space to the Institute which has been recorded at the estimated fair value of \$1,000 per month.

9. Economic dependence

The Institute is economically dependent on Western Economic Diversification for its operating funding.

10. Financial instruments

Credit risk

The Institute is exposed to credit risk on the loans receivable from its customers. In order to reduce its credit risk, the Institute has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their loan portfolio. The Institute does not have a significant exposure to any individual customer or counterpart.

Fair value

The carrying value of the loans receivable approximates the fair value as the interest rates are consistent with the current rates offered by the Institute for loans with similar terms.

Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the Institute's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets. At March 31, 2008, the increase or decrease in net earnings for each one percent change in interest rates would not have a significant effect on net earnings.

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2008

11. Subsequent events

Subsequent to year-end the Southwest Alberta Business Development Institute transferred its operations in its entirety, including all assets, liabilities and fund balances, to a corporation called Community Futures Alberta Southwest.

Subsequent to year end the master lease in 1024267 Alberta Ltd. (a fully owned subsidiary of the Institute) will be transferred back to Alberta Parks. 1024267 Alberta Ltd. will then be wound up.

12. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

SOUTHWEST ALBERTA BUSINESS DEVELOPMENT INSTITUTE
SCHEDULE 1
STATEMENT OF EXPENDITURES
As at March 31, 2008

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2008 Total	2007 Total
Expenditures						
Wages and benefits	\$ 299,701	\$ -	\$ -	\$ -	\$ 299,701	\$ 245,018
Community economic development	77,348	-	-	-	77,348	13,283
Travel	24,947	-	-	-	24,947	32,713
Office and administration	23,347	-	-	-	23,347	18,269
Rent	18,667	-	-	-	18,667	18,294
Telephone and fax	14,396	-	-	-	14,396	11,359
Professional fees	12,307	-	-	-	12,307	11,608
Staff meetings/conferences	9,309	-	-	-	9,309	2,608
Board member expenses	6,982	-	-	-	6,982	14,291
Contract service	5,100	-	-	-	5,100	4,803
Advertising and promotion	3,573	-	-	-	3,573	5,012
Insurance	2,970	-	-	-	2,970	2,505
Program and contract delivery	2,600	-	-	-	2,600	5,421
Memberships and subscriptions	2,580	-	-	-	2,580	2,365
Resource materials	1,707	-	-	-	1,707	1,035
Equipment repairs and maintenance	500	-	-	-	500	1,201
Electronic ex-net	52	-	-	-	52	1,595
Loss on sale of investments (CFLIP)	-	-	-	-	-	11,205
Community Futures meeting 2006	-	(9,751)	(65,801)	-	(75,552)	2,158
Bad debts (recovery)	-	-	-	-	-	160,932
Amortization	14,142	-	-	-	14,142	9,190
	\$ 520,228	\$ (9,751)	\$ (65,801)	\$ -	\$ 444,676	\$ 574,865