

COMMUNITY FUTURES ALBERTA SOUTHWEST

Financial Statements

For the year ended March 31, 2011

COMMUNITY FUTURES ALBERTA SOUTHWEST
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AS APPROVED AT A MEETING OF
THE BOARD OF DIRECTORS HELD ON
JUNE 27, 2011.

J. Bernard
SEC. TREASURER
JULY 14, 2011

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Community Futures Alberta Southwest

We have audited the accompanying financial statements of Community Futures Alberta Southwest which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Community Futures Alberta Southwest as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Lethbridge, Alberta
June 27, 2011

Young Parkyn M-Nab LLP

Chartered Accountants

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF FINANCIAL POSITION
As at March 31, 2011

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2011 Total	2010 Total
ASSETS						
Current assets						
Cash and short-term investments (note 3)	\$ 79,063	\$ 827,432	\$ 1,257,609	\$ 242,922	\$ 2,407,026	\$ 2,515,585
Accounts receivable	8,274	-	-	-	8,274	2,558
Prepaid expenses	4,763	-	-	-	4,763	-
Current portion of loan receivable	-	63,183	29,533	544	93,260	68,276
Loans receivable (note 4)	92,100	890,615	1,287,142	243,466	2,513,323	2,586,419
	-	607,682	252,200	5,230	865,112	672,208
Property and equipment (note 5)	11,666	-	-	-	11,666	17,287
	\$ 103,766	\$ 1,498,297	\$ 1,539,342	\$ 248,696	\$ 3,390,101	\$ 3,275,914

LIABILITIES AND FUND BALANCES

Current liabilities						
Accounts payable and accrued liabilities	\$ 7,473	\$ -	\$ -	\$ -	\$ 7,473	\$ 5,245
Contingent liability (note 7)	-	60,000	-	-	60,000	-
Unamortized deferred capital contributions	-	-	-	-	-	2,857
Repayable investment funds (note 6)	-	-	800,000	200,000	1,000,000	1,000,000
	7,473	60,000	800,000	200,000	1,067,473	1,008,102
Fund balances						
Unrestricted	84,627	-	-	-	84,627	45,046
Externally restricted	-	1,438,297	739,342	48,696	2,226,335	2,208,336
Invested in property and equipment	11,666	-	-	-	11,666	14,430
	96,293	1,438,297	739,342	48,696	2,322,628	2,267,812
	\$ 103,766	\$ 1,498,297	\$ 1,539,342	\$ 248,696	\$ 3,390,101	\$ 3,275,914

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF OPERATIONS
For the year ended March 31, 2011

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2011 Total	2010 Total
Revenue						
Operating grants	\$ 294,963	\$ -	\$ -	\$ -	\$ 294,963	\$ 294,963
Investment income - clients - bank	-	45,412	19,884	638	65,934	69,688
Town of Pincher Creek (note 8)	737	17,777	8,989	588	28,091	16,076
Miscellaneous	12,000	-	-	-	12,000	12,000
Amortization of deferred capital contributions	10,960	-	-	-	10,960	6,952
Unrealized gain on investments	2,857	-	-	-	2,857	2,857
	-	-	4,711	-	4,711	-
	321,517	63,189	33,584	1,226	419,516	402,536
Expenditures (schedule 1)	284,700	60,000	20,000	-	364,700	339,125
Excess of revenue over expenditures	\$ 36,817	\$ 3,189	\$ 13,584	\$ 1,226	\$ 54,816	\$ 63,411

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended March 31, 2011

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2011 Total	2010 Total
Fund balances						
Equity in property and equipment, beginning of year	\$ 14,430	\$ -	\$ -	\$ -	\$ 14,430	\$ 27,295
Purchase of property and equipment	9,245	-	-	-	9,245	-
Amortization of deferred capital contributions	2,857	-	-	-	2,857	2,857
Amortization	(14,866)	-	-	-	(14,866)	(15,722)
Equity in property and equipment, end of year	11,666	-	-	-	11,666	14,430
Externally restricted funds, beginning of year	-	1,435,108	725,758	47,470	2,208,336	2,158,916
Excess of revenue over expenditures	-	3,189	13,584	1,226	17,999	64,420
Interfund transfers	-	-	-	-	-	(15,000)
Externally restricted funds, end of year	-	1,438,297	739,342	48,696	2,226,335	2,208,336
Unrestricted funds, beginning of year	45,046	-	-	-	45,046	18,190
Purchase of property and equipment	(9,245)	-	-	-	(9,245)	-
Excess of revenue over expenditures	36,817	-	-	-	36,817	(1,009)
Amortization of deferred capital contributions	(2,857)	-	-	-	(2,857)	(2,857)
Amortization	14,866	-	-	-	14,866	15,722
Interfund transfers	-	-	-	-	-	15,000
Unrestricted funds, end of year	84,627	-	-	-	84,627	45,046
	\$ 96,293	\$ 1,438,297	\$ 739,342	\$ 48,696	\$ 2,322,628	\$ 2,267,812

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CASH FLOWS
For the year ended March 31, 2011

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2011 Total	2010 Total
Cash flows from operating activities						
Excess of revenue over expenditures items not involving cash:	\$ 36,817	\$ 3,189	\$ 13,584	\$ 1,226	\$ 54,816	\$ 63,411
Provision for credit losses	-	-	20,000	-	20,000	21,066
Amortization	14,866	-	-	-	14,866	15,722
Amortization of deferred capital contributions	(2,857)	-	-	-	(2,857)	(2,857)
	48,826	3,189	33,584	1,226	86,825	97,342
Net change in non-cash working capital items						
Accounts receivable	(5,716)	-	-	-	(5,716)	(64)
Prepaid expenses	(4,763)	-	-	-	(4,763)	-
Accounts payable and accrued liabilities	2,228	-	-	-	2,228	(7,484)
Contingent liability	-	60,000	-	-	60,000	-
	40,575	63,189	33,584	1,226	138,574	89,794
Cash flows from investing activities						
Purchase of property and equipment	(9,245)	-	-	-	(9,245)	-
Windup of subsidiary	-	-	-	-	-	5,987
Loan advances	-	(454,838)	(144,591)	-	(599,429)	(524,333)
Loan payments received	-	272,446	86,982	4,989	364,417	714,860
Accrued interest on loan portfolio	-	(2,699)	(209)	32	8,740	8,736
	(9,245)	(185,091)	(57,818)	5,021	(235,517)	205,250
Increase (decrease) in cash and cash equivalents	31,330	(121,902)	(24,234)	6,247	(108,559)	297,832
Cash and cash equivalents, beginning of year	47,733	949,334	1,281,843	236,675	2,515,585	2,217,755
Cash and cash equivalents, end of year	\$ 79,063	\$ 827,432	\$ 1,257,609	\$ 242,922	\$ 2,407,026	\$ 2,515,585

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2011

1. Nature of operations

Community Futures Alberta Southwest 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 organization 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) Financial instruments

Cash and short-term investments have been classified as held-for-trading and are reported at estimated fair value.

Accounts receivable and loans receivable have been classified as loans and receivables and are reported at amortized cost using the effective interest method.

Accounts payable and accrued liabilities have been classified as other financial liabilities and are reported at amortized cost using the effective interest method.

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

(b) 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.

(c) Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment 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.

(d) Allowance for impaired loans

The organization 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.

2 Significant accounting policies, continued

(e) Fund accounting

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

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 organization's property and equipment.

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. 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 \$150,000.

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 organization 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.

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2011

2 Significant accounting policies, continued

(f) 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

A significant area requiring the use of management's estimates is the allowance for loan impairment. This estimate reflects management's best estimate based on the conditions and information available at the time of the preparation of the financial statements. Significant changes in these conditions could result in a different impairment of loan balances.

(g) Equity in property and equipment

The organization has chosen to continue to treat equity in property and equipment as a separate component of fund balances.

3. Cash and short-term investments

Included in cash and short-term investments is a treasury bill of \$72,103 (2010 - \$1,019,842) bearing interest at 0.25% and with no maturity date, investments held at the Community Futures Lending and Investment Pool (CFLIP) of \$1,051,439 (cost of \$1,046,728). The 2010 CFLIP balance was \$1,023,204 (cost of \$1,025,175). In addition, cash includes term deposits totaling \$750,000 (2010 - \$0) bearing interest at rates between 1.15% - 1.75%, maturing between September 2011 and September 2012.

4. Loans receivable

	Loans receivable	Accrued interest	Allowance	Carrying value	Current portion	Long-term portion
Non-repayable	\$ 666,333	\$ 4,532	\$ -	\$ 670,865	\$ 63,183	\$ 607,682
Repayable	311,460	10,273	(40,000)	281,733	29,533	252,200
Disability	5,739	35	-	5,774	544	5,230
	\$ 983,532	\$ 14,840	\$ (40,000)	\$ 958,372	\$ 93,260	\$ 865,112

5. Property and equipment

	Carrying value		Long-term portion	
	Cost	Accumulated amortization	Net	Net
Computer equipment	\$ 103,071	\$ 103,071	\$ -	\$ 8,625
Furniture and equipment	84,597	73,395	11,202	7,274
Leasehold improvements	24,659	24,195	464	1,388
	\$ 212,327	\$ 200,661	\$ 11,666	\$ 17,287

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2011

6. Repayable investment funds

Western Economic Diversification contributions are required to be maintained in particular funds. These contributions are available solely for the mandate of each fund.

In prior years, Western Economic Diversification provided contributions totaling \$1,000,000 to improve access to capital for qualifying business.

Upon notice of the Minister of Western Economic Development (the "Minister"), the organization must repay the lesser of the uncommitted cash balance with each of these funds and the amount of the repayable contributions within each fund. As of March 31, 2011 no such notice has been given by the Minister.

7. Contingency

The organization has been named in a claim for wrongful dismissal by a former employee. Management feels there is a reasonable likelihood that the claim will be unsuccessful and no expense will be incurred by the organization. However, due to the uncertainty of future resolution of the claim, an accrual for a potential settlement has been included in these financial statements. The actual settlement could be more or less than the amount accrued.

8. Donated materials and services

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

9. Economic dependence

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

10. Financial instruments

Credit risk

The organization is exposed to credit risk on the loans receivable from its customers. In order to reduce its credit risk, the organization has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their loan portfolio. The organization 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 organization for loans with similar terms.

Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the organization's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets. At March 31, 2011, the increase or decrease in net earnings for each one percent change in interest rates would not have a significant effect on net earnings.

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2011

11. Capital disclosures

The organization's objective when managing capital is to safeguard its ability to continue as a going concern, in order that it can continue to meet the purpose for which it was formed.

The organization sets the amount of capital in proportion to risk, and manages the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the organization monitors and may adjust amounts spent.

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.

COMMUNITY FUTURES ALBERTA SOUTHWEST
SCHEDULE 1
STATEMENT OF EXPENDITURES
As at March 31, 2011

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2011 Total	2010 Total
Expenditures						
Wages and benefits	\$ 164,539	\$ -	\$ -	\$ -	\$ 164,539	\$ 170,211
Contingent loss (note 7)	-	60,000	-	-	60,000	-
Bad debts	-	-	20,000	-	20,000	21,066
Rent	18,741	-	-	-	18,741	18,741
Board member expenses	14,444	-	-	-	14,444	19,912
Professional fees	13,998	-	-	-	13,998	11,005
Travel	10,918	-	-	-	10,918	17,678
Telephone and fax	9,737	-	-	-	9,737	11,540
Community economic development	7,687	-	-	-	7,687	7,033
Advertising and promotion	6,907	-	-	-	6,907	10,614
Office and administration	6,673	-	-	-	6,673	12,171
Contract service	5,400	-	-	-	5,400	5,400
Insurance	3,164	-	-	-	3,164	3,114
Staff meetings/conferences	3,068	-	-	-	3,068	8,392
Memberships and subscriptions	2,287	-	-	-	2,287	2,527
Program and contract delivery	1,384	-	-	-	1,384	1,384
Equipment repairs and maintenance	379	-	-	-	379	2,175
Resource materials	345	-	-	-	345	256
Electronic ex-net	163	-	-	-	163	184
Amortization	14,866	-	-	-	14,866	15,722
	\$ 284,700	\$ 60,000	\$ 20,000	\$ -	\$ 364,700	\$ 339,125