

COMMUNITY FUTURES ALBERTA SOUTHWEST

Financial Statements

For the year ended March 31, 2010

COMMUNITY FUTURES ALBERTA SOUTHWEST

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AUDITORS' REPORT

To: The Board of Directors of
Community Futures Alberta Southwest

We have audited the statement of financial position of Community Futures Alberta Southwest as at March 31, 2010 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 organization'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 Community Futures Alberta Southwest as at March 31, 2010 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 2, 2010

Young Parkyn McNab LLP

Chartered Accountants

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF FINANCIAL POSITION
As at March 31, 2010

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2010 Total	2009 Total
ASSETS						
Current assets						
Cash and short-term investments (note 3)	\$ 47,733	\$ 949,334	\$ 1,281,843	\$ 236,675	\$ 2,515,585	\$ 2,217,755
Accounts receivable	2,558	-	-	-	2,558	2,494
Current portion of loan receivable	-	44,118	23,180	978	68,276	86,905
Loans receivable (note 4)	50,291	993,452	1,305,023	237,653	2,586,419	2,307,154
Investment in subsidiary	-	441,657	220,735	9,816	672,208	875,630
Property and equipment (note 5)	17,287	-	-	-	17,287	33,009
	\$ 67,578	\$ 1,435,109	\$ 1,525,758	\$ 247,469	\$ 3,275,914	\$ 3,222,845

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2010 Total	2009 Total
LIABILITIES AND FUND BALANCES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 5,245	\$ -	\$ -	\$ -	\$ 5,245	\$ 12,730
Unamortized deferred capital contributions	2,857	-	-	-	2,857	5,714
Repayable investment funds (note 6)	-	-	800,000	200,000	1,000,000	1,000,000
	8,102	-	800,000	200,000	1,008,102	1,018,444
Contingency (note 7)						
Fund balances						
Unrestricted	45,046	-	-	-	45,046	18,190
Externally restricted	-	1,435,109	725,758	47,469	2,208,336	2,158,916
Invested in property and equipment	14,430	-	-	-	14,430	27,295
	59,476	1,435,109	725,758	47,469	2,267,812	2,204,401
	\$ 67,578	\$ 1,435,109	\$ 1,525,758	\$ 247,469	\$ 3,275,914	\$ 3,222,845

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF OPERATIONS
For the year ended March 31, 2010

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2010 Total	2009 Total
Revenue						
Operating grants	\$ 294,963	\$ -	\$ -	\$ -	\$ 294,963	\$ 289,179
Investment income - clients - bank	-	38,440	26,356	4,892	69,688	123,436
Town of Pincher Creek (note 8)	1,344	2,331	11,708	693	16,076	22,511
Miscellaneous	12,000	-	-	-	12,000	12,000
Amortization of deferred capital contributions	6,952	-	-	-	6,952	4,446
S.E.A. grant	2,857	-	-	-	2,857	2,857
Equity in earnings of subsidiary	-	-	-	-	-	3,600
	-	-	-	-	-	(26,361)
	318,116	40,771	38,064	5,585	402,536	431,668
Expenditures (schedule 1)	319,125	-	20,000	-	339,125	355,252
Excess of revenue over expenditures	\$ (1,009)	\$ 40,771	\$ 18,064	\$ 5,585	\$ 63,411	\$ 76,416

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended March 31, 2010

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2010 Total	2009 Total
Fund balances						
Equity in property and equipment, beginning of year	\$ 27,295	\$ -	\$ -	\$ -	\$ 27,295	\$ 42,300
Amortization of deferred capital contributions	2,857	-	-	-	2,857	2,857
Amortization	(15,722)	-	-	-	(15,722)	(17,862)
Equity in property and equipment, end of year	14,430	-	-	-	14,430	27,295
Externally restricted funds, beginning of year	-	1,409,338	707,694	41,884	2,158,916	2,027,211
Excess of revenue over expenditures	-	40,771	18,064	5,585	64,420	131,705
Interfund transfers	-	(15,000)	-	-	(15,000)	-
Externally restricted funds, end of year	-	1,435,109	725,758	47,469	2,208,336	2,158,916
Unrestricted funds, beginning of year	18,190	-	-	-	18,190	58,474
Excess of revenue over expenditures	(1,009)	-	-	-	(1,009)	(55,289)
Amortization of deferred capital contributions	(2,857)	-	-	-	(2,857)	(2,857)
Amortization	15,722	-	-	-	15,722	17,862
Interfund transfers	15,000	-	-	-	15,000	-
Unrestricted funds, end of year	45,046	-	-	-	45,046	18,190
	\$ 59,476	\$ 1,435,109	\$ 725,758	\$ 47,469	\$ 2,267,812	\$ 2,204,401

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CASH FLOWS
For the year ended March 31, 2010

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2010 Total	2009 Total
Cash flows from operating activities						
Excess of revenue over expenditures	\$ (1,009)	\$ 40,771	\$ 18,064	\$ 5,585	\$ 63,411	\$ 76,416
Items not involving cash:						
Provision for credit losses	1,066	-	20,000	-	21,066	13,728
Amortization	15,722	-	-	-	15,722	17,862
Amortization of deferred capital contributions	(2,857)	-	-	-	(2,857)	(2,857)
Equity in earnings of subsidiary	-	-	-	-	-	26,361
	12,922	40,771	38,064	5,585	97,342	131,510
Net change in non-cash working capital items						
Accounts receivable	(64)	-	-	-	(64)	88,711
Accounts payable and accrued liabilities	(7,484)	-	-	-	(7,484)	(28,452)
	5,374	40,771	38,064	5,585	89,794	191,769
Cash flows from investing activities						
Windup of subsidiary	5,987	-	-	-	5,987	-
Loan advances	-	(481,125)	(28,591)	(14,617)	(524,333)	(190,528)
Loan payments received	-	457,324	124,846	132,690	714,860	1,018,164
Accrued interest on loan portfolio	-	12,700	(2,151)	975	8,736	(1,593)
	5,987	(11,101)	94,104	119,048	205,250	826,043
Cash flows from financing activities						
Interfund transfers	15,000	(15,000)	-	-	-	-
Increase (decrease) in cash and cash equivalents	26,361	14,670	132,168	124,633	297,832	1,017,812
Cash and cash equivalents, beginning of year	21,372	934,664	1,149,675	112,042	2,217,755	1,199,943
Cash and cash equivalents, end of year	\$ 47,733	\$ 949,334	\$ 1,281,843	\$ 236,675	\$ 2,515,585	\$ 2,217,755

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2010

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, 2010

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 \$1,019,842 (2009 - \$1,715,722 bearing interest at 0.25% and with no maturity date. Also included are investments held at the Community Futures Lending and Investment Pool of \$1,025,175 (2009 - \$13,363).

4. **Loans receivable**

	Loans receivable	Accrued loan interest receivable	Allowance for impaired loans	2010	2009
Non-repayable	\$ 439,609	\$ 2,048	\$ -	\$ 441,657	\$ 387,769
Repayable	230,971	9,764	(20,000)	220,735	358,019
Disability	9,750	66	-	9,816	129,842
	<u>\$ 680,330</u>	<u>\$ 11,878</u>	<u>\$ (20,000)</u>	<u>\$ 672,208</u>	<u>\$ 875,630</u>

5. **Property and equipment**

	Cost	Accumulated amortization	Net	2010	2009
Computer equipment	\$ 103,072	\$ 94,447	\$ 8,625	\$ 17,366	\$ 17,366
Furniture and equipment	75,351	68,077	7,274	13,232	13,232
Leasehold improvements	24,659	23,271	1,388	2,411	2,411
	<u>\$ 203,082</u>	<u>\$ 185,795</u>	<u>\$ 17,287</u>	<u>\$ 33,009</u>	<u>\$ 33,009</u>

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2010

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, 2010 no such notice has been given by the Minister.

7. Contingency

The organization has been named in a claim of wrongful dismissal of a former employee. 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 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, 2010, 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, 2010

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, 2010

	Operating fund	Non-repayable investment fund	Repayable investment fund	Repayable Disability fund	2010 Total	2009 Total
Expenditures						
Wages and benefits	\$ 170,211	\$ -	\$ -	\$ -	\$ 170,211	\$ 133,300
Bad debts	1,066	-	20,000	-	21,066	13,728
Board member expenses	19,912	-	-	-	19,912	12,599
Rent	18,741	-	-	-	18,741	18,741
Travel	17,678	-	-	-	17,678	11,296
Office and administration	12,171	-	-	-	12,171	5,463
Telephone and fax	11,540	-	-	-	11,540	12,263
Professional fees	11,005	-	-	-	11,005	21,723
Advertising and promotion	10,614	-	-	-	10,614	4,905
Staff meetings/conferences	8,392	-	-	-	8,392	17,181
Community economic development	7,033	-	-	-	7,033	9,765
Contract service	5,400	-	-	-	5,400	6,272
Insurance	3,114	-	-	-	3,114	3,058
Memberships and subscriptions	2,527	-	-	-	2,527	2,386
Equipment repairs and maintenance	2,175	-	-	-	2,175	3,796
Program and contract delivery	1,384	-	-	-	1,384	3,132
Resource materials	256	-	-	-	256	217
Electronic ex-net	184	-	-	-	184	316
2008 operating grant repayment	-	-	-	-	-	57,249
Amortization	15,722	-	-	-	15,722	17,862
	\$ 319,125	\$ -	\$ 20,000	\$ -	\$ 339,125	\$ 355,252