

**COMMUNITY FUTURES ALBERTA SOUTHWEST**

**Financial Statements**

**For the year ended March 31, 2012**

---

# COMMUNITY FUTURES ALBERTA SOUTHWEST

## TABLE OF CONTENTS

For the year ended March 31, 2012

---

<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF OPERATIONS	3
STATEMENT OF CHANGES IN FUND BALANCES	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 10
SCHEDULE TO THE FINANCIAL STATEMENTS	11

## 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, 2012, 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 auditor considers 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, 2012 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 19, 2012



Chartered Accountants

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**STATEMENT OF FINANCIAL POSITION**  
As at March 31, 2012

	Operating fund	Loan investment funds		2012 Total	2011 Total
		Non-repayable	Repayable		
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and short-term investments (note 4)	\$ 150,896	\$ 849,035	\$ 1,302,030	\$ 243,126	\$ 2,545,087
Accounts receivable	5,257	-	-	-	5,257
Prepaid expenses	2,563	-	-	-	2,563
Interfund receivable	-	60,000	-	6,247	66,247
Current portion of loan receivable	-	57,461	29,993	34	87,488
	158,716	966,496	1,332,023	249,407	2,706,642
<b>Loans receivable (note 5)</b>	-	560,101	275,800	329	836,230
	7,781	-	-	-	7,781
<b>Property and equipment (note 6)</b>	\$ 166,497	\$ 1,526,597	\$ 1,607,823	\$ 249,736	\$ 3,550,653
					\$ 3,390,101

**LIABILITIES AND FUND BALANCES**

<b>Current liabilities</b>					
Accounts payable and accrued liabilities	\$ 71,013	\$ -	\$ -	\$ -	\$ 71,013
Interfund payable	42,013	-	24,234	-	66,247
Contingent liability (note 9)	-	-	-	-	60,000
	113,026	-	24,234	-	137,260
	-	-	800,000	200,000	1,000,000
<b>Repayable investment funds (note 7)</b>	113,026	-	824,234	200,000	1,137,260
					1,067,473
<b>Fund balances</b>					
Unrestricted	45,690	-	-	-	45,690
Externally restricted	-	1,526,597	783,589	49,736	2,359,922
Invested in property and equipment	7,781	-	-	-	7,781
	53,471	1,526,597	783,589	49,736	2,413,393
	\$ 166,497	\$ 1,526,597	\$ 1,607,823	\$ 249,736	\$ 3,550,653
					\$ 3,390,101

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**STATEMENT OF OPERATIONS**  
For the year ended March 31, 2012

	Operating fund	Loan investment funds			2011 Total
		Non-repayable	Repayable	Repayable Disability	
<b>Revenue</b>					
Operating grants	\$ 294,963	\$ -	\$ -	\$ -	\$ 294,963
Investment income - clients	-	52,937	21,866	249	75,052
- bank	1,564	23,363	12,009	791	37,727
Town of Pincher Creek (note 8)	12,000	-	-	-	12,000
Miscellaneous	6,705	-	-	-	6,705
Amortization of deferred capital contributions	-	-	-	-	-
Unrealized gain on investments	-	-	10,372	-	10,372
	315,232	76,300	44,247	1,040	436,819
<b>Expenditures (schedule 1)</b>	346,054	-	-	-	346,054
<b>Excess of revenue over expenditures</b>	\$ (30,822)	\$ 76,300	\$ 44,247	\$ 1,040	\$ 90,765
					\$ 54,816

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
For the year ended March 31, 2012

	Operating fund	Loan investment funds			2012 Total	2011 Total
		Non-repayable	Repayable	Repayable Disability		
<b>Fund balances</b>						
<b>Equity in property and equipment, beginning of year</b>	\$ 11,666	\$ -	\$ -	\$ -	\$ 11,666	\$ 14,430
Purchase of property and equipment	666	-	-	-	666	9,245
Amortization of deferred capital contributions	-	-	-	-	-	2,857
Amortization	(4,551)	-	-	-	(4,551)	(14,866)
<b>Equity in property and equipment, end of year</b>	<b>7,781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,781</b>	<b>11,666</b>
<b>Externally restricted funds, beginning of year</b>						
Excess of revenue over expenditures	-	1,438,297	739,342	48,696	2,226,335	2,208,336
Interfund transfers (note 9)	-	76,300	44,247	1,040	121,587	17,999
	-	12,000	-	-	12,000	-
<b>Externally restricted funds, end of year</b>	<b>-</b>	<b>1,526,597</b>	<b>783,589</b>	<b>49,736</b>	<b>2,359,922</b>	<b>2,226,335</b>
<b>Unrestricted funds, beginning of year</b>						
Purchase of property and equipment	84,627	-	-	-	84,627	45,046
Excess of revenue over expenditures	(666)	-	-	-	(666)	(9,245)
Amortization of deferred capital contributions	(30,822)	-	-	-	(30,822)	36,817
Amortization	-	-	-	-	-	(2,857)
Interfund transfers (note 9)	4,551	-	-	-	4,551	14,866
	(12,000)	-	-	-	(12,000)	-
<b>Unrestricted funds, end of year</b>	<b>45,690</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,690</b>	<b>84,627</b>
	\$ 53,471	\$ 1,526,597	\$ 783,589	\$ 49,736	\$ 2,413,393	\$ 2,322,628

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**STATEMENT OF CASH FLOWS**  
For the year ended March 31, 2012

	Loan investment funds				2012 Total	2011 Total
	Operating fund	Non- repayable	Repayable	Repayable Disability		
<b>Cash flows from operating activities</b>						
Excess of revenue over expenditures items not involving cash:	\$ (30,822)	\$ 76,300	\$ 44,247	\$ 1,040	\$ 90,765	\$ 54,816
Provision for credit losses	-	-	-	-	-	20,000
Amortization	4,551	-	-	-	4,551	14,866
Amortization of deferred capital contributions	-	-	-	-	-	(2,857)
	(26,271)	76,300	44,247	1,040	95,316	86,825
<b>Net change in non-cash working capital items</b>						
Accounts receivable	3,017	-	-	-	3,017	(5,716)
Prepaid expenses	2,200	-	-	-	2,200	(4,763)
Accounts payable and accrued liabilities	63,540	-	-	-	63,540	2,228
Contingent liability	-	(60,000)	-	-	(60,000)	60,000
	42,486	16,300	44,247	1,040	104,073	138,574
<b>Cash flows from investing activities</b>						
Purchase of property and equipment	(666)	-	-	-	(666)	(9,245)
Loan advances	-	(343,427)	(115,472)	-	(458,899)	(599,429)
Loan payments received	-	395,426	89,370	5,378	490,174	364,417
Accrued interest on loan portfolio	-	1,304	2,042	33	3,379	(2,876)
	(666)	53,303	(24,060)	5,411	33,988	(247,133)
<b>Cash flows from financing activities</b>						
Interfund transfers	48,000	(48,000)	-	-	-	-
<b>Increase (decrease) in cash and cash equivalents</b>	89,820	21,603	20,187	6,451	138,061	(108,559)
<b>Cash and cash equivalents, beginning of year</b>	61,076	827,432	1,281,843	236,675	2,407,026	2,515,585
<b>Cash and cash equivalents, end of year</b>	\$ 150,896	\$ 849,035	\$ 1,302,030	\$ 243,126	\$ 2,545,087	\$ 2,407,026

---

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at March 31, 2012**

---

**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.



---

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at March 31, 2012

---

**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, 2012

**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. Accounting pronouncement**

The Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) have each issued new accounting standards for not-for-profit organizations (NPOs) effective for fiscal years beginning on or after January 1, 2012. The PSAB standards (with optional add-on NPO standards) will apply to any NPOs that are controlled by a government; otherwise, the AcSB standards will apply. In either case, NPOs will have the option of adopting International Financial Reporting Standards. The future impact of these standards is being evaluated by management, but is not known or reasonably estimable at this time.

**4. Cash and short-term investments**

Included in cash and short-term investments is a treasury bill of \$77,119 (2011 - \$72,103) bearing interest at 0.60% with no maturity date and investments held at the Community Futures Lending and Investment Pool (CFLIP) of \$1,592,625 (cost of \$1,577,543). The 2011 CFLIP balance was \$1,051,439 (cost of \$1,046,728). In addition, cash includes a guaranteed investment certificate for \$250,000 (2011 - \$750,000) bearing interest at 1.750% (2011 - 1.15% to 1.75%). The investment matures in September 2012.

**5. Loans receivable**

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 7.00% to 11.25% with monthly blended principal and interest repayments amortized for terms of between 12 and 180 months. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering personal and business assets, assignment of insurance and mortgages on land and buildings.

	Loans receivable	Accrued interest	Allowance	Carrying value	Current portion	Long-term portion
Non-repayable	\$ 614,334	\$ 3,228	\$ -	\$ 617,562	\$ 57,461	\$ 560,101
Repayable	337,562	8,231	(40,000)	305,793	29,993	275,800
Disability	361	2	-	363	34	329
	<b>\$ 952,257</b>	<b>\$ 11,461</b>	<b>\$ (40,000)</b>	<b>\$ 923,718</b>	<b>\$ 87,488</b>	<b>\$ 836,230</b>

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at March 31, 2012

**6. Property and equipment**

	2012		2011	
	Cost	Accumulated amortization	Net	Net
Computer equipment	\$ 103,737	\$ 103,167	\$ 570	\$ 1
Furniture and equipment	84,597	77,386	7,211	11,201
Leasehold improvements	24,659	24,659	-	464
	<b>\$ 212,993</b>	<b>\$ 205,212</b>	<b>\$ 7,781</b>	<b>\$ 11,666</b>

**7. 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, 2012 no such notice has been given by the Minister.

**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. Interfund transfers**

In the prior year, \$60,000 was recognized as a contingent loss funded by the non-repayable investment fund. In the current year, approval was received from Western Economic Diversification to transfer \$48,000 from the non-repayable investment fund for certain settlement costs. As a result, the net difference of \$12,000 was transferred from the operating fund to the non-repayable investment fund to reimburse the over expenditure in the prior year.

**10. Economic dependence**

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

**11. 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.

---

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at March 31, 2012**

---

**11 Financial instruments, continued**

**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, 2012, the increase or decrease in net earnings for each one percent change in interest rates would not have a significant effect on net earnings.

**12. 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.

**13 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, 2012**

	Operating fund	Loan investment funds			2011 Total
		Non-repayable	Repayable	Repayable Disability	
<b>Expenditures</b>					
Wages and benefits	\$ 189,857	\$ -	\$ -	\$ -	\$ 189,857
Settlement cost	37,064	-	-	-	37,064
Rent	18,741	-	-	-	18,741
Professional fees	14,197	-	-	-	14,197
Board member expenses	13,943	-	-	-	13,943
Office and administration	10,525	-	-	-	10,525
Travel	10,261	-	-	-	10,261
Telephone and fax	9,813	-	-	-	9,813
Advertising and promotion	9,716	-	-	-	9,716
Community economic development	8,442	-	-	-	8,442
Staff meetings/conferences	7,912	-	-	-	7,912
Contract service	5,400	-	-	-	5,400
Memberships and subscriptions	1,844	-	-	-	1,844
Insurance	1,618	-	-	-	1,618
Program and contract delivery	1,435	-	-	-	1,435
Equipment repairs and maintenance	715	-	-	-	715
Electronic ex-net	20	-	-	-	20
Bad debts	-	-	-	-	-
Resource materials	-	-	-	-	-
Amortization	4,551	-	-	-	4,551
	\$ 346,054	\$ -	\$ -	\$ -	\$ 346,054
					\$ 364,700