

**COMMUNITY FUTURES DEVELOPMENT
CORPORATION OF STUART NECHAKO**

FINANCIAL STATEMENTS

MARCH 31, 2010

Auditor's Reports

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Notes to the Financial Statements

KENNETH B. SIMON CORP.
CHARTERED ACCOUNTANTS

P.O. BOX 410, 2375 BURRARD AVE., VANDERHOOF, B.C., CANADA V0J 3A0
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AUDITOR'S REPORT

To the Directors of Community Futures Development Corporation of Stuart Nechako:

We have audited the statement of financial position of Community Futures Development Corporation of Stuart Nechako as at March 31, 2010 and the statements of operations, changes in net assets, changes in investment in capital assets 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 Community Futures Development Corporation of Stuart Nechako as at March 31, 2010 and the results of its operations and changes in fund balances, and changes in cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Vanderhoof, British Columbia

July 15, 2010

KENNETH B. SIMON CORP.
CHARTERED ACCOUNTANTS

P.O. BOX 410, 2375 BURRARD AVE., VANDERHOOF, B.C., CANADA V0J 3A0
PHONE: (250) 567-3155 FAX: (250) 567-3872

**AUDITOR'S REPORT
ON COMPLIANCE WITH AGREEMENT**

To Western Economic Diversification

We have audited the Community Futures Development Corporation of Stuart Nechako's compliance as at March 31, 2010 with the criteria established in the Contribution Agreement between Western Economic Diversification and the corporation dated April 24, 2006 with the effective date April 1, 2006 and the interpretation of the agreement as set out in Note 1 to the financial statements. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of the corporation. Our responsibility is to express an opinion on this compliance 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 corporation complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluation the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, as at March 31, 2010, the Community Futures Development Corporation of Stuart Nechako is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

Vanderhoof, British Columbia

July 15, 2010


CHARTERED ACCOUNTANTS

STATEMENT 2

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2010

						<u>2010</u>	<u>2009</u>
	Disabled Entrepreneur Investment Program	Business Loans	Forest Community Business Loans	Unrestricted Funds	General Funds	Total	Total
Balance, opening	\$ (45,782)	\$ 459,287	\$ 369,936	\$ 283,633	\$ 6,127	\$ 1,073,201	\$ 1,098,491
Revenue	3,414	57,136	18,892	32,112	332,131	443,685	535,606
Expenses	-	<u>62,840</u>	-	<u>3,134</u>	<u>374,313</u>	<u>440,287</u>	<u>560,896</u>
Excess revenue (expenses) (Statement 1)	<u>3,414</u>	<u>(5,704)</u>	<u>18,892</u>	<u>28,978</u>	<u>(42,182)</u>	<u>3,398</u>	<u>(25,290)</u>
Fund balance transfers	-	-	<u>(18,892)</u>	<u>(17,163)</u>	<u>36,055</u>	-	-
Balance, closing (Statement 4)	\$ (42,368)	\$ 453,583	\$ 369,936	\$ 295,448	\$ -	\$ 1,076,599	\$ 1,073,201

STATEMENT 3

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CHANGES IN INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2010

	<u>2010</u>	<u>2009</u>
BALANCE, OPENING	\$ 24,031	\$ 30,771
Depreciation expense	<u>(6,656)</u>	<u>(6,740)</u>
BALANCE, CLOSING (Statement 4)	<u>\$ 17,375</u>	<u>\$ 24,031</u>

STATEMENT 4

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO
FINANCIAL POSITION
AS AT MARCH 31, 2010

	Disabled Entrepreneur Investment Program	Business Loans	Forest Community Business Loans	Unrestricted Funds	General Funds	2010 Total	2009 Total
ASSETS							
CURRENT							
Cash (cheques issued in excess of cash)	\$ 13,278	\$ 252,540	\$ 255,035	\$ 75,778	\$ (45,510)	\$ 551,121	\$ 652,824
Accounts receivable	-	-	-	-	3,035	3,035	455
GST refundable	-	-	-	-	1,563	1,563	2,335
Payroll advances	-	-	-	-	2,700	2,700	-
Interfund receivable	58,475	616,222	-	67,429	41,158	783,284	774,080
Prepaid expenses	-	-	-	-	6,059	6,059	1,960
	<u>71,753</u>	<u>868,762</u>	<u>255,035</u>	<u>143,207</u>	<u>9,005</u>	<u>1,347,762</u>	<u>1,431,654</u>
LOANS RECEIVABLE, net of allowance for impaired loans (Notes 3 and 4)	85,879	884,821	898,185	142,145	-	2,011,030	2,015,771
INVESTMENTS (Note 5)	-	-	-	160,096	-	160,096	60,295
CAPITAL (Notes 2 and 6)	<u>157,632</u>	<u>1,753,583</u>	<u>1,153,220</u>	<u>445,448</u>	<u>26,380</u>	<u>3,536,263</u>	<u>3,531,751</u>
	\$ -	\$ -	\$ -	\$ -	\$ 4,360	\$ 4,360	\$ 10,439
LIABILITIES							
CURRENT							
Accounts payable	-	-	-	-	4,645	4,645	-
Government remittances payable	-	-	-	-	-	-	-
Interfund payable	-	-	783,284	-	-	783,284	774,080
	-	-	783,284	-	9,005	792,289	784,519
DUE TO GROWTHSTART FUND (Note 7)	-	-	-	150,000	-	150,000	150,000
CONDITIONALLY REPAYABLE INVESTMENT FUND CONTRIBUTIONS (Note 8)	200,000	1,300,000	-	-	-	1,500,000	1,500,000
NET ASSETS	(42,368)	453,583	369,936	295,448	-	781,151	783,441
RESTRICTED FUNDS (Statement 2) (Notes 8 and 9)	-	-	-	295,448	-	295,448	283,633
UNRESTRICTED FUNDS (Statement 2)	-	-	-	-	17,375	17,375	24,031
INVESTMENT IN CAPITAL ASSETS (Statement 3)	-	-	-	-	-	-	-
NET ASSETS (Statement 2)	<u>157,632</u>	<u>1,753,583</u>	<u>1,153,220</u>	<u>445,448</u>	<u>26,380</u>	<u>3,536,263</u>	<u>3,531,751</u>

APPROVED BY THE DIRECTORS:

Director

STATEMENT 5
COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2010

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contribution agreements	\$ 316,028	\$ 371,368
Cash received from investments	98	121
Cash received from other sources	13,425	15,314
Cash paid for salaries and benefits	(280,309)	(282,659)
Cash paid for goods and services	(101,465)	(86,707)
	<u>(52,223)</u>	<u>17,437</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans advanced	(552,860)	(931,163)
Repayment of loans	18,530	764,789
Interest and fees received on loans and investments	28,978	153,850
GrowthStart funds (repaid) advanced	-	(220,000)
	<u>47,508</u>	<u>(232,524)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in investments	199	40,711
Investment in Sunrise Bioenergy Limited	(100,000)	-
	<u>199</u>	<u>40,711</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	(52,024)	(174,376)
CASH, OPENING	652,824	827,200
INTERFUND TRANSFERS	-	-
CASH, CLOSING	\$ 551,121	\$ 652,824

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

1. PURPOSE OF THE ORGANIZATION

Community Futures Development Corporation of Stuart Nechako is a non-profit organization incorporated under the Canada Corporations Act. The corporation is charged with the development and implementation of a strategic plan for the community economic development of the Stuart Nechako area in the form of small business advisory and counselling services and loans to qualified applicants. Funding for the corporation is provided through contribution agreements with Western Economic Diversification. The corporation is exempt from income taxes under the Income Tax Act as a non-profit organization.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation follows the restricted method of accounting for contributions.

A. Revenue Recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

B. Capital Asset Valuation and Depreciation

Capital assets are treated as expenditures in the year of acquisition. These assets are carried at cost and accumulated in the statement of financial position. Depreciation is calculated using the declining balance method, except for leasehold improvements which are amortized on a straight line basis, at the rates set out in Note 6.

C. Impairment of Long-Lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

3. INVESTMENT LOANS RECEIVABLE

Outstanding loans to entrepreneurs are interest bearing at variable rates from prime plus 2% with monthly blended principal and interest repayments for terms up to 60 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, building and equipment.

4. ALLOWANCE FOR IMPAIRED LOANS

An allowance for losses on investment loans is made based on expected loan default rates, potential loss ratios and review of loans portfolio, as determined by management, as follows:

	<u>2010</u>	<u>2009</u>
Loan investment fund - general	\$ 62,840	\$ 98,840
Loan investment fund - forestry	<u>8,061</u>	<u>8,061</u>
	<u>\$ 70,901</u>	<u>\$ 106,901</u>

Actual write-off, net of recoveries, will be deducted from the allowance for impaired loans. The provision for impaired loans in the statement of changes in loan fund balances is charged with an amount sufficient to keep the balance in the allowance for impaired loans adequate to absorb all credit related losses.

5. INVESTMENTS

Investments are recorded at cost and consist of the following:

	<u>2010</u>	<u>2009</u>
Investment in PAL (Pooled Asset Lending) Fund (fair market value at March 31, 2010: \$12)	\$ 12	\$ 12
Investment in GrowthStart Fund (fair market value at March 31, 2010: \$60,084)	60,084	60,283
Investment in Sunrise Bioenergy Limited		
10 Class A shares, stated at par value, representing 12.5% interest	10	-
10 Class B shares, stated at par value, representing 12.5% interest	10	-
Shareholder advance	<u>99,980</u>	<u>-</u>
	<u>\$ 160,096</u>	<u>\$ 60,295</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

5. INVESTMENTS (cont.)

Historical information:

	<u>PAL Fund</u>	<u>GrowthStart</u>
Initial investment	\$ 161,333	\$ 100,000
Accumulated investment income	<u>33,539</u>	<u>17,884</u>
	194,872	117,884
Proceeds from redemption and distributions	(179,308)	(57,800)
Reduction in market value	<u>(15,552)</u>	<u>-</u>
Fair market value, March 31, 2010	<u>\$ 12</u>	<u>\$ 60,084</u>

6. CAPITAL ASSETS

		<u>2010</u>			<u>2009</u>
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Office furniture and equipment	20%	\$ 51,042	\$ 46,615	\$ 4,427	\$ 5,534
Computer equipment	30%	68,651	59,903	8,748	12,497
Website	30%	6,000	1,800	4,200	6,000
Leasehold improvements	1/7 S.L.	<u>9,592</u>	<u>9,592</u>	<u>-</u>	<u>-</u>
		<u>\$ 135,285</u>	<u>\$ 117,910</u>	<u>\$ 17,375</u>	<u>\$ 24,031</u>

7. DUE TO GROWTHSTART FUND

The Corporation withdrew a net amount of \$150,000 from the GrowthStart Fund for use as investment funds. Interest is payable monthly at prime minus 1% (1.25% at March 31, 2010) per annum. The GrowthStart Fund is operated jointly by the Credit Union Central of British Columbia and community future corporations for the purpose of making available investment funds to community futures corporations. The Corporation is eligible to borrow up to \$600,000 for investment funds.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

8. CONDITIONALLY REPAYABLE INVESTMENT FUND CONTRIBUTIONS

In 2006 the Department of Western Economic Diversification amended the terms and conditions of its contribution agreement with the corporation. Under the revised terms and conditions the Conditionally Repayable Loan Funds are repayable if any of the following conditions occur:

- a. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the agreement; or
- b. 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
- c. 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
- d. The agreement is terminated as described in Section 12; or
- e. An event of default occurs, as described in Section 7 of the Agreement; or
- f. The Minister does not approve terms and conditions to extend the project beyond March 31, 2011.

9. COMPOSITION OF INVESTMENT FUNDS

The restricted funds balance comprise:

Net Investment Funds Contributed by Western Economic Diversification:

(a) Accumulated net earnings and losses of:		
Business loans fund	\$ 254,820	
Disabled entrepreneur investment fund	(42,368)	
(b) Non-repayable contribution	100,000	
(c) Accumulated net earnings on non-repayable contribution	<u>98,763</u>	411,215

Forest Community Business Program

(a) Original contribution	250,000	
(b) Additional contributions	237,000	
(c) Accumulated net earnings, losses and transfers	<u>(117,064)</u>	<u>369,936</u>

Total of Restricted Funds (Statement 4) \$ 781,151

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

10. FOREST COMMUNITY BUSINESS PROGRAM CONTRIBUTION

The Corporation received \$487,000 from Forest Renewal B.C. for the purpose of providing loans, business counselling and training to small and medium sized Forest Sector Enterprises in British Columbia. As a condition of receiving this funding, the corporation matched the contribution, segregating \$487,000 of its business loans contribution from Western Economic Diversification for Forest Sector Enterprises purposes. The funding agreement with Forest Renewal B.C. can be terminated by either party giving 120 days notice of termination. Upon termination of the agreement, 50% of the Forest Renewal B.C. funds not lent out as at the date of termination of the agreement is to be repaid at the direction of Forest Renewal B.C. As long as the corporation continues in operation, amount equal to 50% of any receipts of principal and interest payments on the loans after the date of termination of the agreement, net of all reasonable costs, up to 15% of the value of the balance of the fund as at the date of termination, are to be repaid on a quarterly basis commencing 90 days following the date of termination, at the direction of Forest Renewal B.C. If the corporation discontinues operations, Forest Renewal B.C. will be given a first assignment and security interest in 50% of the outstanding loans and a 50% undivided interest in all securities obtained for such loans.

11. ECONOMIC DEPENDENCE

The Corporation is economically dependent on Western Economic Diversification Canada for funding. Any disruption of funding from these sources would limit the long term financial viability of the Corporation.

12. 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, the 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. Actual results could differ from those estimates.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

13. FINANCIAL INSTRUMENTS

Credit risk management

The Corporation is exposed to credit risk on the loans receivable from its clients. The Corporation provides credit to its clients in the normal course of its operations. The Corporation determines, on a continuing basis, the probable losses and sets a provision for losses based on the estimated realizable value.

Fair value of financial instruments

The carrying amount of the accounts receivable and accounts payable approximates their fair value because of the short-term maturities of these items.

The carrying amount of loans receivable approximates fair value because the interest rates are close to the market rates.

The fair value of conditionally repayable investment fund contributions is not determinable as it is due without interest with related parties and accordingly cannot be ascertained with reference to similar debt with non-related parties.