

**COMMUNITY FUTURES DEVELOPMENT  
CORPORATION OF STUART NECHAKO**

**FINANCIAL STATEMENTS**

**MARCH 31, 2008**

**Auditor's Reports**

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# **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**

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, 2008 and the statements of operations, changes in net assets, changes in restricted loan fund balances, changes in unrestricted fund balances, 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, 2008 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

May 22, 2008

# **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, 2008 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, 2008, 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

May 22, 2008



**CHARTERED ACCOUNTANTS**

**STATEMENT 1****COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO****COMMUNITY FUTURES****OPERATIONS****FOR THE YEAR ENDED MARCH 31, 2008**

	<u>2008</u>	<u>2007</u>
<b>REVENUE</b>		
Western Economic Diversification - core	\$ 313,756	\$ 297,800
Western Economic Diversification - Community Economic Diversification Initiative	30,063	-
Fees for service	10,186	378
Interest	<u>36</u>	<u>40</u>
	<u>354,041</u>	<u>298,218</u>
<b>EXPENSES</b>		
Wages and employee benefits	255,630	220,316
Insurance, occupancy and maintenance	29,717	28,728
Computer supplies and maintenance	13,386	2,769
Travel and accommodation	10,719	9,853
Advertising and promotion	9,704	4,865
Professional services	8,156	9,886
Telephone, fax and mail	7,909	6,179
Office expense and supplies	7,135	7,693
Capital purchases and lease	3,521	3,174
Fees, dues and licenses (Note 13)	3,195	3,133
Training and development	880	1,669
Printing and reference materials	452	302
Community Futures week	<u>-</u>	<u>758</u>
	<u>350,404</u>	<u>299,325</u>
<b>EXCESS REVENUE (EXPENSES) (Statement 3)</b>	<u>\$ 3,637</u>	<u>\$ (1,107)</u>

**STATEMENT 2**

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO**

**PROGRESS HOUSE - GREEN INDUSTRIAL INITIATIVE**

**OPERATIONS**

**FOR THE YEAR ENDED MARCH 31, 2008**

**2008**

**REVENUE**

National Research Council  
Private contribution

\$ 25,000

26,500

51,500

**EXPENSES**

Consulting contract

51,500

**EXCESS REVENUE (Statement 3)**

\$ -

## STATEMENT 3

## COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2008

	<u>Balance, Opening</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Excess Revenue (Expenses)</u>	<u>Surplus Repayment and Adjustment</u>	<u>Balance, Closing</u> (Statement 7)
Community Futures (Statement 1)	\$ (382)	\$ 354,041	\$ 350,404	\$ 3,637	-	\$ 3,255
Progress House - Green Industrial Initiative (Statement 2)	-	<u>51,500</u>	<u>51,500</u>	-	-	-
Total (Statement 7)	<u>\$ (382)</u>	<u>\$ 405,541</u>	<u>\$ 401,904</u>	<u>\$ 3,637</u>	<u>\$ -</u>	<u>\$ 3,255</u>

## STATEMENT 4

## COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## CHANGES IN RESTRICTED LOAN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2008

	Disabled Entrepreneur Investment Program	Business Loans	Forest Community Business Loans	Total
<b>REVENUE</b>				
Interest on investments	\$ 5,901	\$ 4,211	\$ 5,810	\$ 15,922
Interest on loans	991	71,861	82,005	154,857
Loan fees	<u>25</u>	<u>75</u>	<u>75</u>	<u>175</u>
	6,917	76,147	87,890	170,954
Transfer of interest income	<u>-</u>	<u>43,945</u>	<u>(43,945)</u>	<u>-</u>
	<u>6,917</u>	<u>120,092</u>	<u>43,945</u>	<u>170,954</u>
<b>EXPENSES</b>				
Allocation from Operations				
Wages	-	-	34,895	34,895
Other expenses	<u>-</u>	<u>-</u>	<u>179</u>	<u>179</u>
	<u>-</u>	<u>-</u>	<u>35,074</u>	<u>35,074</u>
<b>EXCESS REVENUE</b>	6,917	120,092	8,871	135,880
<b>BALANCE, OPENING</b>	<u>(57,088)</u>	<u>400,269</u>	<u>361,065</u>	<u>704,246</u>
<b>INVESTMENT FUNDS, CLOSING</b> (Statement 7)	<u>\$ (50,171)</u>	<u>\$ 520,361</u>	<u>\$ 369,936</u>	<u>\$ 840,126</u>

# STATEMENT 5

## COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

### CHANGES IN UNRESTRICTED FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2008

	GrowthStart Fund	Micro Lending Fund	Community Enhancement Fund	Stuart Nechako Fund	Total
<b>REVENUE</b>					
Interest on investments	\$ 3,297	\$ 2,142	\$ 1,201	\$ 3,807	\$ 10,447
Interest and fees on loans	14,348	4,943	-	462	19,753
Commissions	-	-	-	19,770	19,770
	17,645	7,085	1,201	24,039	49,970
<b>EXPENSES</b>					
Interest paid to GrowthStart Fund	13,430	-	-	-	13,430
<b>EXCESS REVENUE</b>	4,215	7,085	1,201	24,039	36,540
<b>BALANCE, OPENING</b>	-	103,588	20,948	94,034	218,570
<b>UNRESTRICTED FUNDS, CLOSING</b>	\$ 4,215	\$ 110,673	\$ 22,149	\$ 118,073	\$ 255,110
(Statement 7)					



STATEMENT 6

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CHANGES IN INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
BALANCE, OPENING	\$ 19,854	\$ 26,303
Capital asset additions during the year	16,010	514
Depreciation expense	<u>(5,093)</u>	<u>(6,963)</u>
BALANCE, CLOSING (Statement 7)	\$ <u>30,771</u>	\$ <u>19,854</u>

## STATEMENT 7

## COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## FINANCIAL POSITION

AS AT MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 3)	\$ 827,200	\$ 490,368
Accounts receivable	13,840	25,583
GST refundable	7,392	5,882
Prepaid expenses	<u>1,844</u>	<u>2,043</u>
	850,276	523,876
<b>LOANS RECEIVABLE, net of allowance for impaired loans</b> (Notes 4 and 5)	2,001,409	1,810,648
<b>INVESTMENTS</b> (Note 6)	131,006	131,000
<b>CAPITAL</b> (Notes 2 and 7)	24,771	19,854
<b>WEBSITE</b>	<u>6,000</u>	<u>-</u>
	<u>\$ 3,013,462</u>	<u>\$ 2,485,378</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	\$ 14,200	\$ 13,882
<b>DUE TO GROWTHSTART FUND</b> (Note 8)	370,000	-
<b>DUE TO NECHAKO-KITAMAAT DEVELOPMENT</b> <b>FUND SOCIETY</b>	-	29,208
<b>CONDITIONALLY REPAYABLE INVESTMENT FUND</b> <b>CONTRIBUTIONS</b> (Note 9)	1,500,000	1,500,000
<b>NET ASSETS</b>		
<b>INVESTMENT FUNDS</b> (Statement 4) (Notes 9 and 10)	840,126	704,246
<b>UNRESTRICTED FUNDS</b> (Statement 5)	255,110	218,570
<b>INVESTMENT IN CAPITAL ASSETS</b> (Statement 6)	30,771	19,854
<b>NET ASSETS (DEFICIENCY)</b> (Statement 3)	<u>3,255</u>	<u>(382)</u>
	<u>\$ 3,013,462</u>	<u>\$ 2,485,378</u>

APPROVED BY THE DIRECTORS:

 Director

 Director

## STATEMENT 8

## COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contribution agreements	\$ 356,248	\$ 476,907
Cash received from investments	36	40
Cash received from other sources	61,000	357
Cash paid for salaries and benefits	(290,525)	(346,254)
Cash paid for goods and services	<u>(131,257)</u>	<u>(148,729)</u>
	<u>(4,498)</u>	<u>(17,679)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans advanced	(1,526,962)	(1,214,997)
Repayment of loans	1,336,201	969,458
Interest and fees received on loans and investments	207,315	177,646
GrowthStart funds advanced	370,000	-
Repayment to Nechako-Kitamaat Development Fund Society	<u>(29,208)</u>	<u>(4,026)</u>
	<u>357,346</u>	<u>(71,919)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in investments	(6)	(139)
Acquisition and lease of capital assets	<u>(16,010)</u>	<u>(514)</u>
	<u>(16,016)</u>	<u>(653)</u>
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	336,832	(90,251)
<b>CASH, OPENING</b>	<u>490,368</u>	<u>580,619</u>
<b>CASH, CLOSING</b>	<u>\$ 827,200</u>	<u>\$ 490,368</u>

# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

### 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 deferral 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 Assets

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 7.

#### 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.

### 3. CASH

	<u>2008</u>	<u>2007</u>
Operating account	\$ 51,028	\$ 25,774
Investment funds accounts	<u>776,172</u>	<u>464,594</u>
	<u>\$ 827,200</u>	<u>\$ 490,368</u>

Integrus Credit Union line of credit is secured by general security agreement over all assets of the corporation. Interest is payable at prime plus 1% (6.25% at March 31, 2008). Current line of credit limit is \$45,000.

# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

### 4. 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.

### 5. 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>2008</u>	<u>2007</u>
Loan investment fund - general	\$ 28,990	\$ 87,158
Loan investment fund - forestry	<u>-</u>	<u>63,873</u>
	<u>\$ 28,990</u>	<u>\$ 151,031</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.

### 6. INVESTMENTS

Investments are recorded at cost and consist of the following:

	<u>2008</u>	<u>2007</u>
Investment in PAL (Pooled Asset Lending) Fund (fair market value at March 31, 2008: \$12)	\$ 12	\$ 12
Investment in GrowthStart Fund (fair market value at March 31, 2008: \$100,994)	100,994	100,988
Investment in Canadian Broadband and Technology Cooperative 30 Class A investment shares	<u>30,000</u>	<u>30,000</u>
	<u>\$ 131,006</u>	<u>\$ 131,000</u>

# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

### 6. 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>14,739</u>
	194,872	114,739
Proceeds from redemption and distributions	(179,308)	(13,745)
Reduction in market value	<u>(15,552)</u>	<u>-</u>
Fair market value, March 31, 2008	\$ <u>12</u>	\$ <u>100,994</u>

### 7. CAPITAL ASSETS

		<u>2008</u>			<u>2007</u>
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements	1/7 S.L.	\$ 9,592	\$ 9,592	\$ -	\$ -
Office furniture and equipment	20%	51,042	44,124	6,918	8,648
Computer equipment	30%	<u>68,651</u>	<u>50,798</u>	<u>17,853</u>	<u>11,206</u>
		\$ <u>129,285</u>	\$ <u>104,514</u>	\$ <u>24,771</u>	\$ <u>19,854</u>

### 8. DUE TO GROWTHSTART FUND

The Corporation withdrew \$370,000 from the GrowthStart Fund for use as investment funds. Interest is payable monthly at prime minus 1% (4.25% at March 31, 2008) per annum. The amount due is repayable in full at October 31, 2008. 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, 2008

### 9. 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, 2010.

### 10. COMPOSITION OF INVESTMENT FUNDS

The investment funds balance comprise:

Net Investment Funds Contributed by Western Economic Diversification:

(a) Accumulated net earnings and losses of:		
Business loans fund	\$ 333,521	
Disabled entrepreneur investment fund	(50,171)	
(b) Non-repayable contribution	100,000	
(c) Accumulated net earnings on non-repayable contribution	<u>86,840</u>	470,190

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 Investment Funds (Statement 7)		<u>\$ 840,126</u>
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# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

### 11. 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.

### 12. 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.

### 13. INELIGIBLE OPERATING COSTS

The terms of the Corporation's agreement with the Minister of Western Economic Diversification provide that certain expenditures which are contrary to the public purpose of the Community Futures Program are ineligible for funding. During the period, the Corporation incurred the following ineligible operating costs which have been included in the statements of operations:

Interest and penalties on payroll deduction remittances	\$ <u>798</u>
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### 14. LEASE COMMITMENT

The Corporation has an obligation under long-term operating lease for office equipment. Future minimum lease payments for the next five years for such commitment are as follows:

2009	\$ 3,018
2010	3,018
2011	<u>3,018</u>
	\$ <u>9,054</u>



# **COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2008**

### **15. 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.

### **16. FINANCIAL INSTRUMENTS**

#### **Credit risk management**

The Corporation is exposed to credit risk on the loans receivable from its clients. Its clients are mainly small business owners and companies.

#### **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.