

**COMMUNITY FUTURES DEVELOPMENT
CORPORATION OF STUART NECHAKO**

FINANCIAL STATEMENTS

MARCH 31, 2009

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
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, 2009 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, 2009 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.



Vanderhoof, British Columbia

CHARTERED ACCOUNTANTS

June 19, 2009

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, 2009 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, 2009, the Community Futures Development Corporation of Stuart Nechako is in compliance, in all material respects, with the criteria established by the Contribution Agreement.



CHARTERED ACCOUNTANTS

Vanderhoof, British Columbia

June 19, 2009

STATEMENT 1

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2009

	Disabled Entrepreneur Investment Program	Business Loans	Forest Community Business Loans	Unrestricted Funds	General Funds	2009 Total	2008 Total
REVENUE							
Western Economic Diversification - core	\$ -	\$ -	\$ -	\$ -	\$ 309,831	\$ 309,831	\$ 313,756
Western Economic Diversification - Community	-	-	-	-	51,537	51,537	30,063
Economic Diversification Initiative	-	-	-	-	11,929	11,929	61,686
Fees for service	-	-	-	-	121	121	36
Interest	-	-	-	-	-	-	174,610
Interest on loans	536	54,558	60,686	12,991	-	128,771	26,369
Interest from investments	3,853	5,030	5,110	5,859	-	19,852	19,945
Loan fees and commissions	-	125	25	13,415	-	13,565	-
	4,389	59,713	65,821	32,265	373,418	535,606	626,465
	-	32,911	(32,911)	-	-	-	-
Transfer of interest income	4,389	92,624	32,910	32,265	373,418	535,606	626,465
EXPENSES							
Wages and employee benefits	-	-	-	-	282,659	282,659	290,525
Insurance, occupancy and maintenance	-	-	-	-	32,489	32,489	29,717
Travel and accommodation	-	-	-	-	10,088	10,088	10,719
Telephone, fax and mail	-	-	-	-	9,249	9,249	7,909
Office expense and supplies	-	-	236	-	8,386	8,622	7,314
Professional services	-	-	-	-	8,038	8,038	8,156
Computer supplies and maintenance	-	-	-	-	5,922	5,922	13,386
Advertising and promotion	-	-	-	-	4,412	4,412	9,704
Fees, dues and licenses	-	-	-	-	3,070	3,070	3,195
Capital purchases and lease	-	-	-	-	3,018	3,018	3,521
Training and development	-	-	-	-	2,769	2,769	880
Printing and reference materials	-	-	-	-	446	446	452
Consulting contract	-	-	-	-	-	-	51,500
Charge for loan impairment	-	149,667	8,061	24,284	-	182,012	-
Interest paid to Growthstart Fund	-	-	-	8,102	-	8,102	13,430
Business loans share of charge for loan impairment	-	4,031	(4,031)	-	-	-	-
Interfund transfer	-	-	28,644	(28,644)	-	-	-
	-	153,698	32,910	3,742	370,546	560,896	450,408
	4,389	(61,074)	-	28,523	2,872	(25,290)	176,057
EXCESS REVENUE (EXPENSES) (Statement 2)							

STATEMENT 2

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2009

	Disabled Entrepreneur Investment Program	Business Loans	Forest Community Business Loans	Unrestricted Funds	General Funds	2009 Total	2008 Total
Balance, opening	\$ (50,171)	\$ 520,361	\$ 369,936	\$ 255,110	\$ 3,255	\$ 1,098,491	\$ 922,434
Revenue	4,389	92,624	32,910	32,265	373,418	535,606	626,465
Expenses	-	153,698	32,910	3,742	370,546	560,896	450,408
Excess revenue (expenses) (Statement 1)	4,389	(61,074)	-	28,523	2,872	(25,290)	176,057
Balance, closing (Statement 4)	\$ (45,782)	\$ 459,287	\$ 369,936	\$ 283,633	\$ 6,127	\$ 1,073,201	\$ 1,098,491

STATEMENT 3

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CHANGES IN INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
BALANCE, OPENING	\$ 30,771	\$ 19,854
Capital asset additions during the year	-	16,010
Depreciation expense	<u>(6,740)</u>	<u>(5,093)</u>
BALANCE, CLOSING (Statement 4)	\$ <u>24,031</u>	\$ <u>30,771</u>

STATEMENT 4

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

FINANCIAL POSITION

AS AT MARCH 31, 2009

	Disabled Entrepreneur Investment Program	Business Loans	Forest Community Business Loans	Unrestricted Funds	General Funds	2009 Total	2008 Total
ASSETS							
CURRENT							
Cash (cheques issued in excess of cash)	\$ 90,830	\$ 280,641	\$ 157,915	\$ 125,429	\$ (1,991)	\$ 652,824	\$ 827,200
Accounts receivable	-	-	-	-	455	455	13,840
GST refundable	-	-	-	-	2,335	2,335	7,392
Interfund receivable	58,674	614,389	-	87,234	13,783	774,080	-
Prepaid expenses	-	-	-	-	1,960	1,960	1,844
	149,504	895,030	157,915	212,663	16,542	1,431,654	850,276
LOANS RECEIVABLE, net of allowance for impaired loans (Notes 3 and 4)	4,714	864,269	986,113	160,675	-	2,015,771	2,001,409
INVESTMENTS (Note 5)	-	-	-	60,295	-	60,295	131,006
CAPITAL (Notes 2 and 6)	-	-	-	-	24,031	24,031	30,771
	<u>\$ 154,218</u>	<u>\$ 1,759,299</u>	<u>\$ 1,144,028</u>	<u>\$ 433,633</u>	<u>\$ 40,573</u>	<u>\$ 3,531,751</u>	<u>\$ 3,013,462</u>
LIABILITIES							
CURRENT							
Accounts payable	\$ -	\$ 12	\$ 12	\$ -	\$ 10,415	\$ 10,439	\$ 14,200
Interfund payable	-	-	774,080	-	-	774,080	-
	-	12	774,092	-	10,415	784,519	14,200
	-	-	-	150,000	-	150,000	370,000
DUE TO GROWTHSTART FUND (Note 7)	200,000	1,300,000	-	-	-	1,500,000	1,500,000
CONDITIONALLY REPAYABLE INVESTMENT FUND CONTRIBUTIONS (Note 8)	(45,782)	459,287	369,936	-	-	783,441	840,126
NET ASSETS	-	-	-	283,633	-	283,633	255,110
RESTRICTED FUNDS (Statement 2) (Notes 8 and 9)	-	-	-	-	24,031	24,031	30,771
UNRESTRICTED FUNDS (Statement 2)	-	-	-	-	6,127	6,127	3,255
INVESTMENT IN CAPITAL ASSETS (Statement 3)	-	-	-	-	-	-	-
NET ASSETS (Statement 2)	<u>\$ 154,218</u>	<u>\$ 1,759,299</u>	<u>\$ 1,144,028</u>	<u>\$ 433,633</u>	<u>\$ 40,573</u>	<u>\$ 3,531,751</u>	<u>\$ 3,013,462</u>

APPROVED BY THE DIRECTORS:




Director

Director

STATEMENT 5

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2009

	Disabled Entrepreneur Investment Program	Business Loans	Forest Community Business Loans	Unrestricted Funds	General Funds	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from contribution agreements	\$ -	\$ -	\$ -	\$ -	\$ 371,368	\$ 371,368	\$ 356,248
Cash received from investments	-	-	-	-	121	121	36
Cash received from other sources	-	-	-	-	15,314	15,314	61,000
Cash paid for salaries and benefits	-	-	-	-	(282,659)	(282,659)	(290,525)
Cash paid for goods and services	-	-	-	-	(86,707)	(86,707)	(131,257)
	-	-	-	-	17,437	17,437	(4,498)
CASH FLOWS FROM FINANCING ACTIVITIES							
Loans advanced	-	(557,196)	(363,434)	(10,533)	-	(931,163)	(1,526,962)
Repayment of loans	3,664	415,491	115,644	229,990	-	764,789	1,336,201
Interest and fees received on loans and investments	4,389	92,624	32,674	24,163	-	153,850	207,315
GrowthStart funds (repaid) advanced	-	-	-	(220,000)	-	(220,000)	370,000
Repayment to Nechako-Kitimaat Development Fund Society	-	-	-	-	-	-	(29,208)
	8,053	(49,081)	(215,116)	23,620	-	(232,524)	357,346
CASH FLOWS FROM INVESTING ACTIVITIES							
Decrease (increase) in investments	-	-	-	40,711	-	40,711	(6)
Acquisition and lease of capital assets	-	-	-	-	-	-	(16,010)
	-	-	-	40,711	-	40,711	(16,016)
INCREASE (DECREASE) IN CASH DURING THE YEAR	8,053	(49,081)	(215,116)	64,331	17,437	(174,376)	336,832
CASH, OPENING	42,067	372,532	345,757	104,516	(37,672)	827,200	490,368
INTERFUND TRANSFERS	40,710	(42,810)	27,274	(43,418)	18,244	-	-
CASH, CLOSING	\$ 90,830	\$ 280,641	\$ 157,915	\$ 125,429	\$ (1,991)	\$ 652,824	\$ 827,200

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

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 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 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, 2009

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>2009</u>	<u>2008</u>
Loan investment fund - general	\$ 98,840	\$ 28,990
Loan investment fund - forestry	<u>8,061</u>	<u>-</u>
	<u>\$ 106,901</u>	<u>\$ 28,990</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>2009</u>	<u>2008</u>
Investment in PAL (Pooled Asset Lending) Fund (fair market value at March 31, 2009: \$12)	\$ 12	\$ 12
Investment in GrowthStart Fund (fair market value at March 31, 2009: \$60,283)	60,283	100,994
Investment in Canadian Broadband and Technology Cooperative 30 Class A investment shares (written down to net realizable value)	<u>-</u>	<u>30,000</u>
	<u>\$ 60,295</u>	<u>\$ 131,006</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

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>17,133</u>
	194,872	117,133
Proceeds from redemption and distributions	(179,308)	(56,850)
Reduction in market value	<u>(15,552)</u>	<u>-</u>
Fair market value, March 31, 2009	\$ <u>12</u>	\$ <u>60,283</u>

6. CAPITAL ASSETS

		<u>2009</u>			<u>2008</u>
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Website	~	\$ 6,000	\$ -	\$ 6,000	\$ 6,000
Leasehold improvements	1/7 S.L.	9,592	9,592	-	-
Office furniture and equipment	20%	51,042	45,508	5,534	6,918
Computer equipment	30%	<u>68,651</u>	<u>56,154</u>	<u>12,497</u>	<u>17,853</u>
		\$ <u>135,285</u>	\$ <u>111,254</u>	\$ <u>24,031</u>	\$ <u>30,771</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% (1.5% at March 31, 2009) 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, 2009

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, 2010.

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	\$ 265,801	
Disabled entrepreneur investment fund	(45,782)	
(b) Non-repayable contribution	100,000	
(c) Accumulated net earnings on non-repayable contribution	<u>93,486</u>	413,505

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)		<u>\$ 783,441</u>
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COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

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. 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:

2010	\$ 3,018
2011	<u>3,018</u>
	<u>\$ 6,036</u>

13. 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, 2009

14. 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.