

**COMMUNITY FUTURES DEVELOPMENT  
CORPORATION OF STUART NECHAKO**

**FINANCIAL STATEMENTS**

**MARCH 31, 2011**

**Auditor's Reports**

**Statement 1 - Operations**

**Statement 2 - Changes in Net Assets**

**Statement 3 - Changes in Investment in Capital Assets**

**Statement 4 - Financial Position**

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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, 2011 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, 2011 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

June 23, 2011

**KENNETH B. SIMON CORP.**  
**CHARTERED ACCOUNTANTS**

P.O. BOX 410, 2375 BURREARD 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, 2011 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, 2011, 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 23, 2011

STATEMENT 1

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2011

	2011				2010			
	Disabled Entrepreneur Investment Program	Business Loans	Forest Community Business Loans	Unrestricted Funds	General Funds	Total		Total
<b>REVENUE</b>	\$ -	\$ -	\$ -	\$ -	\$ 316,028	\$ 316,028	\$	316,028
Western Economic Diversification - core	-	-	-	-	67,066	67,066		16,005
Fees for service	-	-	-	-	287	287		98
Interest	4,657	46,912	36,793	6,723	-	95,085		79,862
Interest on loans	1,154	3,785	5,639	3,684	-	14,262		10,261
Loan fees and commissions	-	180	25	1,909	-	2,114		21,431
Transfer of interest income	5,811	50,877	42,457	12,316	383,381	494,842		443,685
	-	21,229	(21,229)	-	-	-		-
	5,811	72,106	21,228	12,316	383,381	494,842		443,685
<b>EXPENSES</b>	-	-	-	-	294,588	294,588		277,609
Wages and employee benefits	-	-	-	-	60,000	60,000		31,179
Writedown of fees for service to net realizable value	-	-	-	-	31,584	31,584		12,057
Insurance, occupancy and maintenance	-	-	-	-	12,185	12,185		12,997
Telephone, fax and mail	-	-	-	-	10,403	10,403		13,753
Travel and accommodation	-	-	-	-	10,002	10,002		8,504
Professional services	-	-	-	-	7,123	7,123		8,615
Office expense and supplies	-	-	-	-	2,833	2,833		3,018
Training and development	-	-	-	-	2,809	2,809		3,826
Capital purchases and lease	-	-	-	-	2,544	2,544		913
Fees, dues and licenses	-	-	-	-	2,006	2,006		1,510
Advertising and promotion	-	-	-	-	1,892	1,892		332
Computer supplies and maintenance	-	-	-	-	243	243		62,840
Printing and reference materials	-	-	-	-	-	-		3,134
Charge for loan and investment impairment	-	36,907	-	100,000	-	136,907		-
Interest paid to Growthstart Fund	-	-	-	1,099	-	1,099		-
	-	36,907	-	101,099	438,212	576,218		440,287
<b>EXCESS REVENUE (EXPENSES) (Statement 2)</b>	\$ 5,811	\$ 35,199	\$ 21,228	\$ (88,783)	\$ (54,831)	\$ (81,376)		\$ 3,398

STATEMENT 2

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2011

	2011	2010
Balance, opening	\$ 1,076,599	\$ 1,073,201
Revenue	494,842	443,685
Expenses	576,218	440,287
Excess revenue (expenses) (Statement 1)	(81,376)	3,398
Fund balance transfers	-	-
Balance, closing (Statement 4)	\$ 995,223	\$ 1,076,599

  

	2011	2010
Disabled Entrepreneur Investment Program	\$ (42,368)	-
Business Loans	453,583	369,936
Forest Community Business Loans	21,228	21,228
Unrestricted Funds	12,316	12,316
General Funds	383,381	383,381
Total	494,842	443,685
	(81,376)	3,398
	-	-
	\$ 995,223	\$ 1,076,599

**STATEMENT 3**

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO**

**CHANGES IN INVESTMENT IN CAPITAL ASSETS**

**FOR THE YEAR ENDED MARCH 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>BALANCE, OPENING</b>	\$ 17,375	\$ 24,031
Depreciation expense	<u>(4,769)</u>	<u>(6,656)</u>
<b>BALANCE, CLOSING (Statement 4)</b>	<u>\$ 12,606</u>	<u>\$ 17,375</u>

**STATEMENT 4**  
**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO**  
**FINANCIAL POSITION**  
**AS AT MARCH 31, 2011**

<b>ASSETS</b>	<b>Disabled</b>	<b>Entrepreneur</b>	<b>Investment</b>	<b>Program</b>	<b>Business</b>	<b>Loans</b>	<b>Forest</b>	<b>Community</b>	<b>Business</b>
<b>CURRENT</b>	<b>Loans</b>	<b>Loans</b>	<b>Loans</b>	<b>Loans</b>	<b>Loans</b>	<b>Loans</b>	<b>Loans</b>	<b>Loans</b>	<b>Loans</b>
Cash (cheques issued in excess of cash)	\$ 87,051	\$ 316,780	\$ 348,191	\$ 51,693	\$ (59,552)	\$ 744,163	\$ 551,121	\$ 744,163	\$ 551,121
Accounts receivable	-	-	-	-	881	881	3,035	881	3,035
GST/HST refundable	-	-	-	-	2,994	2,994	1,563	2,994	1,563
Payroll advances	-	-	-	-	-	-	2,700	-	2,700
Interfund receivable	-	657,230	-	101,968	59,934	819,132	783,284	819,132	783,284
Prepaid expenses	-	-	-	-	5,353	5,353	6,059	5,353	6,059
	<u>87,051</u>	<u>974,010</u>	<u>348,191</u>	<u>153,661</u>	<u>9,610</u>	<u>1,572,523</u>	<u>1,347,762</u>	<u>1,572,523</u>	<u>1,347,762</u>
<b>LOANS RECEIVABLE, net of allowance for impaired loans (Notes 3 and 4)</b>	78,001	814,772	839,268	19,401	-	1,751,442	2,011,030	1,751,442	2,011,030
<b>INVESTMENTS (Note 5)</b>	-	-	-	-	-	-	160,096	-	160,096
<b>CAPITAL (Notes 2 and 6)</b>	<u>165,052</u>	<u>1,788,782</u>	<u>1,187,459</u>	<u>173,062</u>	<u>22,216</u>	<u>3,336,571</u>	<u>3,536,263</u>	<u>3,336,571</u>	<u>3,536,263</u>
<b>LIABILITIES</b>	-	-	-	-	-	-	-	-	-
<b>CURRENT</b>	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	-
Government remittances payable	-	-	-	-	-	-	-	-	-
Interfund payable	<u>1,609</u>	<u>817,523</u>	<u>817,523</u>	<u>-</u>	<u>-</u>	<u>819,132</u>	<u>783,284</u>	<u>819,132</u>	<u>783,284</u>
	1,609	817,523	817,523	-	9,610	828,742	792,289	828,742	792,289
<b>DUE TO GROWTHSTART FUND (Note 7)</b>	-	-	-	-	-	-	150,000	-	150,000
<b>CONDITIONALLY REPAYABLE INVESTMENT FUND CONTRIBUTIONS (Note 8)</b>	200,000	1,300,000	-	-	-	1,500,000	1,500,000	1,500,000	1,500,000
<b>NET ASSETS</b>	(36,557)	488,782	369,936	173,062	-	822,161	781,151	822,161	781,151
<b>RESTRICTED FUNDS (Statement 2) (Notes 8 and 9)</b>	-	-	-	-	-	-	295,448	-	295,448
<b>UNRESTRICTED FUNDS (Statement 2)</b>	-	-	-	-	12,606	12,606	17,375	12,606	17,375
<b>INVESTMENT IN CAPITAL ASSETS (Statement 3)</b>	-	-	-	-	-	-	-	-	-
<b>NET ASSETS (Statement 2)</b>	<u>165,052</u>	<u>1,788,782</u>	<u>1,187,459</u>	<u>173,062</u>	<u>22,216</u>	<u>3,336,571</u>	<u>3,536,263</u>	<u>3,336,571</u>	<u>3,536,263</u>

APPROVED BY THE DIRECTORS:



Director



Director

STATEMENT 5

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011

	Disabled Entrepreneur Investment Program	Business Loans	Forest Community Business Loans	Unrestricted Funds	General Funds	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from contribution agreements	\$ -	\$ -	\$ -	\$ -	\$ 316,028	\$ 316,028	\$ 316,028
Cash received from investments	-	-	-	-	287	287	98
Cash received from other sources	-	-	-	-	9,220	9,220	13,425
Cash paid for salaries and benefits	-	-	-	-	(291,888)	(291,888)	(280,309)
Cash paid for goods and services	-	-	-	-	(83,744)	(83,744)	(101,465)
					(50,097)	(50,097)	(52,223)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Loans advanced	-	(125,000)	(19,964)	(3,155)	-	(148,119)	(552,860)
Repayment of loans	7,878	150,081	86,943	125,899	-	370,801	494,761
Interest and fees received on loans and investments	5,811	50,877	42,457	11,217	-	110,362	108,420
GrowthStart funds repaid	-	-	-	-	(150,000)	(150,000)	-
					(150,000)	183,044	50,321
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Decrease in investments	-	-	-	-	60,096	60,096	199
Investment in Sunrisc Bioenergy Limited	-	-	-	-	-	-	(100,000)
					60,096	60,096	(99,801)
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	13,689	75,958	109,436	133,961	(140,001)	193,043	(101,703)
<b>CASH, OPENING</b>	13,278	252,540	255,034	75,778	(45,510)	551,120	652,824
<b>INTERFUND TRANSFERS</b>	60,084	(11,718)	(16,279)	(158,046)	125,959	-	-
<b>CASH, CLOSING</b>	\$ 87,051	\$ 316,780	\$ 348,191	\$ 51,693	\$ (59,552)	\$ 744,163	\$ 551,121



# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2011

### 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, 2011**

**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>2011</u>	<u>2010</u>
Loan investment fund - general	\$ 8,061	\$ 62,840
Loan investment fund - forestry	<u>-</u>	<u>8,061</u>
	<u>\$ 8,061</u>	<u>\$ 70,901</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>2011</u>	<u>2010</u>
Investment in PAL (Pooled Asset Lending) Fund	\$ -	\$ 12
Investment in GrowthStart Fund	-	60,084
Investment in Sunrise Bioenergy Limited		
10 Class A shares, stated at par value, representing 12.5% interest	10	10
10 Class B shares, stated at par value, representing 12.5% interest	10	10
Shareholder advance	<u>99,980</u>	<u>99,980</u>
	100,000	100,000
Less writedown to net realizable value	<u>(100,000)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 160,096</u>

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2011**

**5. INVESTMENTS (cont.)**

Sunrise Bioenergy Limited has filed for bankruptcy and has made a proposal to its creditors. The Corporation expects to realize on its loans outstanding to Sunrise Bioenergy Limited in the amount of \$255,454. Management is of the opinion that Sunrise has sufficient assets to repay the Corporation's loan investment. The Corporation does not expect to recover the full amount of common shares and shareholder advance.

Historical information on other investments:

	<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	(179,320)	(117,884)
Reduction in market value	<u>(15,552)</u>	<u>-</u>
Fair market value, March 31, 2011	\$ <u>-</u>	\$ <u>-</u>

**6. CAPITAL ASSETS**

		<u>2011</u>			<u>2010</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	\$ 47,500	\$ 3,542	\$ 4,427
Computer equipment	30%	68,651	62,527	6,124	8,748
Website	30%	6,000	3,060	2,940	4,200
Leasehold improvements	1/7 S.L.	<u>9,592</u>	<u>9,592</u>	<u>-</u>	<u>-</u>
		\$ <u>135,285</u>	\$ <u>122,679</u>	\$ <u>12,606</u>	\$ <u>17,375</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% 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. The Corporation repaid the GrowthStart Fund in full in November 2010.

# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2011

### 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, 2012.

### 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	\$ 281,524	
Disabled entrepreneur investment fund	(36,557)	
(b) Non-repayable contribution	100,000	
(c) Accumulated net earnings on non-repayable contribution	<u>107,258</u>	452,225

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) \$ 822,161

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2011**

### **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, 2011**

**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.