

**COMMUNITY FUTURES DEVELOPMENT
CORPORATION OF STUART NECHAKO**

FINANCIAL STATEMENTS

MARCH 31, 2013

Independent Auditor's Reports

Statement 1 - Operations

Statement 2 - Changes in Net Assets

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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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Community Futures Development Corporation of Stuart Nechako which comprise the statement of financial position as at March 31, 2013 and the statements of operations, changes in net assets, changes in investment in capital assets 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 of these financial statements and fair presentation in accordance with Canadian accounting standards for not-for-profit organizations, 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 an audit to obtain reasonable assurance whether the financial statements are free of 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 auditor's judgment, 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 entity's preparation 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 of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the 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, the financial statements present fairly, in all material respects, the financial position of Community Futures Development Corporation of Stuart Nechako as at March 31, 2013 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 accounting standards for not-for-profit organizations.

Vanderhoof, British Columbia
June 7, 2013

CHARTERED ACCOUNTANTS

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, 2013 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, 2013, 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

CHARTERED ACCOUNTANTS

June 7, 2013

STATEMENT 1

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2013

	Disabled Entrepreneur Investment Program	Business Loans	Community Business Loans Program	Unrestricted Funds	General Funds	2013 Total	2012 Total
REVENUE							
Western Economic Diversification - core	\$ -	\$ -	\$ -	\$ -	\$ 316,028	\$ 316,028	\$ 316,028
Rent and other	-	-	-	-	7,937	7,937	10,765
Interest	-	-	-	-	277	277	202
Interest on loans	6,392	66,523	36,497	6,328	-	115,740	80,401
Interest from investments	1,738	6,627	13,339	3,980	-	25,684	21,097
Loan fees and commissions	25	-	25	446	-	496	2,140
	8,155	73,150	49,861	10,754	324,242	466,162	430,633
Transfer of interest income	-	24,931	(24,931)	-	-	-	-
	8,155	98,081	24,930	10,754	324,242	466,162	430,633
EXPENSES							
Wages and employee benefits	-	-	-	-	204,876	204,876	270,008
Insurance, occupancy and maintenance	-	-	-	-	33,250	33,250	31,561
Computer supplies and maintenance	-	-	-	-	17,459	17,459	6,260
Advertising and promotion	-	-	-	-	16,560	16,560	2,865
Telephone, fax and mail	-	-	-	-	10,516	10,516	11,398
Professional services	-	-	-	-	9,397	9,397	8,986
Office expense and supplies	-	-	-	-	7,654	7,654	4,931
Travel and accommodation	-	-	-	-	7,490	7,490	7,936
Fees, dues and licenses	-	-	-	3,789	2,187	5,976	2,947
Capital purchases and lease	-	-	-	-	3,032	3,032	3,334
Special project	-	-	-	-	2,500	2,500	-
Training and development	-	-	-	-	1,800	1,800	1,628
Printing and reference materials	-	-	-	-	324	324	315
Charge for loan and investment impairment	-	5,273	9,389	-	-	14,662	49,075
Business loans share of charge for loan impairment	-	4,695	(4,695)	-	-	-	-
	-	9,968	4,694	3,789	317,045	335,496	401,244
EXCESS REVENUE (EXPENSES) (Statement 2)	\$ 8,155	\$ 88,113	\$ 20,236	\$ 6,965	\$ 7,197	\$ 130,666	\$ 29,389

STATEMENT 2

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2013

	<u>Disabled Entrepreneur Investment Program</u>	<u>Business Loans</u>	<u>Community Business Loans Program</u>	<u>Unrestricted Funds</u>	<u>General Funds</u>	<u>2013 Total</u>	<u>2012 Total</u>
Balance, opening	\$ (29,662)	\$ 525,904	\$ 369,936	\$ 158,434	\$ -	\$ 1,024,612	\$ 995,223
Revenue	8,155	98,081	24,930	10,754	324,242	466,162	430,633
Expenses	<u>-</u>	<u>9,968</u>	<u>4,694</u>	<u>3,789</u>	<u>317,045</u>	<u>335,496</u>	<u>401,244</u>
Excess revenue (expenses) (Statement 1)	<u>8,155</u>	<u>88,113</u>	<u>20,236</u>	<u>6,965</u>	<u>7,197</u>	<u>130,666</u>	<u>29,389</u>
Fund balance transfers	<u>-</u>	<u>-</u>	<u>(20,236)</u>	<u>20,236</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, closing (Statement 4)	<u>\$ (21,507)</u>	<u>\$ 614,017</u>	<u>\$ 369,936</u>	<u>\$ 185,635</u>	<u>\$ 7,197</u>	<u>\$ 1,155,278</u>	<u>\$ 1,024,612</u>

STATEMENT 3

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CHANGES IN INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
BALANCE, OPENING	\$ 9,179	\$ 12,606
Capital asset additions during the year	7,111	-
Depreciation expense	<u>(3,294)</u>	<u>(3,427)</u>
BALANCE, CLOSING (Statement 4)	<u>\$ 12,996</u>	<u>\$ 9,179</u>

STATEMENT 4

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO
FINANCIAL POSITION
AS AT MARCH 31, 2013

	Disabled Entrepreneur Investment Program	Business Loans	Community Business Loans Program	Unrestricted Funds	General Funds	March 31 2013 Total	March 31 2012 Total	April 1 2011 Total
ASSETS								
CURRENT								
Cash (cheques issued in excess of cash)	\$ 60,987	\$ 497,664	\$ 437,819	\$ 54,152	\$ (20,012)	\$ 1,030,610	\$ 1,128,809	\$ 744,163
Accounts receivable	-	349	-	-	11	360	6,936	881
GST/HST refundable	-	-	-	-	8,874	8,874	6,562	2,994
Interfund receivable	-	638,974	-	123,746	28,789	791,509	763,263	819,132
Prepaid expenses	-	-	1,210	-	6,837	8,047	3,481	5,353
	<u>60,987</u>	<u>1,136,987</u>	<u>439,029</u>	<u>177,898</u>	<u>24,499</u>	<u>1,839,400</u>	<u>1,909,051</u>	<u>1,572,523</u>
LOANS RECEIVABLE, net of allowance for impaired loans (Notes 5 and 6)	<u>119,115</u>	<u>777,030</u>	<u>720,807</u>	<u>7,737</u>	<u>-</u>	<u>1,624,689</u>	<u>1,379,833</u>	<u>1,751,442</u>
CAPITAL (Notes 2 and 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,996</u>	<u>12,996</u>	<u>9,179</u>	<u>12,606</u>
	<u><u>\$ 180,102</u></u>	<u><u>\$ 1,914,017</u></u>	<u><u>\$ 1,159,836</u></u>	<u><u>\$ 185,635</u></u>	<u><u>\$ 37,495</u></u>	<u><u>\$ 3,477,085</u></u>	<u><u>\$ 3,298,063</u></u>	<u><u>\$ 3,336,571</u></u>
LIABILITIES								
CURRENT								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 17,302	\$ 17,302	\$ 1,009	\$ 3,263
Government remittances payable	-	-	-	-	-	-	-	6,347
Interfund payable	<u>1,609</u>	<u>-</u>	<u>789,900</u>	<u>-</u>	<u>-</u>	<u>791,509</u>	<u>763,263</u>	<u>819,132</u>
	<u>1,609</u>	<u>-</u>	<u>789,900</u>	<u>-</u>	<u>17,302</u>	<u>808,811</u>	<u>764,272</u>	<u>828,742</u>
CONDITIONALLY REPAYABLE INVESTMENT FUND CONTRIBUTIONS (Note 8)	<u>200,000</u>	<u>1,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
NET ASSETS								
RESTRICTED FUNDS (Statement 2) (Notes 8 and 9)	<u>(21,507)</u>	<u>614,017</u>	<u>369,936</u>	<u>-</u>	<u>-</u>	<u>962,446</u>	<u>866,178</u>	<u>822,161</u>
UNRESTRICTED FUNDS (Statement 2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,635</u>	<u>-</u>	<u>185,635</u>	<u>158,434</u>	<u>173,062</u>
INVESTMENT IN CAPITAL ASSETS (Statement 3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,996</u>	<u>12,996</u>	<u>9,179</u>	<u>12,606</u>
NET ASSETS (Statement 2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,197</u>	<u>7,197</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 180,102</u></u>	<u><u>\$ 1,914,017</u></u>	<u><u>\$ 1,159,836</u></u>	<u><u>\$ 185,635</u></u>	<u><u>\$ 37,495</u></u>	<u><u>\$ 3,477,085</u></u>	<u><u>\$ 3,298,063</u></u>	<u><u>\$ 3,336,571</u></u>

APPROVED BY THE DIRECTORS:

_____ Director

_____ Director

STATEMENT 5

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2013

	Disabled Entrepreneur Investment Program	Business Loans	Community Business Loans Program	Unrestricted Funds	General Funds	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from contribution agreements	\$ -	\$ -	\$ -	\$ -	\$ 316,028	\$ 316,028	\$ 316,028
Cash received from investments	-	-	-	-	277	277	202
Cash received from other sources	-	-	-	-	13,302	13,302	4,710
Cash paid for salaries and benefits	-	-	-	-	(204,876)	(204,876)	(270,008)
Cash paid for goods and services	-	-	-	(3,789)	(94,433)	(98,222)	(92,458)
	-	-	-	(3,789)	30,298	26,509	(41,526)
CASH FLOWS FROM FINANCING ACTIVITIES							
Loans advanced	(10,100)	(284,308)	(421,916)	(7,737)	-	(724,061)	(196,092)
Repayment of loans	17,052	289,514	145,750	12,228	-	464,544	518,626
Interest and fees received on loans and investments	8,155	73,150	49,861	10,754	-	141,920	103,638
	15,107	78,356	(226,305)	15,245	-	(117,597)	426,172
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition and lease of capital assets	-	-	-	-	(7,111)	(7,111)	-
INCREASE (DECREASE) IN CASH DURING THE YEAR	15,107	78,356	(226,305)	11,456	23,187	(98,199)	384,646
CASH, OPENING	101,643	401,947	606,652	59,537	(40,970)	1,128,809	744,163
INTERFUND TRANSFERS	(55,763)	17,361	57,472	(16,841)	(2,229)	-	-
CASH, CLOSING	<u>\$ 60,987</u>	<u>\$ 497,664</u>	<u>\$ 437,819</u>	<u>\$ 54,152</u>	<u>\$ (20,012)</u>	<u>\$ 1,030,610</u>	<u>\$ 1,128,809</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

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. Cash

Cash consists of cash on hand, cash on deposit and cheques issued and outstanding.

C. 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 7.

D. 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.

E. Use of Estimates

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, 2013

3. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective April 1, 2012 the corporation adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations (ASNFPPO). These are the corporation's first financial statements prepared in accordance with ASNFPPO which has been applied retrospectively. The accounting policies set out in the above significant accounting policy note have been applied in preparing these financial statements for the year ended March 31, 2013. the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening ASNFPPO statement of financial position at April 1, 2011 (the corporation's date of transition).

The corporation issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook - Part V, Pre-Changeover Standards. The adoption of ASNFPPO had no impact on the previously reported assets, liabilities and net assets of the corporation, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of operations, statement of changes in net assets and statement of cash flows. Certain of the corporation's disclosures included in these financial statements reflect the new disclosure requirement of ASNFPPO,

4. CASH

Integris Credit Union line of credit is secured by general security agreement over all assets of the corporation. Interest is payable at 4.55%. Current line of credit limit is \$45,000.

5. 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.

6. 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>2013</u>	<u>2012</u>
Loan investment fund - business loans	\$ -	\$ 15,144
Loan investment fund - community business loans	<u>32,389</u>	<u>35,849</u>
	<u>\$ 32,389</u>	<u>\$ 50,993</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

6. ALLOWANCE FOR IMPAIRED LOANS (cont.)

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.

The carrying amounts of the impaired loans are as follows:

	<u>Loan amount</u>	<u>Allowance</u>	<u>Carrying amount</u>
Sunrise Bioenergy Limited	\$ 18,000	\$ -	\$ 18,000
Nulki Hills Contracting Ltd.	<u>147,389</u>	<u>32,389</u>	<u>115,000</u>
	<u>\$ 165,389</u>	<u>\$ 32,389</u>	<u>\$ 133,000</u>

7. CAPITAL ASSETS

		<u>2013</u>		
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office furniture and equipment	20%	\$ 52,656	\$ 48,775	\$ 3,881
Computer equipment	30%	74,148	66,474	7,674
Website	30%	6,000	4,559	1,441
Leasehold improvements	1/7 S.L.	<u>9,592</u>	<u>9,592</u>	<u>-</u>
		<u>\$ 142,396</u>	<u>\$ 129,400</u>	<u>\$ 12,996</u>
		<u>2012</u>		
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office furniture and equipment	20%	\$ 51,042	\$ 48,208	\$ 2,834
Computer equipment	30%	68,651	64,364	4,287
Website	30%	6,000	3,942	2,058
Leasehold improvements	1/7 S.L.	<u>9,592</u>	<u>9,592</u>	<u>-</u>
		<u>\$ 135,285</u>	<u>\$ 126,106</u>	<u>\$ 9,179</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

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, 2014.

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	\$ 389,526	
Disabled entrepreneur investment fund	(21,507)	
(b) Non-repayable contribution	100,000	
(c) Accumulated net earnings on non-repayable contribution	<u>124,491</u>	592,510

Community Business Loans 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) \$ 962,446

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

10. COMMUNITY BUSINESS LOANS PROGRAM CONTRIBUTION (formerly Forest Community Business Program)

In 1999 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. In 2011 the agreement was amended by the Province of British Columbia, represented by the Minister of Community and Rural Development, and the Corporation. The amended agreement allows the Corporation to provide loans to enterprises meeting certain new eligibility criteria not restricted to the forest sector.

The funding agreement with the Province can be terminated by either party giving 90 days notice of termination. Upon termination of the agreement, the Province's proportion (50%) of the community business loan funds not lent out as at the date of termination of the agreement is to be repaid at the direction of the Province of B.C. As long as the corporation continues in operation, amount equal to the Province's proportion (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 the Province of B.C. If the corporation discontinues operations, the Province of B.C. will be given a first assignment and security interest in the Province's proportion (50%) of the outstanding loans and in the Province's proportion (50%) undivided beneficial 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. FINANCIAL INSTRUMENTS

Credit risk

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.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Corporation's cash requirements. Additional cash requirements are met with the use of the available operating line of credit. The Corporation's borrowing arrangements are concentrated with a single Canadian financial institution.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

12. FINANCIAL INSTRUMENTS (cont.)

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.