

COMMUNITY FUTURES CENTRE WEST
FINANCIAL STATEMENTS

March 31, 2011



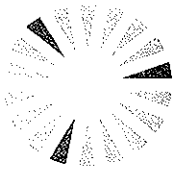
GryzkoHarperBouw
CHARTERED ACCOUNTANTS

COMMUNITY FUTURES CENTRE WEST

Financial Statements
For the Year Ended March 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Community Futures Centre West:

We have audited the accompanying financial statements of Community Futures Centre West, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in fund balances 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 and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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 the audit to obtain reasonable assurance about whether the financial statements are free from 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 Organization's preparation and fair presentation 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 on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall 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, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Cochrane, Alberta
June 23, 2011

GRYZKO HARPER BOUW
Chartered Accountants

COMMUNITY FUTURES CENTRE WEST

STATEMENT OF FINANCIAL POSITION

As at March 31,

	Operating Fund	Investment Fund	2011 Total	2010 Total
ASSETS				
CURRENT ASSETS				
Cash and term deposits	\$ 224,909	\$ 283,854	\$ 508,763	\$ 572,208
Accounts receivable	40,500	-	40,500	126,775
Prepaid expenses	17,358	-	17,358	21,613
	<u>282,767</u>	<u>283,854</u>	<u>566,621</u>	<u>720,596</u>
EQUIPMENT - Note 4	5,561	-	5,561	8,199
LOANS RECEIVABLE - Note 5	-	1,796,668	1,796,668	1,730,138
	<u>\$ 288,328</u>	<u>\$ 2,080,522</u>	<u>\$ 2,368,850</u>	<u>\$ 2,458,933</u>
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Bank indebtedness - Note 6	\$ -	\$ 600,000	\$ 600,000	\$ 600,000
Accounts payable and accrued liabilities	30,344	1,529	31,873	28,095
Deferred revenue	33,430	-	33,430	80,794
	<u>63,774</u>	<u>601,529</u>	<u>665,303</u>	<u>708,889</u>
DEFERRED CONTRIBUTIONS - Note 7	1,270	-	1,270	1,487
SHARE CAPITAL - Note 8	12	-	12	12
FUND BALANCES				
Invested in equipment	4,291	-	4,291	6,712
Externally restricted - Note 9	-	1,387,500	1,387,500	1,387,500
Unrestricted	218,981	91,493	310,474	354,333
	<u>223,272</u>	<u>1,478,993</u>	<u>1,702,265</u>	<u>1,748,545</u>
	<u>\$ 288,328</u>	<u>\$ 2,080,522</u>	<u>\$ 2,368,850</u>	<u>\$ 2,458,933</u>

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

The accompanying notes are an integral part of the financial statements.

COMMUNITY FUTURES CENTRE WEST

STATEMENT OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE

Year ended March 31,

	<u>2011</u>	<u>2010</u>
REVENUES		
Western Economic Diversification	\$ 294,963	\$ 294,963
Regional Community Economic Development	61,420	76,579
Rural Community Adaptation Program	30,600	-
Rent and costs recovered	23,532	23,736
Sundry	16,007	14,167
Investment fund contribution	-	10,000
	<u>426,522</u>	<u>419,445</u>
EXPENSES		
Salaries and benefits	237,116	222,553
Regional Community Economic Development	60,517	67,995
Premises rent and maintenance	41,924	43,445
Rural Community Adaptation Program	30,540	-
Office and general	23,902	22,935
Telephone and utilities	20,410	22,361
Travel and conferences	16,769	15,864
Professional fees	12,263	16,404
Advertising	6,618	14,921
Projects	6,367	3,352
Bank charges	5,412	6,037
Non-recoverable portion of GST	5,019	11,258
Community partnership projects	2,984	7,146
Insurance	2,710	2,687
Board	2,530	4,761
	<u>475,081</u>	<u>461,719</u>
Deficiency of revenues over expenses before other items	<u>(48,559)</u>	<u>(42,274)</u>
OTHER INCOME (EXPENSE)		
Self employment - Exhibit E	44,886	74,875
Amortization of deferred contributions	217	496
Amortization expense	(2,638)	(4,431)
	<u>42,465</u>	<u>70,940</u>
Excess (deficiency) of revenues over expenses	(6,094)	28,666
OPERATING FUND BALANCE		
Beginning of year	<u>229,366</u>	<u>200,700</u>
End of year	<u>\$ 223,272</u>	<u>\$ 229,366</u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY FUTURES CENTRE WEST

STATEMENT OF OPERATIONS AND CHANGES IN INVESTMENT FUND BALANCE

Year ended March 31,

	<u>2011</u>	<u>2010</u>
REVENUES		
Loan interest	\$ 177,197	\$ 142,588
Investment interest	37	1,223
	<u>177,234</u>	<u>143,811</u>
EXPENSES		
Provision for loan losses	200,421	229,208
Interest expense	17,011	6,512
Operating fund contribution	-	10,000
Write down (recovery) of investment fund account	(12)	(240)
	<u>217,420</u>	<u>245,480</u>
Deficiency of revenues over expenses	(40,186)	(101,669)
INVESTMENT FUND BALANCE - UNRESTRICTED		
Beginning of year	<u>131,679</u>	<u>233,348</u>
End of year	<u>\$ 91,493</u>	<u>\$ 131,679</u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY FUTURES CENTRE WEST

STATEMENT OF OPERATIONS – SELF-EMPLOYMENT PROGRAM

Year ended March 31,

	<u>2011</u>	<u>2010</u>
REVENUES	<u>\$ 156,432</u>	<u>\$ 170,070</u>
EXPENSES		
Salaries and benefits	83,576	68,127
Rent	11,100	11,100
Office and general	7,611	7,417
Travel	7,653	6,407
Professional fees	1,000	1,000
Telephone	606	1,144
	<u>111,546</u>	<u>95,195</u>
Excess of revenues over expenses	<u>\$ 44,886</u>	<u>\$ 74,875</u>

The accompanying notes are an integral part of the financial statements.



COMMUNITY FUTURES CENTRE WEST

STATEMENT OF CASH FLOWS

Year ended March 31,

	<u>2011</u>	<u>2010</u>
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses - operating fund	\$ (6,094)	\$ 28,666
Deficiency of revenues over expenses - investment fund	(40,186)	(101,669)
Items not affecting cash		
Amortization expense	2,638	4,431
Amortization of deferred contributions	(217)	(496)
Provision for loan losses	200,421	229,208
Net changes in non-cash working capital balances		
Accounts receivable	86,275	(108,492)
Prepaid expenses	4,255	(5,311)
Accounts payable and accrued liabilities	3,778	(46,006)
Deferred revenue	(47,364)	2,621
	<u>203,506</u>	<u>2,952</u>
INVESTING ACTIVITIES		
Investment loan advances	<u>(559,580)</u>	<u>(1,106,224)</u>
FINANCING ACTIVITIES		
Bank indebtedness proceeds	-	600,000
Investment loan repayments	<u>292,629</u>	<u>341,780</u>
	<u>292,629</u>	<u>941,780</u>
Change in cash and term deposits for the year	(63,445)	(161,492)
CASH AND TERM DEPOSITS		
Beginning of year	<u>572,208</u>	<u>733,700</u>
End of year	<u>\$ 508,763</u>	<u>\$ 572,208</u>
CASH AND TERM DEPOSITS CONSISTS OF:		
Operating fund	\$ 224,909	\$ 182,019
Investment fund	<u>283,854</u>	<u>390,189</u>
	<u>\$ 508,763</u>	<u>\$ 572,208</u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY FUTURES CENTRE WEST
NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 2011

1. ORGANIZATION

Community Futures Centre West is designed to assist rural communities develop their local economies by using innovative approaches to business and community development. Community Futures Centre West provides access to resources and financial assistance. Community Futures Centre West provides core services such as: Fostering Strategic Community Planning and Socio Economic Development, Building Community Networks by partnering and developing, and partnering with Community Economic Development projects with business, economic, social and environmental organizations. We assist with the growth and development of community infrastructure resulting in increased community capacity. Community Futures Centre West also provides business services by way of counseling, training and financial assistance in the way of business loans to small and medium sized entrepreneurs and to entrepreneurs with disabilities. The organization is incorporated pursuant to the Alberta Companies Act as a not-for-profit organization. It is exempt from income taxes under the Income Tax Act as a not-for-profit organization. The Self-Employment Program receives funding from the Alberta Government-Alberta, Employment and Immigration.

2. SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

Community Futures Centre West follows the restricted method of accounting for contributions.

The Operating Fund accounts for the Organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Investment Fund reports restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. The Organization is restricted in the types of loans that can be made according to its agreement with the federal government.

Capital Assets

Capital assets are recorded at cost. Amortization is provided based on the estimated useful lives of the assets. Rates in effect are as follows:

Furniture and fixtures	20% Declining balance basis
Computer equipment	30% Declining balance basis

Additions are amortized at 50% of the regular rate in the year of addition.

COMMUNITY FUTURES CENTRE WEST
NOTES TO THE FINANCIAL STATEMENTS)

Year Ended March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Assistance

- a) Funding received from Western Economic Diversification to finance operating expenses has been included as revenue in the Statement of Operations and Changes in Operating Fund Balance.
- b) Funding received from Western Economic Diversification for equipment expenditures has been recorded as deferred contributions and amortized on the same basis as the equipment.
- c) Funding received to finance investment loans has been classified as externally restricted fund balances on the Statement of Financial Position – Investment Fund.
- d) Funding received from Alberta Employment and Immigration to finance the Self-Employment program expenses has been included as revenue in the Statement of Operations – Self-Employment Program.
- e) Funding received to finance investment loans has been classified as externally restricted fund balances on the Statement of Financial Position – Investment Fund.
- f) Funding received from Alberta Employment and Immigration to finance the Self-Employment program expenses has been included as revenue in the Statement of Operations – Self-Employment Program.

Financial Instruments

The Organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Organization's accounting policy for each category is as follows:

Assets held-for-trading

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in excess (deficiency) of revenues over expenses in the period during which the change occurs. Transaction costs are expensed when incurred.

In these financial statements, cash and term deposits have been classified as assets held-for-trading.

Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

COMMUNITY FUTURES CENTRE WEST
NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

In these financial statements, accounts receivable and loans receivable have been classified as loans and receivables, and bank indebtedness, accounts payable and accrued liabilities have been classified as other financial liabilities.

The Organization has adopted CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure standards contained within Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, the Organization has elected not to adopt these standards in its financial statements.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The AcSB approved a new financial reporting framework for Canadian private not-for-profit organizations. These mandatory standards will be available as Part III of the CICA Handbook-Accounting. Not-for-profit organizations must elect to adopt these standards or International Financial Reporting Standards for fiscal years beginning on or after January 1, 2012. Management has indicated that they will adopt the financial reporting standards for Canadian private not-for-profit organizations approved by the AcSB. The Society is currently unable to assess the impact on the financial statements.

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			2011	2010
Furniture and fixtures	\$ 57,417	\$ 51,856	\$ 5,561	\$ 6,950
Computer equipment	27,552	27,552	-	1,249
	<u>\$ 84,969</u>	<u>\$ 79,408</u>	<u>\$ 5,561</u>	<u>\$ 8,199</u>

5. LOANS RECEIVABLE

	<u>2011</u>	<u>2010</u>
Loan Investment Fund - General	\$ 2,114,409	\$ 2,127,833
Allowance for loan losses	<u>(317,741)</u>	<u>(397,695)</u>
	<u>\$ 1,796,668</u>	<u>\$ 1,730,138</u>

COMMUNITY FUTURES CENTRE WEST
NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 2011

ALLOWANCE FOR LOAN LOSSES:

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:

	beginning of year	Write-offs	credit losses (recoveries)	Balance, end of year	
				2011	2010
Loan Investment Fund - General	<u>\$ 397,695</u>	<u>\$ (280,375)</u>	<u>\$ 200,421</u>	<u>\$ 317,741</u>	<u>\$ 397,695</u>

Actual write-offs, net of recoveries, are deducted from the allowance for credit losses. The provision for credit losses in the statement of operations and changes in fund balances is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses.

Allowance for loan losses (continued)

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 6.00% to 15.00% with monthly blended principal repayments amortized over various time periods and interest only repayments. Security on these loans is appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

6. BANK INDEBTEDNESS

	<u>2011</u>	<u>2010</u>
Operating line of credit with Community Futures Alberta has a maximum limit of \$600,000. Bears interest at RBC's prime rate and interest only repayments required on a monthly basis. Amount is due on demand and in any case not later than 60 months following the date of the first loan advance. Security pledged consists of a demand promissory note for \$600,000 and general security agreement.	<u>\$ 600,000</u>	<u>\$ 600,000</u>

COMMUNITY FUTURES CENTRE WEST
NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 2011

7. DEFERRED CONTRIBUTIONS

The capital contributions from Western Economic Diversification ("WED") are funds received to purchase equipment and are amortized into revenue on the same basis as the assets purchased are amortized.

	<u>Grant</u>	<u>Accumulated Amortization</u>	<u>Balance</u>	
			<u>2011</u>	<u>2010</u>
<u>WED Contributions</u>				
Furniture and equipment	<u>\$ 25,653</u>	<u>\$ 24,383</u>	<u>\$ 1,270</u>	<u>\$ 1,487</u>

8. SHARE CAPITAL

No dividends shall be paid to any member and all profits, if any, or any other income received by the Organization shall be used to promote the purposes of the Organization.

	<u>2011</u>	<u>2010</u>
Authorized: 50 common shares without nominal or par value		
Issued and fully paid: 12 common shares (2010 - 12 common shares)	<u>\$ 12</u>	<u>\$ 12</u>

9. EXTERNALLY RESTRICTED FUND BALANCE ~ INVESTMENT FUND

	<u>2011</u>	<u>2010</u>
Loan investment funds externally restricted to loans and equity investments to entrepreneurs		
General	\$ 1,187,500	\$ 1,187,500
Disabled	<u>200,000</u>	<u>200,000</u>
	<u>\$ 1,387,500</u>	<u>\$ 1,387,500</u>

COMMUNITY FUTURES CENTRE WEST
NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 2011

10. CASH, INVESTMENT FUND

	2011	2010
Cash consists of the following:		
Bank accounts and investment fund accounts	\$ 191,053	\$ 245,516
Bank - Entrepreneurs with Disabilities Program	92,801 *	144,673
	\$ 283,854	\$ 390,189

* These funds are restricted for providing investment funds under the Entrepreneurs with Disabilities Program.

11. INTER-FUND TRANSFERS

During the year, Western Economic Diversification authorized a transfer of \$Nil (2010 - \$10,000) from the Investment Fund to the General Fund to provide for operations. The amount has been recognized as an expense in the investment fund and as revenue in the operating fund.

12. COMMITMENTS

The Organization has entered into a short-term lease agreement for business premises to July 2012. The minimum annual lease payments due under the terms of the agreement are approximately as follows:

Year ended March 31, 2012	\$ 40,880
2013	10,220

The Organization has entered into a long-term lease agreement for a photocopier to March 2013. The minimum annual lease payments due under the terms of the agreement are approximately as follows:

Year ended March 31, 2012	\$ 5,960
2013	5,960

COMMUNITY FUTURES CENTRE WEST

NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 2011

13. FINANCIAL INSTRUMENTS

The Organization's financial instruments recognized in the statements of financial position consist of cash and term deposits, accounts receivable, loans receivable, bank indebtedness, accounts payable and accrued liabilities. It is management's opinion that the Organization is not exposed to significant currency risks arising from these financial instruments. The fair values of the financial instruments other than loans receivable approximate their carrying amounts due to the short-term maturity of those instruments.

Loans receivable are recorded at cost. The fair value of loans receivable are estimated utilizing a discounted cash flow calculation that applies market interest rates currently charged for new loans to expected maturity amounts. The fair value of the loans receivable approximate carrying amount as market interest rates have remained reasonably consistent since the loans were issued.

Credit Risk

The Organization is exposed to credit risk on the loans receivable from its clients. In order to reduce such risk, the Organization has adopted extensive credit and approval policies that include the regular review of client accounts and credit worthiness.

Interest Rate Risk

The Organization's borrowings are subject to floating rates. The floating rate debt is subject to an interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

14. 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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of equipment and provision for loan losses. Actual results could differ from these estimates.



COMMUNITY FUTURES CENTRE WEST
NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 2011

15. ECONOMIC DEPENDENCE

The Organization receives the majority of its operating revenues from the Federal government for its loans and financial services and the Alberta government for the Self-Employment Program and is economically dependent upon this funding.

16. MANAGEMENT OF CAPITAL

The Organization defines its capital as the amounts included in its Fund balances.

The Organization sets the amount of the Fund balances in proportion to risk, manages the Fund structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Organization's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to provide the appropriate level of benefits and services to its beneficiaries and stakeholders.

Management and the Board of Directors carefully consider government funding, cost recoveries and investment income to ensure that sufficient funds will be available to meet the Organization's short and long term objectives.

The Organization monitors its financial performance against an annual budget. In the event that revenues decline, the Organization will budget for reduced distributions and operational expenditures. While an annual budget deficiency of revenues over expenses may periodically arise, no such deficit shall be allowed to exceed the funds available under unrestricted fund balances.

