

**COMMUNITY FUTURES DEVELOPMENT CORPORATION
OF CENTRAL KOOTENAY**

FINANCIAL STATEMENTS

31 MARCH 2008

AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS

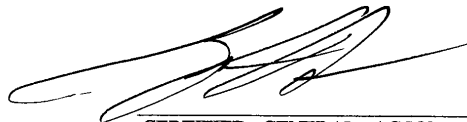
COMMUNITY FUTURES DEVELOPMENT CORPORATION
OF CENTRAL KOOTENAY

I have audited the balance sheet of Community Futures Development Corporation of Central Kootenay as at 31 March, 2008 and the statements of revenue and expenditures and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Castlegar, British Columbia
7 July 2008



CERTIFIED GENERAL ACCOUNTANT

**COMMUNITY FUTURES DEVELOPMENT CORPORATION
OF CENTRAL KOOTENAY**

**BALANCE SHEET
AS AT 31 MARCH 2008**

	<u>2008</u> <u>TOTAL</u>	<u>2007</u> <u>TOTAL</u>
CURRENT ASSETS		
Cash	\$ 1,894,884	\$ 2,256,470
Receivables	<u>103,074</u>	<u>22,106</u>
	1,997,958	2,278,576
 CAPITAL ASSETS, notes 2 and 3	 149,548	 168,292
 OTHER ASSETS	 <u>3,719,555</u>	 <u>3,055,649</u>
	<u>\$ 5,867,061</u>	<u>\$ 5,502,517</u>
 CURRENT LIABILITIES	 <u>\$ 76,190</u>	 <u>\$ 29,327</u>
 FUND BALANCES		
Restricted funds	\$ 5,325,018	\$ 5,018,501
Invested in capital assets	349,887	358,148
Unrestricted funds	<u>115,966</u>	<u>96,541</u>
	<u>5,790,871</u>	<u>5,473,190</u>
	<u>\$ 5,867,061</u>	<u>\$ 5,502,517</u>

Approved on behalf of the Board:

The accompanying notes are an integral part of these financial statements

**COMMUNITY FUTURES DEVELOPMENT CORPORATION
OF CENTRAL KOOTENAY**

**STATEMENT OF REVENUE, EXPENDITURES AND FUND BALANCES
FOR THE YEAR ENDED 31 MARCH 2008**

	<u>2008</u> <u>TOTAL</u>	<u>2007</u> <u>TOTAL</u>
REVENUES		
Government contributions	\$ 1,364,238	\$ 1,458,795
Lending activities	378,060	385,130
Fees for services/ rentals/ other	<u>384,853</u>	<u>349,893</u>
	<u>\$ 2,127,151</u>	<u>\$ 2,193,818</u>
EXPENDITURES		
Admin / other	\$ 187,646	\$ 166,429
Advertising / promotion	18,064	27,852
Premises cost	184,150	145,676
Salaries, benefits, subcontracts	638,571	590,547
SE supports	711,464	767,632
Travel	<u>17,268</u>	<u>11,643</u>
	<u>\$ 1,757,163</u>	<u>\$ 1,709,779</u>
EXCESS OF REVENUES OVER EXPENDITURES	369,988	484,039
Fund balances, beginning	5,473,190	5,044,201
Amortization, note 2(b)	<u>(52,307)</u>	<u>(55,050)</u>
FUND BALANCES, ENDING	<u>\$ 5,790,871</u>	<u>\$ 5,473,190</u>

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

**COMMUNITY FUTURES DEVELOPMENT CORPORATION
OF CENTRAL KOOTENAY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2008**

	<u>2008</u> <u>TOTAL</u>	<u>2007</u> <u>TOTAL</u>
SOURCES OF CASH		
WD and other government contributions	\$1,333,281	\$1,592,245
Other revenues and fees	<u>722,072</u>	<u>1,055,786</u>
	<u>2,055,353</u>	<u>2,648,031</u>
USES OF CASH		
Operating costs	1,719,470	1,845,098
Other costs	<u>697,469</u>	<u>640,973</u>
	<u>2,416,939</u>	<u>2,486,071</u>
NET INCREASE (DECREASE) IN CASH FROM OPERATIONS		
	(361,586)	161,960
Cash & short term investments, beginning of year	<u>2,256,470</u>	<u>2,094,510</u>
CASH END OF YEAR	<u>\$1,894,884</u>	<u>\$2,256,470</u>

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

**COMMUNITY FUTURES DEVELOPMENT CORPORATION
OF CENTRAL KOOTENAY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

1. PURPOSE OF THE ORGANIZATION

Community Futures Development Corporation of Central Kootenay is incorporated under the laws of *Canada Corporations Act - Part 2* as a corporation without share capital. The corporation is also registered as an extraprovincial society under the Society Act.

The corporation provides loan and financial services to small businesses that are otherwise unable to obtain financing.

The corporation is considered a not for profit organization for income tax purposes.

2. BASIS OF PRESENTATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Fund Accounting

The corporation follows the restricted fund method of accounting for contributions. These financial statements separately disclose three categories of funds. They are referred to as Investment Funds, General Funds and Self Employment Assistance Funds.

Details and composition of the fund categories are as follows:

Investment Funds (Restricted Funds)

The investment funds consist of six programs provided under the authority of either Federal or Provincial funding contracts. The funds are used to provide financial assistance in the form of loans, to individuals and small businesses in the community according to the following guidelines.

(i) Primary Program

Provide loans, normally not exceeding \$150,000 to businesses located in the community that will assist in the creation or maintenance of long-term employment in the community.

(ii) Repayable Youth Investment Program

Provide loans, normally not to exceed \$25,000 to businesses owned and operated by persons less than 30 years of age.

(iii) Repayable Loan Program

Provide loans, normally not to exceed \$150,000, to small businesses as described in the primary program.

(iv) Forest Renewal Program

Provide loans to businesses that carry on Forest Sector Business in British Columbia. The fund was created by a \$579,944 contribution from (formerly) Forest Renewal B.C. with a matching contribution from Community Futures Development Corporation of Central Kootenay.

(v) Repayable Disabled Entrepreneurs Investment Fund

Provides loans, normally not exceeding \$150,000, to disabled entrepreneurs.

General Funds (Restricted and unrestricted funds)

General Funds consists of the operating centre and the training centre. Each centre consists of various programs. A summary of each centre and program is as follows:

**COMMUNITY FUTURES DEVELOPMENT CORPORATION
OF CENTRAL KOOTENAY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

Note 2 continued

Operating Centre

The operating centre includes the following:

(i) Community Futures Program

Contribution of \$298,872 received to deliver a range of business and information services to the community and pay for the qualifying operating costs of the community.

The contribution includes \$10,000 receivable to assist with cost of technology upgrades amounting to \$11,947. The upgrades are part of capital asset purchases disclosed in the statement of cash flows.

(ii) Miscellaneous Programs

Miscellaneous shorter term programs dealing with various projects for the community.

Training Centre (Unrestricted funds)

The Training Centre provides equipment, management, co-ordination and training services for various governmental or other funded programs and to the general public.

Self-Employment Assistance Funds (Restricted funds)

(i) The Self-Employment Assistance Program, provided under authority of Human Resources And Skills Development Canada, is used to provide financial and advisory assistance to unemployed individuals in establishing self-employed status.

(ii) The Self-Employment Benefits Program is used to provide a living allowance to qualified recipients covered by the assistance program.

(b) Capital assets / Amortization

Capital assets are recorded at cost. Amortization of property, plant and equipment is provided for as follows:

Building improvements:

Post 2002 costs	- 4%	straight line basis
Pre 2002 costs	- 10%	straight line basis
Office equipment	- 20%	diminishing balance basis
Computer hardware	- 30%	diminishing balance basis
Building within joint venture, note 5	- 4%	straight line basis

One half of the above rates provided for in the year of acquisition

**COMMUNITY FUTURES DEVELOPMENT CORPORATION
OF CENTRAL KOOTENAY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

3. CAPITAL ASSETS
(except joint venture, see note 5)

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2008 Net Book Value</u>	<u>2007 Net Book Value</u>
Building Improvements:				
Post 2002 costs	\$ 76,930	\$ 10,708	\$ 66,222	\$ 69,299
Pre 2002 costs	126,266	107,321	18,945	31,571
Office equipment	163,788	135,796	27,992	33,355
Computer Hardware,	<u>119,413</u>	<u>83,024</u>	<u>36,389</u>	<u>34,067</u>
	<u>\$ 486,397</u>	<u>\$ 336,849</u>	<u>\$ 149,548</u>	<u>\$ 168,292</u>

4. LOANS RECEIVABLE

Loans receivable in the investment program are as follows:

	<u>Gross Amount</u>	<u>Loss Provision</u>	<u>2008 Carrying Amount</u>	<u>2007 Carrying Amount</u>
Primary Program	\$2,459,674	\$ 13,563	\$2,446,111	\$2,105,836
Repayable Youth Investment Program	45,045	20,000	25,045	32,698
Repayable Investment Program	342,598	75,801	266,797	170,175
Forest Renewal Program	741,717	108,052	633,665	426,979
Repayable Disabled Loan Program	<u>20,138</u>	<u>-</u>	<u>20,138</u>	<u>1,236</u>
	<u>\$3,609,172</u>	<u>\$ 217,416</u>	<u>\$3,391,756</u>	<u>\$2,736,924</u>

The loss provision is determined by management after review of its loan portfolio, security thereto and payments received.

5. JOINT VENTURE EQUITY

Community Futures Development Corporation uses the equity method to account for its individual 40% beneficial interest in the ownership of the Gray Building in Nelson, B.C. The Gray Building is operated under a Joint Venture Agreement with two private parties who own the remaining 60% of the building. The Building is registered to a numbered company with beneficial interest transferred to CFDC through a Bare Trust Agreement.

The 40% interest disclosed in the unaudited financial statements of the joint venture is comprised of the following:

	<u>2008</u>	<u>2007</u>
Current assets	\$ 21,368	\$ 22,834
Property, plant and equipment - Land	61,872	61,872
- Building	427,327	427,327
Current liabilities	(32,462)	(30,929)
Long term liabilities	<u>(148,596)</u>	<u>(177,756)</u>
Net Equity per joint venture		
Financial statements at 31 December 2007	329,508	303,348
Outstanding cash advance	8,400	8,400
Accumulated amortization of building	<u>(111,104)</u>	<u>(94,011)</u>
	<u>\$ 226,804</u>	<u>\$ 217,737</u>

**COMMUNITY FUTURES DEVELOPMENT CORPORATION
OF CENTRAL KOOTENAY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

6. OTHER INVESTMENTS

Investment in 1000 units of Growthstart: A Local Business Development Fund. Growthstart provides loans to qualifying small and medium size businesses. Community Futures may not redeem the units until after October 29, 2008.

7. TRANSFERS BETWEEN FUNDS

Inter-fund transfers amounts are approved in the operating plan of the Contribution Agreement with the Minister of Western Diversification.

8. ECONOMIC DEPENDANCE

Community Futures Development Corporation of Central Kootenay receives greater than 70% of its revenues from government sources and is economically dependant upon it

9. FINANCIAL INSTRUMENTS

The company's financial instruments consist of receivables, loans receivable, investment in related parties, payables and long term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency, or credit risk arising from these financial instruments. The fair value of the instruments approximate their carrying value unless otherwise noted.

The company is exposed to credit risk that arises from the credit quality of clients supporting its loans receivable.

Credit risk is minimized through diversification of the client base, and limiting exposure to any one client. Collateral security and management continual review of client payments records minimizes credit risk.