

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF CENTRAL  
KOOTENAY

FINANCIAL STATEMENTS

31 MARCH 2010

AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS

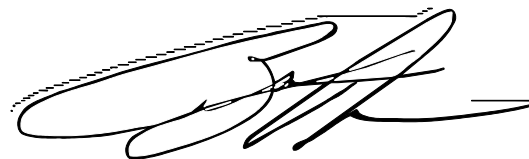
COMMUNITY FUTURES DEVELOPMENT CORPORATION  
OFCENTRALKOOTENAY

I have audited the balance sheet of Community Futures Development Corporation of Central Kootenay as at 31 March, 2010 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, 2010 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Castlegar, British Columbia 15 June  
2010



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CERTIFIED GENERAL ACCOUNTANT

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF CENTRAL  
KOOTENAY

BALANCE SHEET  
AS AT 31 MARCH 2010

	2010	2009
	<u>TOTAL</u>	<u>TOTAL</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,633,235 <u>77,209</u>	\$ 2,169,839 <u>38,338</u>
Receivables	1,707,444	2,208,177
<b>CAPITAL ASSETS, notes 2 and 3</b>	128,834	125,549
<b>OTHER ASSETS</b>	<u>4,464,948 \$</u>	<u>3,751,875 \$</u>
	<u>6,301,226</u>	<u>6,085,601</u>
<b>CURRENT LIABILITIES</b>	<u>\$ 65,822</u>	<u>\$ 56,298</u>
<b>LONG TERM LIABILITIES</b>	<u>\$ 95,929</u>	<u>\$ 100,000</u>
<b>FUND BALANCES</b> Internally		
restricted funds Externally restricted	\$ 25,570	\$ 25,570
funds Invested in capital assets	5,550,494	5,406,918 337,959
Unrestricted funds	354,994 <u>208,417</u>	<u>159,356</u>
	<u>6,139,475 \$</u>	<u>5,929,303 \$</u>
	<u>6,301,226</u>	<u>6,085,601</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 2010

	2010 <u>TOTAL</u>	2009 <u>TOTAL</u>
<b>REVENUES</b>		
Government contributions Lending activities	\$ 1,669,539 247,431	\$ 1,480,774 357,128
	<u>280,010</u>	<u>323,526</u>
Fees for services/ rentals/ other	<u>\$ 2,196,980</u>	<u>\$ 2,161,428</u>
 <b>EXPENDITURES</b>		
Admin / other	\$ 146,391 22,031	\$ 233,537 20,056
Advertising / promotion	152,861 783,430	163,154 750,169
Premises cost	777,863 <u>58,995</u>	765,632 <u>39,688</u>
Salaries, benefits, subcontracts SE supports	<u>\$ 1,941,571</u>	<u>\$ 1,972,236</u>
Travel		
 <b>EXCESS OF REVENUES OVER EXPENDITURES</b>		
	255,409	189,192
 <b>Fund balances, beginning</b>	 5,929,303	 5,790,871
 <b>Amortization, note 2(b )</b>	 <u>(45,237)</u>	 <u>(50,760)</u>
 <b>FUND BALANCES, ENDING</b>	 <u><b>\$ 6,139,475</b></u>	 <u><b>\$ 5,929,303</b></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 2010

	2010	2009
	<u>TOTAL</u>	<u>TOTAL</u>
<b>SOURCES OF CASH</b>		
WD and other government contributions	\$1,648,189	\$1,496,063
Other revenues and fees	<u>513,015</u>	<u>870,286</u>
	<u>2,161,204</u>	<u>2,366,349</u>
<b>USES OF CASH</b>		
Operating costs	1,967,443	<b>2,001,270</b>
Other costs	<u>730,366</u>	<u>90,124</u>
	<u>2,697,809</u>	<u>2,091,394</u>
<b>NET INCREASE (DECREASE)     IN CASH FROM OPERATIONS</b>	(536,605)	274,955
Cash & short term investments, beginning of year	<u>2,169,840</u>	<u>1,894,884</u>
<b>CASH END OF YEAR</b>	<u>\$1,633,235</u>	<u>\$2,169,839</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 2010

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 programs. A summary of each centre and program is as follows: Each centre consists of various

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010

**Note 2 continued**

Operating Centre

The operating centre includes the following:

(i) Community Futures Program

Contribution of \$300,543 received to deliver a range of business and information services to the community and pay for the qualifying operating costs of the community.

(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 Computer hardware Building within joint venture, note 5	20%	diminishing balance	balance	basis
	30%	diminishing balance		basis
	4%	straight line basis		

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

(c) Use of Estimates

When preparing financial statements according to Canadian GAAP, I make estimates and assumptions relating to:

- (i) Reported amounts of revenue and expenses
- (ii) Reported amounts of assets and liabilities
- (iii) Disclosure of contingent assets and liabilities

I base my assumptions on a number of factors including historical experience, current events and actions the organization may undertake in the future, and other assumptions that I believe are reasonable under the circumstances. Actual results could differ from those estimates under different conditions and assumptions. I use estimates when accounting for certain items such as useful lives of capital assets and impairment of long-lived assets.

COMMUNITY FUTURES DEVELOPMENT CORPORATION  
OF CENTRAL KOOTENAY

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

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

	<u>Cost</u>	<u>Accumulated Amortization</u>	2010 Net Book Value	2009 Net Book Value
Building Improvements: Post 2002 costs	\$ 76,930 126,266	\$ 16,311	\$ 60,619	\$ 63,145 6,319
Pre 2002 costs Office equipment Computer Hardware,	<u>163,788</u> <u>131,961</u> <u>\$ 498,945</u>	<u>126,266</u> <u>145,872 81,662</u> <u>\$ 370,111</u>	<u>17,916</u> <u>50,299</u> <u>\$ 128,834</u>	<u>23,394 33,691</u> <u>\$ 125,549</u>

4. **LOANS RECEIVABLE**

Loans receivable in the investment program are as follows:

	2010	2009
	<u>Gross</u>	<u>Loss Carrying</u>
	<u>Amount</u>	<u>Provision Amount</u>
Primary Program	\$3,133,360	\$3,103,360
Repayable Youth Investment Program	\$ 30,000	\$ 2,505,951
235,948 Forest Renewal Program	106,400	20,000
770,800 208,822 561,978 577,857	86,400	93,148
Repayable Disabled Loan Program	427,379	67,929
	359,450	23,567
	<u>23,567</u>	<u>-23,567</u>
	<u>31,475</u>	<u>31,475</u>
	<u>\$4,461,506</u>	<u>\$ 326,751</u>
	<u>\$4,134,755</u>	<u>\$3,444,379</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:

	~	W2
Current assets	\$ 38,311	\$ 27,762
Capital assets -Land	61,872	61,872
-Building	427,327	427,327
Accounts payable	(3,361)	(3,159)
Long term liabilities	<u>(117,749)</u>	<u>(148,592)</u>
Net Equity per joint venture	<b>406,400</b>	<b>365,210</b>
Financial statements at 31 December 2008 Outstanding cash advance	<b>9,000</b>	<b>11,200</b>
Accumulated amortization of building	<u>(145,290) \$</u>	<u>028,197) \$</u>
	<u>270,110</u>	<u>247,213</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION  
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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010

6. **OTHER INVESTMENTS**

Investment in 600 units of Growthstart: A Local Business Development Fund. qualifying small and medium size businesses. Growthstart provides loans to

7. **LONG TERM DEBT**

Advance from Southern Interior Development Trust to form part of a loan to a specified client of Community Futures. Repayment to consist of the proportionate share of the principal plus one half of the proportionate amount of interest collected from this client.

8. **INVESTED IN CAPITAL ASSETS**

Invested in capital assets is represented by the following

	<i>WQ</i>	~
<b>Book value capital assets</b>	\$ 128,834 343,909	\$ 125,549
<b>Book value Joint Ventures capital assets, note 5 Long term liabilities in Joint Venture, note 5</b>	<u>(117,749)</u>	<b>361,002</b>
	<u>\$ 354,994</u>	<b><u>(148,592)</u></b>
		<b><u>337,959</u></b>

9. **INTERNALLY RESTRICTED FUNDS**

A 2001 lending agreement with ICBC allowed for a portion of the earnings from a loan to be retained by Community Futures. The unexpended amount of this portion of earnings after payout of the loan, has been transferred to Community Futures Training Centre account.

It is management's intention to restrict the use of these funds for future succession planning costs in the loan department.

COMMUNITY FUTURES DEVELOPMENT CORPORATION  
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NOTES TO FINANCIAL STATEMENTS  
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10. **EXTERNALLY RESTRICTED FUNDS**

Details of externally restricted fund balances are as follows

**GENERAL FUNDS**

The unexpended portion of funds received to pay for eligible expenditures for specified projects, including the operation of a business information centre, for which the requirements of the project were not completed at 31 March 2010.

The Corporation may be required to repay contributions for payments deemed to be ineligible expenditures.

**SEA FUNDS**

The deficit reflects the amount of current year capital purchases exceeded available surplus

**INVESTMENT FUNDS**

Primary Funds		
Principal Contribution	\$ 1,483,000	\$ 1,483,000
Retained Surplus	<u>1,956,362</u>	<u>1,830,076</u>
	<u>\$ 3,439,362</u>	<u>\$ 3,313,076</u>
Forestry Funds		
Principal Contribution	\$ 1,159,888	\$ 1,159,888
Retained Surplus	<u>224,369</u>	<u>266,392</u>
	<u>\$ 1,384,257</u>	<u>\$ 1,426,280</u>
Repayable Youth Funds		
Principal Contributions	\$ 200,000	\$ 200,000
Retained Surplus	<u>47,261</u>	<u>38,844</u>
	<u>\$ 247,261</u>	<u>\$ 238,844</u>
Repayable Investment Funds		
Principal Contributions Retained	\$ 300,000	\$ 300,000
Surplus	<u>76,934</u>	<u>34,860</u>
	<u>\$ 376,934</u>	<u>\$ 334,860</u>
Repayable Disabled Funds		
Principal Contributions	\$ 200,000	\$ 200,000
Retained Surplus	<u>063,953</u>	<u>(165,721)</u>
	<u>\$ 36,047</u>	<u>\$ 34,279</u>
Total	<u>\$ 5,483,861</u>	<u>\$ 5,353,875</u>

II. **TRANSFERS BETWEEN FUNDS**

Inter-fund transfer amounts totaling \$ 100,000, as approved in the operating plan of the Contribution Agreement with the Minister of Western Diversification, are transferred to the Operations centre.

COMMUNITY FUTURES DEVELOPMENT CORPORATION  
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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010

12. ECONOMIC INDEPENDENCE

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

13. 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 anyone client. Collateral security and management continual review of client payments records minimizes credit risk.

14. PARTICIPATION LOANS

Two loans are administered by Community Futures Development Corporation of Central Kootenay under a loan Participation agreement. Under the agreement, the Corporation administers the funds provided by Community Futures of other Districts, holds the security , and receives **all** payments on account as trustee for the partners.

These financial statements disclose only the portion of participation loans advanced by Community Futures of Central Kootenay