

COMMUNITY FUTURES
ST. PAUL- SMOKY LAKE REGION
Financial Statements
Year Ending March 31, 2008

Warawa & Associates

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AUDITOR'S REPORT ON COMPLIANCE WITH AGREEMENT

To Western Economic Diversification

I have audited Community Futures St. Paul-Smoky Lake Region compliance as at March 31, 2008 with the criteria established in the Contribution Agreement between Western Economic Diversification and Community Futures St. Paul-Smoky Lake Region dated April 1, 2007. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of Community Futures St. Paul-Smoky Lake Region. My responsibility is to express an opinion on this compliance 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 Community Futures Corporation complied with the criteria established by the provisions referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management. 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, as at March 31, 2008 Community Futures St. Paul-Smoky Lake Region is in compliance in all material respects, except for the lack of proof that best efforts have been made to access other sources of commercial funding prior to providing financial assistance from the Investment Fund, with the criteria established by the Contribution Agreement. Not all loan files have adequate and complete identity documentation. Also, a loan was found that exceeds the maximum loan term of ten years as stated in the contract.

Elk Point, Alberta

June 18, 2008


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AUDITOR'S REPORT

To the Directors of Community Futures St. Paul-Smoky Lake Region

I have audited the Statement of Financial Position of Community Futures St. Paul-Smoky Lake Region as at March 31, 2008 and the statements of Operations and Changes in Operating General Fund Balance, 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 March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Elk Point, Alberta
June 18, 2008


CERTIFIED GENERAL ACCOUNTANT

Community Futures St. Paul - Smoky Lake Region
Statement of Financial Position
As at March 31, 2008

	Non-Repayable	Investment Funds Repayable	Disabled	Operating General Fund	2008 Total	2007 Total
Assets						
Current Assets						
Petty Cash	\$ -	\$ -	\$ -	\$ 300	\$ 300	\$ 200
Bank	490,501	326,982	160,859	58,659	1,037,001	418,830
Investments (Note 3)	51,500	15,450	25,750		92,700	122,700
GST Receivable		5		9,415	9,420	
Accounts Receivable				6,000	6,000	5,726
Accrued Interest Receivable	4,738	2,135	268		7,141	14,588
Prepaid Expenses				4,792	4,792	6,419
Inter-fund Receivable (Note 11)		(30,885)	99,000		68,115	132,000
Current Portion of Investment Funds	138,854	54,923	9,352		203,129	304,959
Total Current Assets	685,593	368,609	295,230	79,166	1,428,598	1,005,422
Property Plant & Equipment (Note 4)				47,740	47,740	66,083
Other Assets						
Investment Loans Receivable, net of allowance for credit losses (Note 6 & 7)	672,038	482,159	9,352		1,163,549	1,670,459
Less: current portion	(138,854)	(54,923)	(9,352)		(203,129)	(304,959)
	533,184	427,236			960,419	1,365,500
Total Assets	\$ 1,218,777	\$ 795,845	\$ 295,230	\$ 126,906	\$ 2,436,758	\$ 2,437,005
Liabilities and Fund Balances						
Current Liabilities						
Accounts Payable and Accrued Liabilities	\$ -					\$ 40,830
Inter-fund Payable (Note 11)	68,115				68,115	132,000
Deferred Revenues				3,400	3,400	17,824
Total Liabilities	68,115			3,400	71,515	190,654
Fund Balances						
Invested in Capital Assets				66,083	66,083	66,083
Unrestricted				57,423	57,423	49,913
Externally Restricted (Note 8)	1,150,662	795,845	295,230		2,241,737	2,130,355
Total Fund Balances	1,150,662	795,845	295,230	123,506	2,365,243	2,246,351
Total Liabilities and Fund Balances	\$ 1,218,777	\$ 795,845	\$ 295,230	\$ 126,906	\$ 2,436,758	\$ 2,437,005

Community Futures St. Paul - Smoky Lake Region
Statement of Changes in Fund Balances
For the year ended March 31, 2008

	Non-Repayable	Investment Funds Repayable	Disabled	Operating General Fund	2008 Total	2007 Total
Balances, Beg of year	\$ 1,096,764	\$ 744,070	\$ 289,523	\$ 115,951	\$ 2,246,309	\$ 2,120,352
Excess (deficiency) of revenues over expenses for the year	53,897	51,775	5,707	7,555	118,934	125,999
Interfund transfers						
Balances, End of year	<u>\$ 1,150,662</u>	<u>\$ 795,845</u>	<u>\$ 295,230</u>	<u>\$ 123,506</u>	<u>\$ 2,365,243</u>	<u>\$ 2,246,351</u>

Community Futures St. Paul - Smoky Lake Region
Statement of Operations
For the year ended March 31, 2008

	Non- Repayable	Loan Investment Funds Repayable	Disabled	Operating General Fund	2008 Total	2007 Total
Revenue						
W.E.D. Contribution	\$ -			\$ 293,509	\$ 293,509	\$ 277,950
Community Futures (RCED)				26,074	26,074	36,926
Bank Interest	9,440	5,246	3,243	5,797	23,726	6,201
Investment Income	65,061	47,783	2,539		115,383	168,114
Other revenues				33,400	33,400	6,475
Client Loan fees					-	6,780
Bad Debts Recovered						13,811
Service Revenues				4,300	4,300	6,963
Total Revenue	74,501	53,029	5,782	363,079	496,391	523,220
Expenses						
Salaries and Benefits				210,370	210,370	194,914
RCED Project				28,368	28,368	35,917
<u>Professional expenses:</u>					-	
Accounting and audit				6,063	6,063	27,530
Credit Reports					-	
Education					-	8,038
Legal and appraisal fees			75		75	
<u>Administration:</u>					-	
Advertising and Promotion				6,677	6,677	4,376
Bank Charges	45	15		1,085	1,145	766
Board Member Expenses				7,995	7,995	4,847
Books and Publications				1,133	1,133	-
Staff Expenses				16,284	16,284	9,971
Video Conferencing				4,584	4,584	3,304
Computers and Equipment				13,278	13,278	20,620
Insurance				2,619	2,619	2,598
Office Expenses				6,816	6,816	9,398
Memberships				1,011	1,011	499
Non-refundable GST					-	3,776
Rent				26,600	26,600	25,700
Telephone/Utilities				11,540	11,540	13,661
Provision for Investment Losses	(4,441)	1,239			(3,202)	30,107
Transfer to Operations	25,000				25,000	
Total Expenses	20,604	1,254	75	344,425	366,358	396,022
Excess of Revenues over expenses	\$ 53,897	\$ 51,775	\$ 5,707	\$ 18,654	\$ 130,034	\$ 127,198
ADD Back: Computers Capitalized				13,278	13,278	20,620
LESS: Amortization				(24,378)	(24,378)	(22,241)
Excess of Revenues over expenses	\$ 53,897	\$ 51,775	\$ 5,707	\$ 7,555	\$ 118,934	\$ 125,577

Community Futures St. Paul - Smoky Lake Region
Statement of Cash Flows
For the year ended March 31, 2008

	Financing and Investing Activities			Operating Activities		2008 Total	2007 Total
	Restricted Funds			Disabled	Operating General Fund		
	Non-Repayable	Loan Investment Funds Repayable					
Net Income (loss)	\$ 53,969	\$ 51,775	\$ 5,707	\$ 4,255	\$ 115,706	\$ 125,533	
Adjustments to reconcile net income to net cash provided by (used in) operating activities:							
Decrease (increase) in Operating Assets							
Payroll Account Credit Union				60	60	(73)	
Credit Union Common Shares				(1)	(1)	(51)	
Term Deposit				30,000	30,000	167,300	
Petty Cash				(145)	(145)	45	
Prepaid Expenses				1,627	1,627	(1,813)	
Accrued interest receivables	1,927			636	2,563	171	
Allowance for Doubtful Accounts	(4,441)	1,239			(3,202)	(19,268)	
Loans Receivables	262,069	238,621	9,352		510,042	22,518	
Accrued Interest - EDP			413		413	56	
Accrued Interest - WD Investments - Yth		4,497			4,497	(1,438)	
Acc Interest GIC - WD		(12)			(12)	(112)	
Acc Interest GIC - EDP			(14)		(14)	(192)	
GST Paid on Purchases		(5)		(5,639)	(5,643)	(1,201)	
EDP funds due from CF Investments		(37,310)	101,195		63,885	(1,450)	
Leasehold Improvements						(6,386)	
A/A Leasehold Improvements				10,347	10,347	8,750	
Office Furniture & Equip						(3,370)	
Accumulated Amortization - Equip				5,083	5,083	4,409	
Computer Equipment				(6,035)	(6,035)	(10,865)	
A/A Computer Equip				8,948	8,948	9,081	
Accounts Receivable				1,950	1,950	(1,950)	
Increase & Decrease in Operating Liabilities							
Accrued Liabilities				(1,021)	(1,021)	1,021	
Deferred Revenues				(17,124)	(17,124)	17,824	
Due to other funds	(33,000)				(33,000)		
Due to CF Investments		(30,885)			(30,885)		
Accounts Payable				(39,809)	(39,809)	(3,375)	
Net Cash provided by (used in) Operating Activities	280,524	227,921	116,653	(6,868)	618,230	305,165	
Cash Flows from (used in) Investing Activities Net Cash Provided by (used in) Investing Activities							
Net Cash Flows from (used in) Investing Activities		8,083			8,083		
Cash Flows from (used in) Financing Activities		(8,083)			(8,083)		
Increase in Equity						9,162	
(Decrease) in Retained Earnings Accumulated Equity						(6,997)	
Net Cash provided by (used in) Financing Activities							
Increase (decrease) in Cash and Cash Equivalents	280,524	227,921	116,653	(6,868)	618,230	307,330	
Cash and Cash Equivalents at Beginning of Period	261,477	114,511	69,956	65,462	511,406	111,377	
Cash and Cash Equivalents at end of Period	\$ 542,001	\$ 342,432	\$ 186,609	\$ 58,594	\$ 1,129,636	\$ 418,707	

Community Futures St. Paul-Smoky Lake Region

Notes to the Financial Statements

For Year Ended March 31, 2008

1. Purpose of organization

The Community Futures Corporation is a not-for-profit corporation. The organization provides loans and financial services to small businesses that are otherwise unable to obtain financing. The corporation is incorporated under the Alberta Companies.

2. Significant accounting policies

- a. The Community Futures St. Paul-Smoky Lake Region follows the restricted method of accounting for contributions.

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

The Loan Investment Funds report restricted resources that are to be used for assistance to small business and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Loan Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs.

This organization is restricted in the types of loans that can be made according to its agreement with the federal government.

- b. Property, plant and equipment

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the asset's estimated useful lives, which varies from three to five years. Amortization expense is reported in the General Fund.

3. Investments

Maturity			
Jan 8, 2009	Treasury Branch GIC	3.5%	\$15,450
Jan 8, 2009	Treasury Branch GIC	3.5%	\$15,450
Jan 8, 2009	Treasury Branch GIC	3.5%	\$10,300
Jan 8, 2009	Treasury Branch GIC	3.5%	<u>\$51,500</u>
			\$92,700

4. Property, plant and equipment

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
	\$	\$	\$	\$
Office equipment	42,570	30,398	12,172	17,255
Leasehold improvements	41,386	19,097	22,289	32,636
Computer equipment	46,944	33,665	13,279	16,192
	130,900	83,160	47,740	66,083

5. Non-Balance Sheet Items

To meet the needs of its client and fulfill its purpose, the investment funds participate in various non-balance sheet instruments, which these financial statements do not fully reflect. These instruments are subject to the investments funds normal credit and financial procedures and consist of:

- a. Loan guarantees which represent irrevocable assurances that the investment funds will pay if a client cannot meet his obligations to a third party; and
- b. Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans.

As at March 31, 2008 the investment fund had no guarantees or commitments outstanding.

6. Allowance for Credit Loss

An allowance for losses on investment loans is made on expected loan default rates, potential loss ratios and review of loans portfolio, as determined by management as follows:

	2007 Ending Balance	Write-offs, Net of Recoveries	Provision for credit Losses	2008 Ending Balance
	\$	\$	\$	\$
Loan Invest Investment Fund - Non-repayable	28,079	0	(4,441)	23,638
Loan Investment Fund - Repayable	9,984	0	1,239	11,223
Loan Investment Fund – Disables	0	0	0	0

Actual write-offs, and net of recoveries, will be deducted from the allowance for credit losses. The provision for credit losses in the statement of income 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.

7. Impaired Loans

Impaired loans and the related allowance for credit losses are as follows:

	Gross Amount	General Allowance	Specific Allowance	Carrying Amount 2008
Loans to small business	<u>\$ 60,566</u>	<u>\$ 0</u>	<u>\$ 34,861</u>	<u>\$ 25,705</u>

8. Externally Restricted Funds

Major categories of externally imposed restrictions on net assets are as follows:

	2008	2007
Non-Repayable Investment	\$ 1,150,662	\$1,096,764
Repayable Investment	795,845	743,889
Disabled Investment	295,230	289,702
	<u>\$ 2,241,737</u>	<u>\$ 2,130,355</u>

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 investment funding of \$800,000 is 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 this Agreement; or
- b) Based on review 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 16; or
- e) An event of default occurs, as described in Section 17 of the Agreement; or
- f) The Minister does not approve terms and conditions to extend the project beyond March 31, 2010.

9. Financial Instruments

The corporation's financial assets and liabilities at March 31, 2008 include all current assets, investment loans receivable, and payables, accrued liabilities and deferred revenues. Due to the short-term nature of these items, carrying amounts are considered to approximate fair value.

10. Investment Loans Receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 0% to 15% with monthly blended principal and interest repayments amortized for terms between twelve and one hundred and twenty months. Security is taken on these loans as appropriate to the situation and may include personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

11. Inter-Fund Transactions

a) Inter-fund Transfer

In 2007 Western Economic Diversification authorized a transfer of \$25,000 from the Investment Fund to the General Fund to be used for operating expenses. The transfer occurred in the 2008 fiscal year.

b) Inter-fund receivables/payables

The Disabled Investment Fund lent \$132,000 to the Non-Repayable Investment Fund in 2006. Western Economic Development approved that these funds be repaid over four years. The first repayment of \$33,000 was made in May 2007. The second repayment of \$33,000 was made in June 2008.

c) Inter-fund transfers due to consolidation of loans.

The \$30,885 inter-fund payable under the repayable Investment Fund is due to the consolidation of loans from the non-repayable Investment Fund.

12. Lease Commitments

The organization has leased office space under an annual lease with rental payments of \$1,800 per month ending in March 2010.

13. Related Party Transactions

There is a loan receivable in which the borrower is related to a board member. As at March 31, 2008 the amount outstanding is \$19,357. During the year the Corporation received \$3,668 in principal and interest from this loan.

14. Economic Dependence

The Corporation received 87% (2007 – 83%) of its operating revenues from the federal government and is economically dependent on these revenues.

15. Use of Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known.

16. Comparative Figures

Certain of the 2007 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2008. Another accounting firm has audited prior year figures.