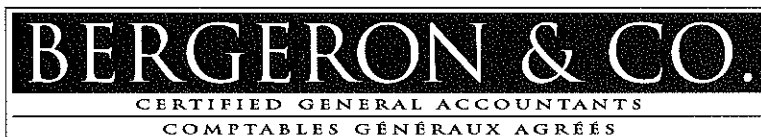


COMMUNITY FUTURES ST. PAUL – SMOKY LAKE REGION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2007

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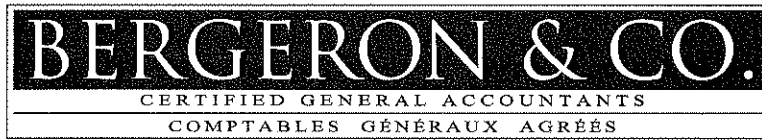
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AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT

TO WESTERN ECONOMIC DIVERSIFICATION

We have audited Community Futures St. Paul – Smoky Lake Region compliance as at March 31, 2007 with the criteria established in the Contribution Agreement between Western Economic Diversification and Community Futures – St. Paul – Smoky Lake Region dated April 1, 2006. 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. 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 Community Futures 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, evaluating 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, 2007, 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.

ST-PAUL, ALBERTA
May 30, 2007

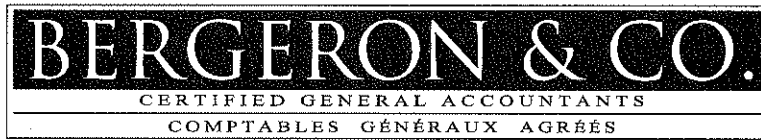
Bergeron & Co.
Certified General Accountants

GHISLAIN BERGERON, B.Sc., CGA *
PIERRE BERGERON, B.A., CGA *
SIMON BELZILE, CGA *



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* Professional Corporation



AUDITORS' REPORT

TO THE DIRECTORS OF:
Community Futures St. Paul – Smoky Lake Region

We have audited the statement of financial position of Community Futures St. Paul – Smoky Lake Region as at March 31, 2007 and the statements of operations and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the corporation's directors. 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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
May 30, 2007

Bergeron & Co.
Certified General Accountants

GHISLAIN BERGERON, B.Sc., CGA *

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COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2007

ASSETS

General Fund	Non-repayable	Loan Investments Funds		2007 Total	2006 Total
		Repayable	Disabled		
\$	\$	\$	\$	\$	\$
CURRENT ASSETS					
Petty cash	200	0	0	200	200
Cash in bank	65,586	209,977	99,061	418,830	111,377
Investments (note 3)	30,000	51,500	15,450	122,700	290,000
Account receivable	5,726	0	0	5,726	2,575
Accrued interest receivable	636	6,665	6,620	14,588	13,365
Inter-fund receivables (note 11)	0	0	0	132,000	134,051
Prepaid expenses	6,419	0	0	6,419	4,605
Current portion of investment loans	0	178,438	106,256	304,959	321,650
	108,567	446,580	227,387	1,005,422	877,823
PROPERTY, PLANT & EQUIPMENT (NOTE 4)					
	66,083	0	0	66,083	67,703
OTHER ASSETS					
Investments loans receivable, net of allowance for credit losses (notes 6,7)	0	929,737	653,643	1,670,459	1,673,710
Less: current portion	0	(178,438)	(106,256)	(304,959)	(321,650)
	0	751,299	547,387	1,365,500	1,352,060
	174,650	1,197,879	774,774	2,437,005	2,297,586

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

**COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION
STATEMENT OF FINANCIAL POSITION (Cont'd)
AS AT MARCH 31, 2007**

LIABILITIES AND FUND BALANCES

General Fund	Non-repayable	Loan Investments Funds		Disabled	2007 Total	2006 Total
		Repayable	Repayable			
\$	\$	\$	\$	\$	\$	\$
CURRENT LIABILITIES						
Payables and accrued liabilities	0	0	0	0	40,830	43,183
Deferred revenues	0	0	0	0	17,824	0
Inter-fund payables (notes 11)	101,115	30,885	0	0	132,000	134,051
	101,115	30,885	0	0	190,654	177,234
FUND BALANCES						
Invested in capital assets	0	0	0	0	66,083	67,703
Externally restricted (note 8)	1,096,764	743,889	289,702	289,702	2,130,355	1,997,515
Unrestricted	0	0	0	0	49,913	55,134
	1,096,764	743,889	289,702	289,702	2,246,351	2,120,352
	1,197,879	774,774	289,702	289,702	2,437,005	2,297,586

Approved on behalf of the board:

Chairman

Treasurer

**COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION
STATEMENT OF INCOME AND CHANGES IN GENERAL FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
	\$	\$
REVENUE		
W.E.D. Contribution	277,950	272,500
Community Futures Network (RCED)	36,926	0
Other revenues	6,475	1,419
Client loan fees	6,780	9,632
Service revenues	6,963	0
Interest	601	1,039
	<u>335,695</u>	<u>284,590</u>
EXPENSES		
Salaries and benefits	194,914	181,304
RCED project	35,917	15,246
<u>Professional expenses</u>		
Accounting and audit	27,530	5,433
Education	8,038	4,105
Legal and appraisal fees	0	2,015
Credit reports	0	179
<u>Administration</u>		
Computers and equipment	20,620	39,824
Staff expenses	9,971	13,191
Office expenses	9,398	12,083
Telephone and utilities	13,661	11,395
Video conferencing	3,304	0
Board members expenses	4,847	9,605
Rent	25,700	9,267
Advertising and promotion	4,376	6,770
Insurance	2,598	2,587
GST expense (net)	3,776	2,575
Bank charges	766	449
Memberships	499	460
Books and publications	0	32
	<u>365,915</u>	<u>316,520</u>
LOSS BEFORE THE FOLLOWING ITEMS	(30,220)	(31,930)
ADD BACK: Computers and equipment capitalized	20,620	39,824
LESS: Amortization	<u>(22,241)</u>	<u>(12,982)</u>
LOSS FOR THE YEAR	(31,841)	(5,088)
INTER-FUND TRANSFER (note 11)	25,000	25,000
GENERAL FUND BALANCE, beginning of year	<u>122,837</u>	<u>102,925</u>
GENERAL FUND BALANCE, end of year	<u><u>115,996</u></u>	<u><u>122,837</u></u>

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

BERGERON & CO., C.G.A.

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION
STATEMENT OF INCOME AND CHANGES IN RESTRICTED FUND BALANCES
AS AT MARCH 31, 2007

	Loan Investments Funds		2007 Total \$	2006 Total \$
	Non-Repayable \$	Repayable \$		
REVENUE				
Bank interest	3,857	727	5,600	3,800
Investment interest	101,295	59,660	168,114	135,960
Recovery of investment losses	0	13,811	13,811	85,593
	105,152	74,198	187,525	225,353
EXPENSES				
Provision for investment losses	24,579	5,528	30,107	0
	80,573	68,670	157,418	225,353
NET INCOME FOR THE YEAR				
FUND BALANCES, beginning of year	1,041,191	673,040	1,997,515	1,797,162
Prior period adjustments	0	2,179	422	0
INTER-FUND TRANSFER (note 11)				
	(25,000)	0	(25,000)	(25,000)
FUND BALANCES, END OF YEAR				
	1,096,764	743,889	2,130,355	1,997,515

BERGERON & CO., C.G.A.

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

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION
STATEMENT OF CASH FLOWS
AS AT MARCH 31, 2007

	Operating General Fund \$	Financing and Investing Loan Investments Funds			2007 Total \$	2006 Total \$
		Non-repayable \$	Repayable \$	Disabled \$		
SOURCES OF CASH						
W.E.D. contribution	277,950	0	0	0	277,950	272,500
Investment income	257	105,961	58,837	8,039	173,094	141,950
Other	73,018	0	0	0	73,018	15,363
Investment loan repayments	0	336,132	186,983	32,168	555,283	464,663
	351,225	442,093	245,820	40,207	1,079,345	894,476
USES OF CASH						
Salaries and benefits	194,914	0	0	0	194,914	181,304
Materials and services	154,300	0	0	0	154,300	95,237
Purchase of capital assets	20,620	0	0	0	20,620	2,549
Investment loan advances	0	362,675	206,683	0	569,358	634,980
	369,834	362,675	206,683	0	939,192	914,070
NET INCREASE (DECREASE) IN CASH	(18,609)	79,418	39,137	40,207	140,153	(19,594)
APPROVED INTERFUND TRANSFER	25,000	(25,000)	0	0	0	0
CASH, BEGINNING OF YEAR	89,395	207,059	75,374	29,749	401,577	421,171
CASH, END OF YEAR	95,786	261,477	114,511	69,956	541,730	401,577
CASH CONSISTS OF:						
Petty cash	200	0	0	0	200	200
Cash in bank	65,586	209,977	99,061	44,206	418,830	111,377
Term deposit	30,000	51,500	15,450	25,750	122,700	290,000
	95,786	261,477	114,511	69,956	541,730	401,577

BERGERON & CO., C.G.A.

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

**COMMUNITY FUTURES ST. PAUL – SMOKY LAKE REGION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

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 Act as a non-profit organization operating within the counties of St. Paul and Smoky Lake. It is exempt from income taxes under the Income Tax Act as a non-profit organization.

2. Significant accounting policies

a) Fund accounting

The Community Futures St. Paul – Smoky Lake Region follows the restricted fund 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.

The 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 assets' estimated useful lives, which varies from three to five years. Amortization expense is reported in the General Fund.

3. Investments

Maturity			
Aug 23, 2007	Treasury Branch GIC	3.5%	\$ 10,000
Aug 23, 2007	Treasury Branch GIC	3.5%	\$ 20,000
Jan 8, 2008	Treasury Branch GIC	3.2%	\$ 15,450
Jan 8, 2008	Treasury Branch GIC	3.2%	\$ 15,450
Jan 8, 2008	Treasury Branch GIC	3.2%	\$ 10,300
Jan 8, 2008	Treasury Branch GIC	3.2%	\$ 51,500
			<u>\$ 122,700</u>

COMMUNITY FUTURES ST. PAUL – SMOKY LAKE REGION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

4. Property, plant & equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2007 Net Book Value</u>	<u>2006 Net Book Value</u>
	\$	\$	\$	\$
Office equipment	42,570	25,315	17,255	18,296
Leasehold improvements	41,386	8,750	32,636	35,000
Computer equipment	<u>40,909</u>	<u>24,717</u>	<u>16,192</u>	<u>14,407</u>
	<u>124,865</u>	<u>58,782</u>	<u>66,083</u>	<u>67,703</u>

5. Non-Balance Sheet Items

To meet the needs of its clients and fulfil 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, 2007 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:

	<u>2006 Ending Balance</u>	<u>Write-offs, Net of Recoveries</u>	<u>Provision for credit Losses</u>	<u>2007 Ending Balance</u>
	\$	\$	\$	\$
Loan Investment Fund – Non-repayable	3,500	0	24,579	28,079
Loan Investment Fund – Repayable	53,831	(59,359)	15,512	9,984
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.

COMMUNITY FUTURES ST. PAUL – SMOKY LAKE REGION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

7. Impaired Loans

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

	Gross Amount	General Allowance	Specific Allowance	Carrying Amount 2007
Loans to small business	\$ <u>175,295</u>	\$ <u>0</u>	\$ <u>38,063</u>	\$ <u>137,232</u>

8. Externally Restricted Funds

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

	2007	2006
Non-Repayable Investment	\$1,096,764	\$ 1,041,191
Repayable Investment	743,889	673,040
Disabled Investment	<u>289,702</u>	<u>283,284</u>
	<u>2,130,355</u>	<u>1,997,515</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, 2007 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.

**COMMUNITY FUTURES ST. PAUL – SMOKY LAKE REGION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

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 three hundred 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

During the year, Western Economic Diversification authorized a transfer of \$25,000 from the Investment Fund to the General Fund to be used for operating expenses. \$25,000 of the authorized amount was transferred during this 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.

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, 2007 the amount outstanding is \$21,292. During the year the Corporation received \$3,668 in principal and interest from this loan.

14. Economic Dependence

The Corporation received 83% (2006 – 95%) of its operating revenues from the federal government and is economically dependant on these revenues.

**COMMUNITY FUTURES ST. PAUL – SMOKY LAKE REGION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

15. Use of Estimates

The preparation of the financial statements in conformity with 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 2006 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2007. Another accounting firm has audited prior year figures.