

**COMMUNITY FUTURES  
ST. PAUL-SMOKY LAKE REGION**

Financial Statements  
Year Ending March 31, 2009

# Warawa & Associates

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## AUDITOR'S REPORT

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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, 2009 and the statements of operations and changes in fund balances, and of 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, 2009 and the results of its operations, changes in fund balances, and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Elk Point, Alberta

June 19, 2009

CERTIFIED GENERAL ACCOUNTANT

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## AUDITOR'S REPORT ON COMPLIANCE WITH AGREEMENT

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To Western Economic Diversification

I have audited Community Futures St. Paul-Smoky Lake Region compliance as at March 31, 2009 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, 2009 Community Futures St. Paul-Smoky Lake Region is in compliance in all material respects.

Elk Point, Alberta

June 19, 2009

CERTIFIED GENERAL ACCOUNTANT

**Community Futures St. Paul - Smoky Lake Region**  
**Statement of Financial Position**  
**As at March 31, 2009**

	Non-Repayable	Investment Funds Repayable	Disabled	Operating General Fund	2009 Total	2008 Total
<b>Assets</b>						
<b>Current Assets</b>						
Petty Cash				\$ 300	\$ 300	\$ 300
Bank	236,500	47,226	55,755	21,360	360,841	1,037,001
Investments (Note 3)	250,000	250,000	150,000		650,000	92,700
GST Receivable				5,813	5,813	9,420
Accounts Receivable					0	6,000
Accrued Interest Receivable	11,531	7,290	2,961	748	22,530	7,141
Prepaid Expenses				4,968	4,968	4,792
Inter-fund Receivable (Note 11)			66,000		66,000	68,115
Current Portion of Investment Funds	150,247	109,733			259,980	203,129
<b>Total Current Assets</b>	<b>648,277</b>	<b>414,250</b>	<b>274,716</b>	<b>33,189</b>	<b>1,370,431</b>	<b>1,428,598</b>
<b>Property Plant &amp; Equipment (Note 4)</b>				<b>26,677</b>	<b>26,677</b>	<b>47,740</b>
<b>Other Assets</b>						
Long Term Investments (Note 3)	50,000	15,000	25,000	30,000	120,000	0
Investment Loans Receivable	722,604	568,126			1,290,730	1,198,410
Less: allowance for credit losses (Note 6 & 7)	-11,128	-8,926			-20,054	-34,861
Less: current portion	-150,247	-109,733			-259,980	-203,129
	611,229	464,467	25,000	30,000	1,130,696	960,419
<b>Total Assets</b>	<b>\$ 1,259,506</b>	<b>\$ 878,717</b>	<b>\$ 299,716</b>	<b>\$ 89,866</b>	<b>\$ 2,527,804</b>	<b>\$ 2,436,758</b>
<b>Liabilities and Fund Balances</b>						
<b>Current Liabilities</b>						
Accounts Payable and Accrued Liabilities (Note 15)				15,185	15,185	
Inter-fund Payable (Note 11)	66,000				66,000	68,115
Deferred Revenues						3,400
<b>Total Liabilities</b>	<b>66,000</b>			<b>15,185</b>	<b>81,185</b>	<b>71,515</b>
<b>Fund Balances</b>						
Invested in Capital Assets				66,083	66,083	66,083
Unrestricted				8,598	8,598	57,423
Externally Restricted (Note 8)	1,193,506	878,717	299,716		2,371,938	2,241,737
<b>Total Fund Balances</b>	<b>1,193,506</b>	<b>878,717</b>	<b>299,716</b>	<b>74,681</b>	<b>2,446,619</b>	<b>2,365,243</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,259,506</b>	<b>\$ 878,717</b>	<b>\$ 299,716</b>	<b>\$ 89,866</b>	<b>\$ 2,527,804</b>	<b>\$ 2,436,758</b>

**Community Futures St. Paul - Smoky Lake Region  
Statement of Changes in Fund Balances  
For the year ended March 31, 2009**

	Non-Repayable	Loan Investment Funds Repayable	Disabled	Operating General Fund	2009 Total	2008 Total
Balances, Beg of year	\$ 1,150,662	\$ 795,845	\$ 295,230	\$ 123,506	\$ 2,365,243	\$ 2,246,309
Excess (deficiency) of revenues over expenses for the year	73,729	51,987	4,485	(38,055)	92,147	118,934
Interfund transfer	(30,885)	30,885			-	
Year End Adjustment				(10,771)	(10,771)	
Interfund transfers adjustment						
Balances, End of year	<u>\$ 1,193,506</u>	<u>\$ 878,717</u>	<u>\$ 299,715</u>	<u>\$ 74,680</u>	<u>\$ 2,446,619</u>	<u>\$ 2,365,243</u>

**Community Futures St. Paul - Smoky Lake Region**  
**Statement of Operations**  
**For the year ended March 31, 2009**

	Non- Repayable	Loan Investment Funds Repayable	Disabled	Operating General Fund	2009 Total	2008 Total
<b>Revenue</b>						
W.E.D. Contribution				\$ 289,179	\$ 289,179	\$ 293,509
Community Futures (RCED)				22,956	22,956	26,074
Bank Interest	8,695	6,081	4,190	1,282	20,247	23,726
Investment Income	58,209	41,573	295		100,077	115,383
Other revenues	79	275		13,403	13,757	33,400
Client Loan fees				5,492	5,492	-
Bad Debts Recovered						
Service Revenues				4,164	4,164	4,300
<b>Total Revenue</b>	<b>66,982</b>	<b>47,929</b>	<b>4,485</b>	<b>336,476</b>	<b>455,872</b>	<b>496,391</b>
<b>Expenses</b>						
Salaries and Benefits				180,129	180,129	210,370
RCED Project				25,244	25,244	28,368
<u>Professional expenses:</u>						
Accounting				5,570	5,570	6,063
Audit				7,950	7,950	
Credit Reports					-	
Education					-	
Legal and appraisal fees				1,602	1,602	75
<u>Administration:</u>					-	
Advertising and Promotion				10,357	10,357	6,677
Bank Charges	30	20		1,207	1,257	1,145
Board Member Expenses				14,508	14,508	7,995
Books and Publications						1,133
Staff Expenses				23,186	23,186	16,284
Video Conferencing				5,119	5,119	4,584
Computers and Equipment					-	13,278
Insurance				2,592	2,592	2,619
Office Expenses				16,542	16,542	6,816
Memberships				1,495	1,495	1,011
Non-refundable GST				2,336	2,336	
Rent				28,000	28,000	26,600
Telephone/Utilities				12,447	12,447	11,540
Provision for Investment Losses	(6,777)	(4,077)			(10,854)	(3,202)
Transfer to Operations						25,000
<b>Total Expenses</b>	<b>(6,747)</b>	<b>(4,058)</b>	<b>-</b>	<b>338,282</b>	<b>327,477</b>	<b>366,358</b>
Excess of Revenues over expenses	<b>\$ 73,729</b>	<b>\$ 51,987</b>	<b>\$ 4,485</b>	<b>\$ (1,806)</b>	<b>\$ 128,395</b>	<b>\$ 130,034</b>
LESS: Accruals (Note 15)				(15,185)	(15,185)	
ADD Back: Computers Capitalized				-	-	13,278
LESS: Amortization				(21,063)	(21,063)	(24,378)
Excess of Revenues over expenses	<b>\$ 73,729</b>	<b>\$ 51,987</b>	<b>\$ 4,485</b>	<b>\$ (38,055)</b>	<b>\$ 92,147</b>	<b>\$ 118,934</b>

**Community Futures St. Paul - Smoky Lake Region**  
**Statement of Cash Flows**  
**For the year ended March 31, 2009**

	Financing and Investing Activities			Operating Activities		2009 Total	2008 Total
	Restricted Funds						
	Non-Repayable	Loan Investment Funds Repayable	Disabled	Operating General Fund			
Net Income (loss)	\$ 73,729	\$ 51,987	\$ 4,485	\$ (38,055)	\$ 92,147	\$ 118,934	
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>							
<b>Decrease (increase) in Operating Assets</b>							
Payroll Account Credit Union				2		60	
Credit Union Common Shares				-1		-1	
Term Deposit	-198,500	-234,550	124,250			30,000	
Petty Cash				0		-145	
Prepaid Expenses				-176		1,627	
Accounts Receivable				6,000		-6,000	
Accrued interest receivables	-6,793			-748		2,563	
Allowance for Doubtful Accounts	12,510	2,297				-3,202	
Loans Receivables	-26,928	-74,744	9,352			510,114	
Accrued Interest - EDP			62			413	
Accrued Interest - WD Investments - Yth		-558				4,497	
Acc Interest GIC - WD		-4,598				-12	
Acc Interest GIC - EDP			-2,755			-14	
GST Paid on Purchases		5		3,602		-5,643	
EDP funds due from CF Investments		30,885	33,000			63,885	
Leasehold Improvements				0			
A/A Leasehold Improvements				10,347		10,347	
Office Furniture & Equip				0			
Accumulated Amortization - Equip				5,083		5,083	
Computer Equipment				0		-6,035	
A/A Computer Equip				5,633		8,948	
Accounts Receivable						1,950	
Long Term Investments	-50,000	-15,000	-25,000	-30,000			
<b>Increase &amp; Decrease in Operating Liabilities</b>							
Accrued Liabilities				15,185		-1,021	
Deferred Revenues				-3,400		-14,424	
Due to other funds	33,000					-33,000	
Due to CF Investments						-30,885	
Accounts Payable						-39,809	
<b>Net Cash provided by (used in) Operating Activities</b>	<b>-162,982</b>	<b>-244,276</b>	<b>143,395</b>	<b>-26,527</b>	<b>-290,390</b>	<b>618,230</b>	
<b>Cash Flows from (used in) Investing Activities Net Cash Provided by (used in) Investing Activities</b>							
<b>Net Cash Flows from (used in) Investing Activities</b>							
						8,083	
<b>Cash Flows from (used in) Financing Activities</b>							
Increase in Equity						-8,083	
(Decrease) in Retained Earnings Accumulated Equity							
<b>Net Cash provided by (used in) Financing Activities</b>							
<b>Increase (decrease) in Cash and Cash Equivalents</b>							
Prior year unadjusted balance						418,707	
Prior year reallocation adjustment	107,480	199,070	-124,249	-10,772	-478,472	92,699	
Minimal non-active accounts						65	
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>542,002</b>	<b>342,432</b>	<b>186,609</b>	<b>58,959</b>	<b>1,130,002</b>	<b>511,406</b>	
<b>Cash and Cash Equivalents at end of Period</b>	<b>\$ 486,500</b>	<b>\$ 297,226</b>	<b>\$ 205,755</b>	<b>\$ 21,660</b>	<b>\$ 361,140</b>	<b>\$ 1,129,636</b>	
	486,500	297,226	205,755	21,660	361,141		

**Community Futures St. Paul - Smoky Lake Region  
Statement of Cash Flows  
For the year ended March 31, 2009**

	<u>Financing and Investing Activities</u>			<u>Operating Activities</u>			
	<u>Restricted Funds</u>						
	Non-Repayable	Loan Investment Funds Repayable	Disabled	Operating Fund	General	2009 Total	2008 Total
Check	0	0	-0	-0		1	65

**Community Futures St. Paul-Smoky Lake Region**

**Notes to the Financial Statements**

**For Year Ended March 31, 2009**

**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

#### Redeemable Investments:

##### Maturity

June 25, 2009	Treasury Branch GIC	2.40%	\$50,000
June 25, 2009	Treasury Branch GIC	2.40%	\$50,000
June 25, 2009	Treasury Branch GIC	2.40%	\$50,000
June 25, 2009	Treasury Branch GIC	2.40%	\$50,000
June 25, 2009	Treasury Branch GIC	2.40%	\$100,000
June 25, 2009	Treasury Branch GIC	2.40%	\$100,000
June 25, 2009	Treasury Branch GIC	2.40%	\$100,000
June 25, 2009	Treasury Branch GIC	2.40%	\$100,000
June 25, 2009	Treasury Branch GIC	2.40%	<u>\$50,000</u>
			\$650,000

#### Non-Redeemable Investments:

##### Maturity

January 10, 2011	Treasury Branch GIC	3.50%	\$15,000
January 10, 2011	Treasury Branch GIC	3.50%	\$10,000
January 10, 2011	Treasury Branch GIC	3.50%	\$15,000
June 25, 2009	Treasury Branch GIC	3.25%	\$10,000
June 25, 2009	Treasury Branch GIC	3.25%	\$20,000
January 10, 2011	Treasury Branch GIC	3.50%	<u>\$50,000</u>
			\$120,000

### 4. Property, plant and equipment

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
	\$	\$	\$	\$
Office equipment	42,570	35,481	7,089	12,172
Leasehold improvements	41,386	29,443	11,943	22,289
Computer equipment	46,944	39,299	7,645	13,279
	<u>130,900</u>	<u>83,160</u>	<u>26,677</u>	<u>47,740</u>

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, 2009 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	23,638	0	(12,510)	11,128
Loan Investment Fund - Repayable	11,223	1,779	(4,077)	8,926
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>\$ 79,204</u>	<u>\$ 0</u>	<u>\$ 20,054</u>	<u>\$ 59,150</u>

## 8. Externally Restricted Funds

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

	2009	2008
Non-Repayable Investment	\$ 1,193,506	\$1,150,662
Repayable Investment	878,717	795,845
Disabled Investment	299,716	295,230
	<hr/>	<hr/>
	\$ 2,371,939	\$ 2,241,737
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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, 2009 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 2009 Western Economic Diversification authorized a transfer of \$12,500 from the Investment Fund to the General Fund to be used for operating expenses. As of March 31, 2009 the transfer had not yet occurred.

### **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. The third repayment of \$33,000 was made in June 2009 and the final repayment is to be made in June 2010.

## **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. Economic Dependence**

The Corporation received 93% (2008 – 87%) of its operating revenues from the federal government and is economically dependent on these revenues.

## **14. 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.

**15. Accounts Payable and Accrued Liabilities**

The accrued liabilities consists of \$8,400 for audit fees and \$6,785 for vacation payable at the March 31, 2009 year end. These were previously not accrued.