

COMMUNITY FUTURES ELK ISLAND REGION

FINANCIAL STATEMENT

March 31, 2012

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AUDITOR'S REPORT

To The Board of Directors
COMMUNITY FUTURES ELK ISLAND REGION

I have audited the accompanying financial statements of COMMUNITY FUTURES ELK ISLAND REGION, which comprise the statement of financial position as at March 31, 2012 and the statements of operations and fund position and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of COMMUNITY FUTURES ELK ISLAND REGION as at March 31, 2012, the results of its operations and fund position and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Two Hills, Alberta
June 13, 2012

John M. Beale, CMA
Certified Management Accountant

COMMUNITY FUTURES ELK ISLAND REGION

STATEMENT OF FINANCIAL POSITION

March 31, 2012

ASSETS

	General Fund	Building Fund	Non-Repayable	Repayable	Disabled	2012 TOTAL	2011 TOTAL
<u>CURRENT ASSETS</u>							
Cash	\$ 80,641	\$ 33,453	\$ 503,359	\$ 209,943	\$ 256,750	\$ 1,084,146	\$ 921,713
Accounts Receivable	4,104	-	-	-	-	4,104	18,872
Interest Receivable	-	-	146,023	14,186	5	160,214	105,622
Inter Fund Receivable	-	-	183	7	-	190	23,402
Prepaid Expenses	6,400	-	-	-	-	6,400	5,400
Total Current Assets	91,145	33,453	649,565	224,136	256,755	1,255,054	1,075,009
<u>CAPITAL ASSETS (Note 3)</u>							
	13,315	6,736	-	-	-	20,051	15,351
<u>OTHER ASSETS</u>							
Investment Loans Receivable	-	-	3,015,137	607,065	2,207	3,624,409	3,682,794
	\$ 104,460	\$ 40,189	\$ 3,664,702	\$ 831,201	\$ 258,962	\$ 4,899,514	\$ 4,773,154

**COMMUNITY FUTURES ELK ISLAND REGION
STATEMENT OF FINANCIAL POSITION**

March 31, 2012

LIABILITIES and FUND BALANCES

	General Fund	Building Fund	LOAN INVESTMENT FUNDS Non-Repayable	Repayable	Disabled	2012 TOTAL	2011 TOTAL
<u>CURRENT LIABILITIES</u>							
Accounts Payable	\$ 23,696	\$ -	\$ 2,434	\$ -	\$ -	\$ 26,130	\$ 15,632
Inter Fund Payable	190	-	-	-	-	190	23,402
Loans Payable	-	-	750,000	-	-	750,000	650,000
Total Current Liabilities	23,886	-	752,434	-	-	776,320	689,034

INVESTMENT FUNDS REPAYABLE

	-	-	-	601,615	202,283	803,898	866,263
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FUND BALANCES

Invested in Capital Assets	13,315	6,736	-	-	-	20,051	15,351
Externally Restricted	8,006	-	2,912,268	229,586	56,679	3,206,539	3,153,985
Unrestricted	59,253	33,453	-	-	-	92,706	48,521
	80,574	40,189	2,912,268	229,586	56,679	3,319,296	3,217,857
	\$ 104,460	\$ 40,189	\$ 3,664,702	\$ 831,201	\$ 258,962	\$ 4,899,514	\$ 4,773,154

APPROVED ON BEHALF OF THE BOARD:


Director


Director

COMMUNITY FUTURES ELK ISLAND REGION
STATEMENT OF INCOME AND CHANGES IN GENERAL FUND BALANCE
OPERATING ACCOUNT

	<u>FOR THE YEAR ENDED March 31st</u>		
	<u>2012</u>	<u>2012</u>	<u>2011</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUE</u>			
Operating grants			
- Western Economic Diversification	\$ 294,963	\$ 294,963	\$ 294,963
- Special Programs	110,927	88,500	73,003
Loan Fees	19,862	8,800	8,687
Service & Miscellaneous Income	11,383	8,650	4,669
Interest Income	285	-	132
	<u>437,420</u>	<u>400,913</u>	<u>381,454</u>
<u>EXPENDITURES</u>			
Wages and Benefits (Note 10)	284,721	304,100	269,248
Rent	17,215	18,000	1,200
Furniture and Fixtures	14,364	-	3,229
Travel and Subsistence - Staff	12,636	14,750	16,617
Office Supplies	10,728	6,500	12,412
Travel and Subsistence - Directors	8,639	10,400	9,976
Licences, Memberships, Subscriptions	8,340	8,634	8,302
Utilities	7,819	10,440	17,944
Telephone	6,410	8,400	8,113
Conference	5,730	5,000	13,328
G.S.T. Expense	3,705	-	2,256
Insurance	3,167	2,800	3,887
Advertising	3,016	2,400	3,940
Youth Projects	2,779	4,000	1,350
Economic Development Projects	2,541	-	2,169
Credit checks	1,940	-	980
Professional Development	1,298	2,389	2,243
Professional Fees	1,100	2,500	4,000
Postage and Freight	376	600	842
Community Access	217	-	3,377
	<u>396,741</u>	<u>400,913</u>	<u>385,413</u>
Excess (deficiency) of revenue over expenses	40,679		(3,959)
Capital Assets Purchased	14,364		-
Increase (Decrease) in Unexpended Funds	(22,127)		22,127
Amortization of Capital Assets	(7,418)		(7,154)
General Fund Balance, Beginning of year	<u>55,076</u>		<u>44,062</u>
General Fund Balance, End of Year \$	<u>80,574</u>		\$ <u>55,076</u>

COMMUNITY FUTURES ELK ISLAND REGIONSTATEMENT OF INCOME AND CHANGES IN GENERAL FUND BALANCEBUILDING ACCOUNT

	<u>FOR THE YEAR ENDED March 31st</u>		
	<u>2012</u>	<u>2012</u>	<u>2011</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUE</u>			
Rentals	\$ 3,534		\$ 7,768
Interest	-		7
	<u>3,534</u>		<u>7,775</u>
<u>EXPENDITURES</u>			
Equipment Purchases	-		11,228
Repair & Maintenance	-		438
Bank Charges	<u>28</u>		<u>-</u>
	<u>28</u>		<u>11,666</u>
Excess (deficiency) of revenue over expenses	3,506		(3,891)
Capital Assets Purchased	-		11,228
Amortization of Capital Assets	(2,246)		(2,246)
General Fund Balance, Beginning of year	<u>38,929</u>		<u>33,838</u>
General Fund Balance, End of Year \$	<u>40,189</u>		\$ <u>38,929</u>

COMMUNITY FUTURES ELK ISLAND REGION
STATEMENT OF INCOME AND CHANGES IN RESTRICTED FUND BALANCES
YEAR ENDED MARCH 31, 2012

	LOAN INVESTMENT FUNDS			2012		2011
	Non-Repayable	Repayable	Disabled	TOTAL		TOTAL
<u>REVENUE</u>						
Investment Interest	\$ 180,296	\$ 31,073	\$ 266	\$ 211,635		\$ 188,870
Bank Interest	1,131	603	7,013	8,747		6,464
Other	-	-	-	-		1,389
	<u>181,427</u>	<u>31,676</u>	<u>7,279</u>	<u>220,382</u>		<u>196,723</u>
<u>EXPENSES</u>						
Provision for Investment Losses	119,490	81,844	-	201,334		129,000
Client Costs	7	-	-	7		69
Interest & Bank Charges	<u>6,684</u>	<u>43</u>	<u>-</u>	<u>6,727</u>		<u>3,516</u>
	<u>126,181</u>	<u>81,887</u>	<u>-</u>	<u>208,068</u>		<u>132,585</u>
Income before the following items	55,246	(50,211)	7,279	12,314		64,138
Federal Government share of Investment Income	<u>-</u>	<u>(66,006)</u>	<u>3,639</u>	<u>(62,367)</u>		<u>20,635</u>
Excess (deficiency) of revenue over expenses	55,246	15,795	3,640	74,681		43,503
FUND BALANCE, beginning of year	<u>2,857,022</u>	<u>213,791</u>	<u>53,039</u>	<u>3,123,852</u>		<u>3,080,349</u>
FUND BALANCE, end of year	<u>\$ 2,912,268</u>	<u>\$ 229,586</u>	<u>\$ 56,679</u>	<u>\$ 3,198,533</u>		<u>\$ 3,123,852</u>

COMMUNITY FUTURES ELK ISLAND REGION

STATEMENT OF CASH FLOW

Year ended MARCH 31, 2012

	General Fund	Building Fund	LOAN INVESTMENT FUNDS			2012 TOTAL	2011 TOTAL
			Non-Repayable	Repayable	Disabled		
<u>SOURCES OF CASH</u>							
WD Contributions	\$ 294,963	\$ -	\$ -	\$ -	\$ -	\$ 294,963	\$ 294,963
Investment Income	285	-	132,144	26,370	7,276	166,075	167,019
Other Contributions	102,630	-	-	-	-	102,630	86,470
Other	31,245	3,534	-	-	-	34,779	22,094
Loan Received	-	-	100,000	(81,843)	-	18,157	(100,000)
Investment Loan Repayments	-	-	495,982	172,727	5,607	674,316	783,503
	429,123	3,534	728,126	117,254	12,883	1,290,920	1,254,049
<u>USES OF CASH</u>							
Salaries & Benefits	284,721	-	-	-	-	284,721	274,418
Materials & Services	100,325	28	-	43	-	100,396	125,749
Interest Expense	-	-	6,684	-	-	6,684	3,516
Change in Capital Assets	-	-	-	-	-	-	11,228
Investment Loan Advances	-	-	634,891	101,795	-	736,686	1,105,591
	385,046	28	641,575	101,838	-	1,128,487	1,520,502
Net Increase (Decrease) in Cash	44,077	3,506	86,551	15,416	12,883	162,433	(266,453)
CASH, Beginning of Year	59,776	7,420	416,123	194,527	243,867	921,713	1,188,166
Change in Interfund Transfers	(23,212)	22,527	685	-	-	-	-
CASH, End of Year	\$ 80,641	\$ 33,453	\$ 503,359	\$ 209,943	\$ 256,750	\$ 1,084,146	\$ 921,713

COMMUNITY FUTURES ELK ISLAND REGIONNOTES TO FINANCIAL STATEMENTSMarch 31, 2012

1. PURPOSE OF THE ORGANIZATION

The COMMUNITY FUTURES ELK ISLAND REGION is a community based organization that 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. It is exempt from income taxes under the Income Tax Act as a non-profit organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESFUND ACCOUNTING

The COMMUNITY FUTURES ELK ISLAND 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 Building Fund accounts for the organization's maintenance costs that are not covered by grants and rental revenues. This fund reports unrestricted resources.

The Loan Investment Funds report restricted resources that are to be used for assistance to small businesses 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. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

CAPITAL ASSETS

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 lives, which vary from 3 to 5 years. Amortization expense is reported in the General Fund.

3. CAPITAL ASSETS

	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>NET BOOK VALUE</u>	<u>Rate</u>
Furniture & Equipment	\$ 84,099	\$ 72,616	\$ 11,483	5 years
Computer Equipment	63,587	55,019	8,568	5 years
Software	<u>2,302</u>	<u>2,302</u>	-	3 years
	\$ <u>149,988</u>	\$ <u>129,937</u>	\$ <u>20,051</u>	

COMMUNITY FUTURES ELK ISLAND REGIONNOTES TO FINANCIAL STATEMENTSMarch 31, 2012

4. ALLOWANCE FOR CREDIT LOSS

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

	2011 Provision Endingfor Credit <u>Balance</u>	2011 Provision Endingfor Credit <u>Losses</u>	Actual Write <u>Offs</u>	2012 Ending <u>Balance</u>
Loan Investment Fund -General	\$ 284,024	\$ 119,490	\$ 126,206	\$ 277,308
Loan Investment Fund - Repayable	8,786	81,844	-	90,630
Loan Investment Fund - Disabled	-	-	-	-
	<u>\$ 292,810</u>	<u>\$ 201,334</u>	<u>\$ 126,206</u>	<u>\$ 367,938</u>

Actual write-offs, 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.

5. EXTERNALLY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
<u>General Fund</u>		
Restricted to special projects	\$ 8,006	\$ 30,133
<u>Loan Investment Funds</u>		
Loan investment funds restricted to loans and equity investments to entrepreneurs		
- General	2,912,268	2,857,022
- Repayable	229,586	213,791
- Disabled	56,679	53,039
	<u>\$ 3,206,539</u>	<u>\$ 3,153,985</u>

6. INVESTMENT LOANS RECEIVABLE

Outstanding loans to entrepreneurs are interest bearing at floating rates with blended principle and interest repayments. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

7. INTERFUND TRANSFERS

The Loan Investment Funds for the Repayable, Disabled, and Youth are maintained in interest bearing bank savings accounts. The interfund transfers are the transfers that are required to reimburse the Non-Repayable Investment fund for disbursements made on there behalf.

COMMUNITY FUTURES ELK ISLAND REGION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

8. FINANCIAL INSTRUMENTS

The corporation's financial assets and liabilities at March 31, 2012 include all current assets, investment loans receivable, accrued liabilities and long term liabilities. Due to the short term nature of these items, carrying amounts are considered to approximate fair value.

The corporation provides loans to its clients in the normal course of its operations. The corporation determines, on a continuing bases, the probable losses and sets up a provision for losses based on the estimated realizable value. The corporation minimizes its credit risk by carrying out credit checks on its clients and by concluding transactions with a large number of clients in various industries.

9. WAGES AND BENEFITS

The wages and benefits are shown as a net of employment grants and reimbursements.

	<u>2012</u>	<u>2011</u>
Total Wages and Benefits	\$ 287,542	\$ 274,418
S.T.E.P. & S.E.E.D.	<u>(2,821)</u>	<u>(5,170)</u>
	\$ <u>284,721</u>	\$ <u>269,248</u>

10. ECONOMIC DEPENDENCE

The corporation receives 78% of its operating revenues from the federal government and is economically dependent upon it.

