

Community Futures Wood Buffalo

Financial Statements

March 31, 2011

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Independent Auditors' Report

To the Directors of Community Futures Wood Buffalo

We have audited the accompanying financial statements of Community Futures Wood Buffalo, which comprise the statement of financial position as at March 31, 2011, and the statement of revenue and expenses and changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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' Responsibility

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 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 judgement, 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 Society'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 of the Society'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Wood Buffalo as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

MACKAY LLP

Edmonton, Canada
July 21, 2011

Chartered Accountants

Independent Auditors' Report on Compliance with Western Economic Diversification Agreement

To Western Economic Diversification

We have audited Community Futures Wood Buffalo's compliance as at March 31, 2011 with the criteria established in the Amended Contribution Agreement between Western Economic Diversification and the Community Futures Wood Buffalo dated March 25, 2010. Compliance with the criteria established by the provisions of the Agreement is the responsibility of the Board of Directors of the Community Futures Wood Buffalo. Our responsibility is to express an opinion on this compliance based on our audit.

Management's Responsibility for the 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' Responsibility

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 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 judgement, 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 Society'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 of the Society'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.

Opinion

In our opinion, Community Futures Wood Buffalo is in compliance, in all material aspects, with the criteria established by the Contribution Agreement.

Edmonton, Canada
July 21, 2011

MACKAY LLP

Chartered Accountants

Community Futures Wood Buffalo

Statement of Financial Position

| | March 31, | | 2011 | | 2010 | |
|-----------------------------------|-------------------|---------------------|-----------------------|-------------------|--------------------|---------------------|
| | General Fund | Capital Asset Fund | Loan Investment Funds | | Capital Asset Fund | Total |
| | | | Repayable | Non-repayable | | |
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash | \$ 53,863 | \$ - | \$ 378,707 | \$ 2,650 | \$ - | \$ 479,506 |
| Marketable securities (Note 2(c)) | - | - | - | 168,802 | - | 116,091 |
| Accounts receivable | 47,172 | - | 32,077 | - | - | 45,588 |
| Prepaid expenses and deposits | 3,382 | - | - | - | - | 3,382 |
| Inter-fund receivable (Note 10) | - | 1,066,822 | - | 87,650 | - | 1,112,969 |
| | 104,417 | 1,066,822 | 410,784 | 259,102 | - | 1,757,536 |
| Capital Assets (Note 4) | - | - | - | - | 16,109 | 18,800 |
| Loans receivable (Note 5) | - | 340,314 | 2,469,771 | - | - | 2,810,085 |
| | \$ 104,417 | \$ 1,407,136 | \$ 2,880,555 | \$ 259,102 | \$ 16,109 | \$ 4,667,319 |
| | | | | | | \$ 4,471,936 |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | 10,028 | - | - | - | - | 10,028 |
| Deferred revenue (Note 6) | 31,882 | - | - | - | - | 31,882 |
| Inter-fund payable (Note 10) | 37,439 | - | 1,117,033 | - | - | 1,154,472 |
| Callable debt (Note 7) | - | 1,315,000 | 1,300,000 | 200,000 | - | 2,815,000 |
| | 79,349 | 1,315,000 | 2,417,033 | 200,000 | - | 4,011,382 |
| | | | | | | 3,937,997 |
| FUND BALANCES | | | | | | |
| Capital Asset Fund | - | - | - | - | 16,109 | 18,800 |
| Loan Investment Fund | - | 92,136 | 463,522 | 59,102 | - | 465,841 |
| General Fund | 25,068 | - | - | - | - | 49,297 |
| | 25,068 | 92,136 | 463,522 | 59,102 | 16,109 | 533,938 |
| | \$ 104,417 | \$ 1,407,136 | \$ 2,880,555 | \$ 259,102 | \$ 16,109 | \$ 4,667,319 |
| | | | | | | \$ 4,471,936 |

Approved on behalf of the Board:

Director

Director

Community Futures Wood Buffalo

Statement of Revenue and Expenses and Changes in Fund Balances

For the year ended March 31,

| | General Fund | Loan Investment Funds | | | Capital Asset Fund | 2011 Total | 2010 Total |
|---|--------------|-----------------------|---------------|--------------|--------------------|------------|------------|
| | | Repayable | Non-repayable | Disabilities | | | |
| Revenue | | | | | | | |
| Western Economic Diversification contribution | \$ 319,963 | \$ - | \$ - | \$ - | \$ - | \$ 319,963 | \$ 319,963 |
| Economic Development | 49,533 | - | - | - | - | 49,533 | - |
| Other income | 52,938 | - | - | - | - | 52,938 | 62,735 |
| Interest - loans receivable | 5,072 | 28,255 | 180,546 | - | 208,801 | 213,873 | 131,647 |
| Deferred revenue | (31,882) | - | - | - | - | (31,882) | - |
| | 395,624 | 28,255 | 180,546 | - | 208,801 | 604,425 | 514,345 |
| Expenses | | | | | | | |
| Advertising and promotion | 15,535 | - | - | - | - | 15,535 | 28,300 |
| Amortization | 8,297 | - | - | - | - | 8,297 | 4,353 |
| Bank charges and interest | 1,054 | - | - | - | - | 1,054 | 3,014 |
| Economic Development | 17,651 | - | - | - | - | 17,651 | - |
| Interest | - | 27,869 | - | - | 27,869 | 27,869 | 2,409 |
| Insurance | 4,781 | - | - | - | - | 4,781 | 3,391 |
| Meeting expenses | 11,700 | - | - | - | - | 11,700 | 9,643 |
| Loan loss provision | - | - | 25,420 | - | 25,420 | 25,420 | 183,698 |
| Memberships, publication and library | 5,419 | - | - | - | - | 5,419 | 2,148 |
| Office | 20,763 | - | - | - | - | 20,763 | 20,762 |
| Professional fees | 12,960 | - | 6,593 | - | 6,593 | 19,553 | 30,550 |
| Rent | 26,957 | - | - | - | - | 26,957 | 26,112 |
| Repairs and maintenance | 9,669 | - | - | - | - | 9,669 | 7,402 |
| Salaries and benefits | 263,583 | - | - | - | - | 263,583 | 227,046 |
| Telephone | 14,527 | - | - | - | - | 14,527 | 14,360 |
| Travel | 9,648 | - | - | - | - | 9,648 | 12,628 |
| | 422,544 | 27,869 | 32,013 | - | 59,882 | 482,426 | 575,817 |
| Excess (deficiency) of revenue over expenses | (26,920) | 386 | 148,533 | - | 148,919 | 121,999 | (61,472) |
| Fund Balance, beginning of year | 49,297 | 91,750 | 314,989 | 59,102 | 465,841 | 533,938 | 595,411 |
| | 22,377 | 92,136 | 463,522 | 59,102 | 614,760 | 655,937 | 533,939 |
| Capital asset additions | (5,606) | - | - | - | - | - | - |
| Amortization of capital assets | 8,297 | - | - | - | - | - | - |
| | 16,081 | - | - | - | - | 16,081 | - |
| Fund Balance, end of year | \$ 25,068 | \$ 92,136 | \$ 463,522 | \$ 59,102 | \$ 614,760 | \$ 655,937 | \$ 533,938 |

Community Futures Wood Buffalo**Statement of Cash Flows**

| For the year ended March 31, | 2011 | 2010 |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Excess (deficiency) of revenue over expenditures | \$ 121,999 | \$ (61,471) |
| Items not affecting cash | | |
| Amortization | 8,297 | 4,353 |
| | 130,296 | 4,353 |
| Change in non-cash working capital | | |
| Accounts receivable | (33,661) | (28,524) |
| Prepaid expenses and deposits | - | 3,663 |
| Accounts payable | - | (2,110) |
| Deferred revenue | 31,882 | - |
| | (1,779) | (26,971) |
| Investing activities | | |
| Marketable securities | (52,711) | (3,826) |
| Loans receivable | (114,485) | (1,000,036) |
| Callable debt | - | 1,015,000 |
| Purchase of capital assets | (5,606) | (2,889) |
| | (172,802) | 8,249 |
| Increase (decrease) in cash | (44,286) | (14,368) |
| Cash, beginning of year | 479,506 | 555,346 |
| Cash (indebtedness), end of year | \$ 435,220 | \$ 479,506 |
| Cash consists of: | | |
| Cash (Loan Investment Funds) | \$ 381,357 | \$ 381,148 |
| Cash (General Fund) | 53,863 | 98,358 |
| | \$ 435,220 | \$ 479,506 |

Community Futures Wood Buffalo

Notes to Financial Statements

March 31, 2011

1. Purpose of the Organization

Community Futures Wood Buffalo ("CFWB") is a community based non-profit organization ("organization") that provides loans and financial services to small businesses that are otherwise unable to obtain financing. CFWB is incorporated under the *Business Corporations Act of Alberta* and is exempt from income taxes under Section 149 of the *Income Tax Act*.

2. Significant Accounting Policies

(a) Fund Accounting

Community Futures Wood Buffalo follows the restricted fund method of accounting for contributions.

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

The Regular Loan Fund reports restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation.

The Persons With Disabilities Loan Fund and the Canadian Youth Business Foundation Partnership provides financing to businesses owned and operated by disabled and youth entrepreneurs respectively.

The organization is restricted in the types of loans that can be made according to its agreements with Western Economic Diversification Canada ("WED") and Community Futures Network of Alberta ("CF").

(b) Loan Impairment

Loan impairment or doubtful loan account allowances are accounted for at an amount considered adequate to absorb all known and probable loan losses. The allowance consists of accumulated specific and general provisions which are made annually for probable losses, based upon a number of factors including past experience, current economic conditions and specific problem situations. The allowance is increased by these provisions which are charged to income and reduced by write-offs.

(c) Marketable Securities

Marketable securities are recorded at the lower of cost and market value. Quoted market value is \$168,732 (2010 - \$115,414).

(d) Capital Assets

The acquisition of capital assets are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to capital assets on the balance sheet with a corresponding increase in equity in capital assets. Amortization is recorded as a reduction to equity in capital assets on a basis to amortize the cost of the assets over their estimated useful lives at the annual rates set out in Note 4.

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2. Significant Accounting Policies (continued)

(e) Investment Income

Investment fund income must be reinvested in the investment fund. Investment income is not available to cover operating costs, nor can it be distributed or transferred to other funds without the approval of Western Economic Development Canada.

(f) Revenue Recognition

Revenue is recognized as it becomes available under the terms of the applicable funding agreement. Funding received under the funding agreement that relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the balance sheet.

Interest and investment income is recognized in the year it is earned.

(g) Financial Instruments

The organization's financial instruments consist of cash, marketable securities, accounts receivable, accounts payable and accrued liabilities and loan from Western Economic Development Canada and Community Futures Alberta. Unless otherwise noted it is management's opinion that the organization is not exposed to significant interest, currency or credit risks.

(h) Use of Estimates

The preparation of 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, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(i) Cash and Cash Equivalents

Cash consists of deposits with financial institutions.

3. Future Changes to Significant Accounting Policies

In October 2010 the CICA Accounting Standards Board approved a new framework of accounting standards for not-for-profit organizations ("NFPOs"). The new framework, which is based on existing Canadian generally accepted accounting principles and will become Part III of the CICA Handbook, incorporates Section 4400 of Part V of the Handbook and is to be adopted by NFPOs in the private sector effective January 1, 2012. Alternatively, such NFPOs may adopt international financial reporting standards ("IFRS"), for fiscal years beginning on or after January 1, 2011. Early adoption of either framework is permitted. The Society is currently in the process of assessing the impact on its financial statements.

Community Futures Wood Buffalo

Notes to Financial Statements

March 31, 2011

4. Capital Assets

| | Rate | Cost | Accumulated Amortization | 2011 Net Book Value | 2010 Net Book Value |
|-------------------------|-----------|-------------------|--------------------------|---------------------|---------------------|
| Furniture and equipment | 20% | \$ 55,168 | \$ 45,170 | \$ 9,998 | \$ 10,146 |
| Computers | 30% | 66,791 | 59,132 | 7,659 | 4,584 |
| Leasehold improvements | 5 year SL | 45,098 | 45,098 | - | 4,070 |
| | | \$ 167,057 | \$ 149,400 | \$ 17,657 | \$ 18,800 |

5. Loans Receivable

Loans receivable bear interest at fixed rates varying from 6.25% to 11%, with monthly principal and interest repayments amortized for terms between 14 and 60 months. Security is taken on these loans and include personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

6. Deferred Revenue

Deferred revenue represents funds received but not expended as at March 31, 2011. The deferred revenue of \$31,882 relates to the Economic Development funding.

7. Callable Debt

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Community Futures Alberta loan, interest at the RBC prime rate and is due on demand and is unsecured. Principal of \$500,000 is due on or before December 3, 2013 and \$515,000 is due by October 21, 2014. | \$ 1,015,000 | \$ 1,015,000 |
| Western Economic Development Canada loan is non-interest bearing, unsecured with no set repayment terms. | 300,000 | 300,000 |
| Western Economic Development Canada - Disabilities loan is non interest bearing, unsecured, with no set repayment terms | 200,000 | 200,000 |
| Western Economic Development Canada loan is non-interest bearing, unsecured with no set repayment terms. | 1,300,000 | 1,300,000 |
| | \$ 2,815,000 | \$ 2,815,000 |

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8. Financial Instruments

Financial instruments consist of recorded amounts of accounts receivables, which will result in future cash receipts, as well as accounts payable and accrued liabilities and loans from Western Economic Diversification, which will result in future cash outlays.

The organization is exposed to the following risks in respect of certain of the financial instruments held:

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. However, the organization has a significant number of customers which minimizes concentration of credit risk.

(b) Fair value

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and loans from Western Economic Diversification approximates its fair value due to the immediate or short-term maturity of these instruments.

(c) Interest rate risk

CFWB manages its exposure to interest rate risk through a combination of fixed and floating rate borrowings. The fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

9. Economic Dependence

The organization receives all its general revenue pursuant to a funding agreement with Western Economic Diversification.

10. Interfund balances

The interfund balances represent transfers between funds used to invest in loans receivable and other assets. The interfund balances have been classified as current due to their callable nature.

11. Comparative Figures

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.