

COMMUNITY FUTURES SOUTHWEST INC.

FINANCIAL STATEMENTS

MARCH 31, 2010

COMMUNITY FUTURES SOUTHWEST INC.

AUDITOR'S REPORT

To the Board of Directors, Community Futures Southwest Inc.

We have audited the statement of financial position of the Community Futures Southwest Inc. as at March 31, 2010 and the statements of operations and changes in fund balances and cash flows for the year then ended. The Board's management is responsible for preparing these financial statements. 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 and 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 organization as at March 31, 2010 and the results of its operations and the changes in its fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Stark Marsh
Chartered Accountants, LLP

Swift Current, Saskatchewan
May 14, 2010



COMMUNITY FUTURES SOUTHWEST INC.

**STATEMENT OF FINANCIAL POSITION
As at March 31, 2010**

Statement 1

	Loan Investment Funds					Total <u>2010</u>	Total <u>2009</u>
	General Fund	Repayable	Non Repayable	Disabled	Small Business Enterprise		
ASSETS							
Current assets							
Cash in bank	\$ 37,848	\$ 25,828	\$ 229,456	\$ 12,311	\$ 27,629	\$ 333,072	\$ 104,449
Temporary investments	-	462,855	1,265,535	201,258	-	1,929,648	1,890,562
Accounts receivable	777	-	2,404	147	-	3,328	10,421
Accrued loan interest and charges receivable, net of allowance for credit loss	-	104	20,310	2,185	-	22,599	43,022
Prepaid expenses	56	-	-	-	-	56	12,343
Current portion of long term investment	-	3,641	79,380	7,903	-	90,924	64,958
	<u>38,681</u>	<u>492,428</u>	<u>1,597,085</u>	<u>223,804</u>	<u>27,629</u>	<u>2,379,627</u>	<u>2,125,755</u>
Other Assets							
Cooperative equity	362	-	-	-	-	362	354
Investments (Note 3)	-	-	174,000	-	-	174,000	174,000
Investment loans receivable, net of allowance for credit loss (Note 3)	-	11,983	320,590	39,011	-	371,584	514,271
Less current portion	-	3,641	79,380	7,903	-	90,924	64,958
	<u>362</u>	<u>8,342</u>	<u>415,210</u>	<u>31,108</u>	<u>-</u>	<u>455,022</u>	<u>623,667</u>
Total Assets	<u>\$ 39,043</u>	<u>\$ 500,770</u>	<u>\$ 2,012,295</u>	<u>\$ 254,912</u>	<u>\$ 27,629</u>	<u>\$ 2,834,649</u>	<u>\$ 2,749,422</u>
LIABILITIES & FUND BALANCES							
Current liabilities							
Accounts payable and accrued liabilities	\$ -	\$ 31	\$ -	\$ 124	\$ -	\$ 155	\$ 4,408
Deferred revenue	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>7,138</u>
	2,000	31	-	124	-	2,155	11,546
Investment loans payable (Note 4)	-	400,000	-	200,000	-	600,000	600,000
Fund balances	<u>37,043</u>	<u>100,739</u>	<u>2,012,295</u>	<u>54,788</u>	<u>27,629</u>	<u>2,232,494</u>	<u>2,137,876</u>
Total Liabilities & Fund balances	<u>\$ 39,043</u>	<u>\$ 500,770</u>	<u>\$ 2,012,295</u>	<u>\$ 254,912</u>	<u>\$ 27,629</u>	<u>\$ 2,834,649</u>	<u>\$ 2,749,422</u>

Approved on behalf of the Board

_____ Director

_____ Director

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF OPERATIONS AND CHANGES IN GENERAL FUND BALANCES
For the year ended March 31, 2010

Statement 2

	General Fund	
	<u>Total</u>	<u>Total</u>
	<u>2010</u>	<u>2009</u>
REVENUE		
Western Economic Diversification funding	\$ 297,669	\$ 291,832
Program income	12,002	16,936
Service contracts and registration fees	-	5,283
Interest	167	1,218
Other	<u>(191)</u>	<u>845</u>
	309,647	316,114
Action South West - Statement 5	<u>4,309</u>	<u>27,387</u>
	<u>313,956</u>	<u>343,501</u>
EXPENSES		
Administration		
Advertising and promotion	9,348	10,043
Conference and projects	19,477	31,510
Contract services	36,853	52,325
Insurance and pension costs	19,774	19,405
Interest and bank charges	365	338
Maintenance and repairs	2,848	4,283
Non-refundable GST	2,846	3,343
Office supplies and equipment	13,961	9,730
Rent	21,247	20,985
Telephone	9,240	7,785
Travel	28,111	42,531
Professional fees	17,366	7,750
Salaries and benefits	<u>142,102</u>	<u>160,859</u>
	323,538	370,887
Action South West - Statement 5	<u>542</u>	<u>17,766</u>
	<u>324,080</u>	<u>388,653</u>
Surplus(deficit) for the year	(10,124)	(45,152)
Fund balance, beginning of the year, General Fund	45,037	29,842
Fund balance, beginning of the year, Action South West	4,621	(5,000)
Prior period adjustments	(2,491)	(1,542)
Transfers from other Funds - Note 8	<u>-</u>	<u>66,889</u>
Fund balance, end of the year	\$ <u>37,043</u>	\$ <u>45,037</u>

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF INCOME AND CHANGES IN RESTRICTED FUND BALANCES
As at March 31, 2010

Statement 3

	Loan Investment Funds			Small Business Enterprise	Restricted Funds	
	<u>Repayable</u>	<u>Non Repayable</u>	<u>Disabled</u>		<u>Total 2010</u>	<u>Total 2009</u>
Revenue						
Interest	\$ (149)	\$ 42,378	\$ 3,290	\$ 73	\$ 45,592	\$ 126,993
Recovery of bad debt	200	53,193	-	-	53,393	17,363
Other	<u>1,497</u>	<u>1,006</u>	<u>1,134</u>	<u>-</u>	<u>3,637</u>	<u>-</u>
	<u>1,548</u>	<u>96,577</u>	<u>4,424</u>	<u>73</u>	<u>102,622</u>	<u>144,356</u>
Expenses						
Provision for investment losses	-	-	-	-	-	-
Professional fees and other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income for the year	1,548	96,577	4,424	73	102,622	144,356
Fund balances, beginning of the year	99,191	1,915,718	50,364	27,556	2,092,829	2,015,372
Transfer of funds - Note 8	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,889)</u>
Fund balances, end of the year	<u>\$ 100,739</u>	<u>\$2,012,295</u>	<u>\$ 54,788</u>	<u>\$ 27,629</u>	<u>\$2,195,451</u>	<u>\$2,092,839</u>

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF CASH FLOWS

As at March 31, 2010

Statement 4

	<u>General</u> <u>Fund</u>	<u>Repayable</u>	<u>Non</u> <u>Repayable</u>	<u>Disabled</u>	<u>Small</u> <u>Business</u> <u>Enterprise</u>	<u>Total</u> <u>2010</u>	<u>Total</u> <u>2009</u>
Cash provided by operations							
Net income	\$ (10,124)	\$ 1,548	\$ 96,577	\$ 4,424	\$ 73	\$ 92,498	\$ 99,204
Net change in current assets	22,743	8	(17,031)	(1,745)	(10)	3,965	(243,644)
Net change in current liabilities	(9,546)	31	-	124	-	(9,391)	1,008
Loan loss provision not affecting cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,073</u>	<u>1,587</u>	<u>79,546</u>	<u>2,803</u>	<u>63</u>	<u>87,072</u>	<u>(143,432)</u>
Cash provided by investment activities							
Loans advanced	-	-	(15,000)	-	-	(15,000)	(358,168)
Loans repaid	-	3,132	153,991	(564)	-	156,559	69,908
Cooperative equity	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>-</u>
	<u>(8)</u>	<u>3,132</u>	<u>138,991</u>	<u>(564)</u>	<u>-</u>	<u>141,551</u>	<u>(288,260)</u>
Cash provided by financing activities							
Interfund transfers	-	-	-	-	-	-	-
Advances repaid to SIR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	3,065	4,719	218,537	2,239	63	228,623	(431,692)
Cash, beginning of the year	<u>34,783</u>	<u>21,109</u>	<u>10,919</u>	<u>10,072</u>	<u>27,566</u>	<u>104,449</u>	<u>536,141</u>
Cash, end of the year	<u>\$ 37,848</u>	<u>\$ 25,828</u>	<u>\$ 229,456</u>	<u>\$ 12,311</u>	<u>\$ 27,629</u>	<u>\$ 333,072</u>	<u>\$ 104,449</u>

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF OPERATIONS AND CHANGES FOR ACTION SOUTHWEST

For the year ended March 31, 2010

Statement 5

	Total <u>2010</u>	Total <u>2009</u>
REVENUE		
Cypress Hill REDA	\$ -	\$ 26,029
Miscellaneous income	4,154	658
Great Plains College	-	500
City of Swift Current	-	200
Southwest Community Futures	<u>155</u>	<u>-</u>
	<u>4,309</u>	<u>27,387</u>
EXPENSES		
Advertising and promotion	200	400
Interest and bank charges	-	25
Miscellaneous expenses	-	1,113
Non-refundable GST	5	132
Office supplies and equipment	12	1,917
Professional fees	-	1,526
Project expenses	-	12,635
Training and professional development	<u>325</u>	<u>18</u>
	<u>542</u>	<u>17,766</u>
Surplus for the year	\$ <u>3,767</u>	\$ <u>9,621</u>

COMMUNITY FUTURES SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2010

1. Purpose

The Community Futures Southwest Inc. 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 as a non-profit organization and is exempt from income taxes under the Income Tax Act.

2. Significant Accounting Policies

a) Fund Accounting

The accounts of the organization are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

Operating Fund

The operating fund reflects the primary operations of the organization including revenues received and operating costs.

Loan Investment Funds

The fund reports restricted resources 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 entrepreneurs. The organization is restricted in the types of loans it can issue according to its agreement with the federal government.

Temporary Investments

Temporary investments are valued at market value which is equal to cost.

Capital assets

Purchased capital assets are charges against current year income. Upon dissolution of the organization, all property is to be distributed to other Community Futures Development Corporations or other non-profit organizations approved by the Western Economic Diversification Canada

3. Investment loan receivable

Advances from the investment funds represent the outstanding principal on advances to new or expanding businesses under the Investment Fund Agreement with Western Economic Diversification Canada. The notes bear interest at prime plus 3%. Security can take the form of personal guarantees, personal property security agreements, chattels, a combination of both or the issuance of preferred shares.

Advances from the Small Business Enterprise Fund represent the outstanding principle on advances under the Small Business Loans Agreement with Saskatchewan Industry and Resources. The notes are repayable on a monthly basis at an interest rate of 7%.

COMMUNITY FUTURES SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2010

3. Investment loan receivable (continued)

An allowance for losses on investment loans is made by management based on a review of the loan portfolio, allowing for any realization of the related security provided. The allowance is comprised of the following:

	<u>Gross Amount</u>	<u>Allowance Doubtful Loans</u>	<u>2010 Carrying Value</u>	<u>2009 Carrying Value</u>
Loan Investment Fund - Repayable	\$ <u>12,283</u>	<u>300</u>	\$ <u>11,983</u>	\$ <u>18,451</u>
Loan Investment Fund - Non Repayable	\$ <u>500,590</u>	<u>180,000</u>	\$ <u>320,590</u>	\$ <u>341,748</u>
Investments - preferred shares	\$ <u>174,000</u>			

Advances were also provided to the Great Sand Hill Railway - \$150,000 and Blue Goose Energy - \$24,000 for which preferred shares were issued to SCFDC. These shares are redeemable on demand or may be converted to an Investment Loan.

The organization also had loan guarantees outstanding totalling \$6,307.

4. Long-Term Debt

The loans from Western Economic Diversification are due as follows:

	<u>Small Business Enterprise</u>	<u>Repayable</u>	<u>Disabled</u>	<u>Total 2010</u>	<u>Total 2009</u>
Due to W.E.D.	\$ <u>-</u>	\$ <u>400,000</u>	\$ <u>200,000</u>	\$ <u>600,000</u>	\$ <u>600,000</u>

The cash balances of the loan investment funds will be payable to Western Economic Diversification at April 1, 2010. Principle repayments of investment loans receivable after March 31, 2010 will be forwarded to Western Economic Diversification.

When the loans are collected, any remaining assets of the repayable investment fund may be retained by SCFDC at the discretion of the Minister.

5. Financial Instruments

Credit Risk

The organization's loans are to new and existing small businesses, unable to obtain financing through other means, which results in a concentration of credit risk.

Interest Rate risk

The organization is exposed to interest rate risk related to interest expends on any amounts drawn on it's floating rate debt facilities.

COMMUNITY FUTURES SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2010

5. Financial Instruments (continued)

Fair value of financial assets and liabilities

The organization has financial instruments consisting of accounts receivable, loans receivable, accounts payable, temporary and long term investments, accrued liabilities and long term debt. The carrying value of these financial instruments approximate fair value due to their short term to maturity.

6. Economic dependence

The organization received 98.0% of its funding from the federal government on which it is economically dependent.

7. Action South West

Action South West became a project of the organization April 1, 2007. Action South West is a partnership strategy whose mission is to grow a greater Southwest Saskatchewan. The balance sheet and operation results for this project are reported under the General Operating Fund.

8. Transfer of Funds

The Board received approval from Western Diversification in 2009 to transfer \$66,000 from the Non Repayable (Investment) Fund to General operating for anticipated shortfalls. The Board also approved in 2009 the transfer of \$889 from the Small Business Loan Fund to General operating to cover the cost of non-WD supported expenditures.

9. Name Change

The operation changed its legal name from Southwest Community Futures Development Corporation to Community Futures Southwest Inc. The name change is to facilitate congruency between the Community Futures offices across western Canada. All offices in western Canada will now start with Community Futures so they are readily identifiable across western Canada.