

COMMUNITY FUTURES SOUTHWEST INC.

FINANCIAL STATEMENTS

MARCH 31, 2011



INDEPENDENT AUDITOR'S REPORT

To the Directors of Community Futures Southwest Inc.:

We have audited the accompanying financial statements of Community Futures Southwest Inc., which comprise the statement of financial position as at March 31, 2011, and the statement of operations and net assets and 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 pre-changeover accounting standards for not for profit entities, 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.

Auditor's 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 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 organization'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 organization'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 Southwest Inc. as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with pre-changeover accounting standards for not for profit entities.

Stark & Marsh
Chartered Accountants, LLP

Swift Current, Saskatchewan
June 22, 2011



COMMUNITY FUTURES SOUTHWEST INC.

**STATEMENT OF FINANCIAL POSITION
As at March 31, 2011**

Statement 1

	Loan Investment Funds					<u>Total 2011</u>	<u>Total 2010</u>
	General Fund	Repayable	Non Repayable	Disabled	Small Business Enterprise		
ASSETS							
Current assets							
Cash in bank	\$ 56,123	\$ 38,981	\$ 55,763	\$ 13,411	\$ 20,798	\$ 185,076	\$ 333,072
Temporary investments	-	540,113	1,206,978	202,249	-	1,949,340	1,929,648
Accounts receivable	382	-	735	344	-	1,461	3,328
Accrued loan interest and charges receivable, net of allowance for credit loss	-	19	24,981	4,013	-	29,013	22,599
Prepaid expenses	56	-	-	-	-	56	56
Current portion of long term investment	-	246	103,683	16,398	-	120,327	90,924
	<u>56,561</u>	<u>579,359</u>	<u>1,392,140</u>	<u>236,415</u>	<u>20,798</u>	<u>2,285,273</u>	<u>2,379,627</u>
Other Assets							
Co-operative equity	362	-	-	-	-	362	362
Investments (Note 3)	-	-	174,000	-	-	174,000	174,000
Investment loans receivable, net of allowance for credit loss (Note 3)	-	246	540,168	39,011	-	579,425	371,584
Less current portion	-	246	103,683	16,398	-	120,327	90,924
	<u>362</u>	<u>-</u>	<u>610,485</u>	<u>22,613</u>	<u>-</u>	<u>633,460</u>	<u>455,022</u>
Total Assets	\$ <u>56,923</u>	\$ <u>579,359</u>	\$ <u>2,002,625</u>	\$ <u>259,028</u>	\$ <u>20,798</u>	\$ <u>2,918,733</u>	\$ <u>2,834,649</u>
LIABILITIES & FUND BALANCES							
Current liabilities							
Accounts payable and accrued liabilities	\$ 84	\$ 220	\$ -	\$ 321	\$ -	\$ 625	\$ 155
Deferred revenue	-	-	-	-	-	-	2,000
	<u>84</u>	<u>220</u>	<u>-</u>	<u>321</u>	<u>-</u>	<u>625</u>	<u>2,155</u>
Investment loans payable (Note 4)	-	400,000	-	200,000	-	600,000	600,000
Fund balances	<u>56,839</u>	<u>179,139</u>	<u>2,002,625</u>	<u>58,707</u>	<u>20,798</u>	<u>2,318,108</u>	<u>2,232,494</u>
Total Liabilities & Fund balances	\$ <u>56,923</u>	\$ <u>579,359</u>	\$ <u>2,002,625</u>	\$ <u>259,028</u>	\$ <u>20,798</u>	\$ <u>2,918,733</u>	\$ <u>2,834,649</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, 2011

Statement 2

	General Fund	
	Total	Total
	<u>2011</u>	<u>2010</u>
REVENUE		
Western Economic Diversification funding	\$ 297,669	\$ 297,669
Program income	13,120	12,002
Interest	428	167
Other	<u>335</u>	<u>(191)</u>
	311,552	309,647
EXPENSES		
Administration		
Advertising and promotion	9,674	9,348
Conference and projects	38,598	19,477
Contract services	6,964	36,853
Insurance and pension costs	20,546	19,774
Interest and bank charges	207	365
Maintenance and repairs	7,108	2,848
Non-refundable GST	1,996	2,846
Office supplies and equipment	17,891	13,961
Rent	21,276	21,247
Telephone	9,829	9,240
Travel	23,041	28,111
Professional fees	11,495	17,366
Salaries and benefits	<u>146,978</u>	<u>142,102</u>
	<u>315,603</u>	<u>323,538</u>
Excess (deficiency) of revenues over expenses	(4,051)	(13,891)
Action South West - Statement 5	<u>15,595</u>	<u>3,767</u>
Total excess(deficiency)of revenues over expenses	11,544	(10,124)
Fund balance, beginning of the year, General Fund	37,043	45,037
Fund balance, beginning of the year, Action South West	8,389	4,624
Prior period adjustments	<u>(137)</u>	<u>(2,491)</u>
Fund balance, end of the year	\$ <u>56,839</u>	\$ <u>37,043</u>

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF INCOME AND CHANGES IN RESTRICTED FUND BALANCES
As at March 31, 2011

Statement 3

	Loan Investment Funds			Small	Restricted Funds	
	Repayable	Non Repayable	Disabled	Business Enterprise	Total 2011	Total 2010
Revenue						
Interest	\$ 22,287	\$ 62,827	\$ 2,688	\$ 180	\$ 87,982	\$ 45,592
Recovery of bad debt	300	4,312	-	-	4,612	53,393
Other	<u>55,813</u>	<u>898</u>	<u>1,231</u>	<u>-</u>	<u>57,942</u>	<u>3,637</u>
	<u>78,400</u>	<u>68,037</u>	<u>3,919</u>	<u>180</u>	<u>150,536</u>	<u>102,622</u>
Expenses						
Provision for investment losses	-	77,687	-	-	77,687	-
Professional fees and other	<u>-</u>	<u>20</u>	<u>-</u>	<u>7,011</u>	<u>7,031</u>	<u>-</u>
	<u>-</u>	<u>77,707</u>	<u>-</u>	<u>7,011</u>	<u>84,718</u>	<u>-</u>
Net Income for the year	78,400	(9,670)	3,919	(6,831)	65,818	102,622
Fund balances, beginning of the year	100,739	2,012,295	54,788	27,629	2,195,451	2,092,829
Fund balances, end of the year	<u>\$ 179,139</u>	<u>\$ 2,002,625</u>	<u>\$ 58,707</u>	<u>\$ 20,798</u>	<u>\$ 2,261,269</u>	<u>\$ 2,195,451</u>

COMMUNITY FUTURES SOUTHWEST INC.

**STATEMENT OF CASH FLOWS
As at March 31, 2011**

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>2011</u>	<u>Total</u> <u>2010</u>
Cash provided by operations							
Excess (deficiency) of revenues							
over expenses	\$ (4,051)	\$ 78,400	\$ (9,670)	\$ 3,919	\$ (6,831)	\$ 61,767	\$ 92,498
Net change in current assets	8,647	(77,173)	27,705	(3,016)	-	(43,837)	3,965
Net change in current liabilities	(1,916)	189	-	197	-	(1,530)	(9,391)
Loan loss provision not affecting cash	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
	<u>2,680</u>	<u>1,416</u>	<u>8,035</u>	<u>1,100</u>	<u>(6,831)</u>	<u>6,400</u>	<u>87,072</u>
Cash provided by investment activities							
Loans advanced	-	-	(290,000)	-	-	(290,000)	(15,000)
Loans repaid	-	11,737	80,422	-	-	92,159	156,559
Cooperative equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8)</u>
	<u>-</u>	<u>11,737</u>	<u>(209,578)</u>	<u>-</u>	<u>-</u>	<u>(197,841)</u>	<u>141,551</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	2,680	13,153	(201,543)	1,100	(6,831)	(191,441)	228,623
Cash, beginning 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>
Cash, end of the year	<u>\$ 40,528</u>	<u>\$ 38,981</u>	<u>\$ 27,913</u>	<u>\$ 13,411</u>	<u>\$ 20,798</u>	<u>\$ 141,631</u>	<u>\$ 333,072</u>

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF OPERATIONS AND CHANGES FOR ACTION SOUTHWEST
For the year ended March 31, 2011

	Statement 5	
	Total <u>2011</u>	Total <u>2010</u>
REVENUE		
Miscellaneous income	1,095	4,155
Community Futures Southwest Inc.	<u>15,000</u>	<u>155</u>
	<u>16,095</u>	<u>4,309</u>
EXPENSES		
Advertising and promotion	-	200
Non-refundable GST	-	5
Office supplies and equipment	-	12
Professional fees	500	-
Training and professional development	<u>-</u>	<u>325</u>
	<u>500</u>	<u>542</u>
Surplus for the year	\$ <u>15,595</u>	\$ <u>3,767</u>

COMMUNITY FUTURES SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2011

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:

i) Operating Fund

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

ii) 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.

b) Temporary Investments

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

c) 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, 2011

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:

	Gross Amount	Allowance Doubtful Loans	2011 Carrying Value	2010 Carrying Value
Loan Investment Fund - Repayable	\$ <u>246</u>	<u>-</u>	\$ <u>246</u>	\$ <u>11,983</u>
Loan Investment Fund - Non Repayable	\$ <u>710,168</u>	<u>170,000</u>	\$ <u>540,168</u>	\$ <u>320,590</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 totaling \$6,307.

4. Long-Term Debt

The loans from Western Economic Diversification are due as follows:

	Small Business Enterprise	Repayable	Disabled	Total 2010	Total 2009
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, 2011 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, 2011

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.