

**COMMUNITY FUTURES DEVELOPMENT
CORPORATION OF 16-37**

Financial Statements

As at March 31, 2009

McAlpine
& Co. ^{CA}

CHARTERED ACCOUNTANTS



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Community Futures Development Corporation of 16-37

Fiscal Year Ending March 31st, 2009

Management's Responsibility For Financial Reporting

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgements and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles, methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging the responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of members who are neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual audited financial statement. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors.

McAlpine & Company, Chartered Accountants, an independent firm of Chartered Accountants, has been appointed by the Board of Directors to audit the financial statements and report directly to them. The external auditors have full and free access to, and meet periodically and separately with, both the Board and Management to discuss their audit findings. Their report appears herein.

June 25th, 2009

A handwritten signature in black ink, appearing to read "Ken Guenter".

Ken Guenter, General Manager

A handwritten signature in black ink, appearing to read "J. Galloway".

Jocelyn Galloway, Manager of Financial Services

Growing communities one idea at a time

AUDITORS' REPORT

To the Directors of Community Futures Development Corporation of 16-37

We have audited the statement of financial position of Community Futures Development Corporation of 16-37 as at March 31, 2009 and the statements of operation and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. 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 corporation as at March 31, 2009 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Terrace, British Columbia
June 22, 2009

McAlpine & Co.

CHARTERED ACCOUNTANTS


COMMUNITY FUTURES DEVELOPMENT CORPORATION OF 16-37

**Statement of Financial Position
As at March 31, 2009**

	General Fund	Loan Investment Fund	2009 Total	2008 Total
Assets				
Current				
Cash and term deposits (Note 4)	\$ 396,449	\$ 3,746,513	\$ 4,142,962	\$ 4,176,257
Pooled Assets Lending fund (Note 2e and 5)				116,762
Accounts receivable	53,288		53,288	54,222
Prepaid expenses	7,598		7,598	9,667
	457,335	3,746,513	4,203,848	4,356,908
Loans receivable (Note 6)		1,430,783	1,430,783	1,307,366
Property, plant and equipment (Note 2c and 7)	38,519		38,519	50,566
Inter-fund balances	(14,908)	14,908		
	\$ 480,946	\$ 5,192,204	\$ 5,673,150	\$ 5,714,840
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 85,012	\$	\$ 85,012	\$ 80,047
Deferred contributions (Note 2d and 8)	102,025		102,025	9,500
	187,037		187,037	89,547
Aboriginal loan guarantee funds in trust (Note 9)				258,450
Deferred capital contributions (Note 10)	4,135		4,135	5,785
	191,172		191,172	353,782
Fund Balances				
Invested in property, plant and equipment (Note 11)	34,384		34,384	44,781
Internally restricted (Note 12)	304,076		304,076	312,445
Externally restricted (Note 13)		5,192,204	5,192,204	5,038,930
Unrestricted	(48,686)		(48,686)	(35,098)
	289,774	5,192,204	5,481,978	5,361,058
	\$ 480,946	\$ 5,192,204	\$ 5,673,150	\$ 5,714,840

Signed on behalf of the board:

 Director

 Director

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF 16-37

Statement of Operations and Changes in Fund Balances
Year ended March 31, 2009

	General Fund	Loan Investment Fund	2009 Total	2008 Total
Revenue				
Contributions				
- Western Economic Diversification	\$ 339,956	\$	\$ 339,956	\$ 344,074
- Service Canada	1,126,592		1,126,592	434,289
- Other	13,500		13,500	
Loan interest		117,523	117,523	145,441
Bank interest and other	54,747	79,474	134,221	184,920
Amortization of deferred capital contributions	1,650		1,650	1,816
	1,536,445	196,997	1,733,442	1,110,540
Expenditures				
Salaries, benefits and subcontractor fees	575,790		575,790	494,720
Advertising and promotion	51,013		51,013	28,460
Client training	841		841	1,986
Community economic development	10,897		10,897	7,140
Depreciation of property, plant and equipment	12,796		12,796	14,117
Insurance and membership dues	6,244		6,244	4,666
Legal and accounting	22,199		22,199	12,685
Office and miscellaneous	31,116	28	31,144	31,676
SEB participant allowance	756,916		756,916	142,444
Provision for loan loss (recovery)		(11,215)	(11,215)	50,400
Rent	52,570		52,570	50,835
Telephone, fax and internet	17,291		17,291	14,507
Trade shows/information fairs/workshops	6,935		6,935	
Training and professional development	7,587		7,587	3,523
Travel- directors	27,226		27,226	32,054
- staff and subcontractors	44,289		44,289	24,505
	1,623,710	(11,187)	1,612,523	913,718
Excess (shortfall) of revenue over expenditures for the year	(87,265)	208,184	120,919	196,822
Fund balance - beginning of year	322,129	5,038,930	5,361,059	5,164,236
Fund transfers	54,910	(54,910)		
Fund balance - end of year	\$ 289,774	\$ 5,192,204	\$ 5,481,978	\$ 5,361,058

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF 16-37**Statement of Cash Flows
Year ended March 31, 2009**

	2009	2008
Operating activities		
Excess of revenues over expenses for the year	\$ 120,919	\$ 196,822
Items not involving cash:		
- increase (decrease) in deferred contributions related to operations	92,525	9,500
- amortization of deferred capital contributions	(1,650)	(1,816)
- depreciation of property, plant and equipment	12,796	14,117
	224,590	218,623
Changes in non-cash working capital items:		
- accounts receivable	934	(981)
- prepaid expenses	2,069	(2,671)
- loans receivable	(123,417)	103,998
- accounts payable and accrued liabilities	4,966	17,749
	(115,448)	118,095
Cash flow from (used by) operating activities	109,142	336,718
Financing and investing activities		
Investment (reduction) in Pooled Assets Lending fund	116,762	107,630
Increase (decrease) in Aboriginal loan guarantee funds	(258,450)	(17,034)
Purchase of property, plant and equipment	(749)	(15,100)
	(142,437)	75,496
Increase (decrease) in cash	(33,295)	412,214
Cash and term deposits - beginning of year	4,176,257	3,764,043
Cash and term deposits - end of year	\$ 4,142,962	\$ 4,176,257

See accompanying notes to financial statements

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF 16-37

Notes to Financial Statements Year ended March 31, 2009

1. Purpose of the organization

Community Futures Development Corporation of 16-37 is a body corporate established on March 29, 1995 under the Canada Corporations Act. The purpose of the organization is to facilitate a community-based economy, to co-ordinate regional employment development, to assist with the establishment of new business and the expansion and support of existing business and to assist with the development of the region's human resource capacity by encouraging education, training and employment opportunities and initiatives. The corporation is exempt from income taxes under provisions of the Income Tax Act.

2. Significant accounting policies

a) Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses. Specific areas of estimate include the allowance for loan impairment (see Note 6) and the rate of amortization of property, plant and equipment. Actual results may differ from these estimates.

b) Fund accounting

Community Futures Development Corporation of 16-37 follows the restricted fund method of accounting for contributions.

The General Fund comprises the corporation's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating contributions.

The Loan Investment Fund reports restricted resources that are to be used for financing activities related to assisting new and existing enterprises. The corporation is restricted in the types of loans that can be made according to agreements with various funders as outlined in Note 3.

c) Property, plant and equipment

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Depreciation is calculated on a declining balance basis over the assets' estimated useful lives at the following rates:

Office furniture and equipment	20%
Computer equipment	30%
Leasehold improvements	15%

d) Revenue Recognition

Externally restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Restricted contributions related to the loan investment programs are recognized as revenue of the appropriate restricted Loan Investment Fund. Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue of the General Fund at a rate corresponding with the depreciation rate for the related property, plant and equipment. Unrestricted contributions are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

e) Investment in Pooled Assets Lending fund

The investment in the Pooled Assets Lending fund is recorded at cost.

Notes to Financial Statements
Year ended March 31, 2009

3. Funding

Certain of the corporation's funding is received under the following agreements:

a) Community Development Program Funding Agreement

Funding is provided for Community Futures program operating expenditures, funding of loans receivable, and funding of youth, disabled entrepreneur and fishing related/oceans-based commercial venture investment loans under terms and conditions of an agreement with Western Economic Diversification (WED).

b) Self-Employment Employment Benefit Program Funding Agreement

Funding is provided for the operating expenditures related to the Self-Employment Employment Benefit Program under the terms and conditions of an agreement with Services Canada.

c) Forest Community Business Program Contribution Agreement

Funding is provided for the provision of loans to small and medium sized forest sector enterprises under terms and conditions of an agreement with Ministry of Forests.

4. Cash and term deposits

Cash and term deposits comprises the following separate accounts:

	2009	2008
<u>General Fund</u>		
Operating account	\$ 94,583	\$ 2,578
Community Investment account	301,866	310,841
	\$ 396,449	\$ 313,419
<u>Loan Investment Fund</u>		
Community Futures Loan account	\$ 1,246,357	\$ 1,137,603
Forestry Loan account	1,016,108	1,063,368
Aboriginal Loan Guarantee account		258,450
Disabled Entrepreneurs Loan account	203,177	200,554
Fisheries I (D.F.O.) Loan account	1,280,871	1,177,953
Fisheries II (W.E.D.) Loan account		
Recreational Fisheries Loan account		24,910
	\$ 3,746,513	\$ 3,862,838

Term deposits of \$2,000,000 are included in the loan investment fund accounts. The term deposits mature February, 2010 and bear interest at 2%.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF 16-37

Notes to Financial Statements
Year ended March 31, 2009

5. Pooled Assets Lending Fund

The corporation has invested certain loan program investment funds into the Pooled Assets Lending ("PAL") program. This program was established by the Community Futures Development Association of B.C. with the objective of pooling surplus investment funds of member Community Future Development Corporations (CFDC's) to enhance the return on their investments and to allow member CFDC's to apply for loans from these funds. Assets of the PAL investment fund are invested in cash like financial instruments until they are needed for lending to a participant in the pool.

	March 31, 2009	March 31, 2008
PAL fund		
<u>Community Futures investment funds</u>	\$ Nil	\$ 116,762
	<u>\$ Nil</u>	<u>\$ 116,762</u>

6. Loans receivable

Loans receivable comprise advances to businesses under various loan programs from funding as described in Note 3. The loans are due over various periods up to five years and bear interest at prime to prime plus 5%. Loans receivable comprise the following:

	Gross amount	Allowance	2009 Carrying Amount	2008 Carrying Amount
<u>Repayable loans receivable</u>				
Community Futures loans	\$ 1,070,933	\$ 124,126	\$ 946,807	\$ 825,895
Forestry loans	289,019		289,019	220,177
Fisheries loans	86,581		86,581	161,731
Disabled Entrepreneur loans	108,376		108,376	99,563
	<u>1,554,909</u>	<u>124,126</u>	<u>1,430,783</u>	<u>1,307,366</u>

The gross amount of repayable loans receivable of \$1,554,909 above includes \$159,126 of loans which have been identified as being impaired and which reflect the related allowance for loan impairment of \$124,126 for a net carrying amount of impaired loans of \$35,000. The impaired loans include non-performing loans on which the pledged security is pending sale and/or final collection avenues are being undertaken. The non-performing loans have a gross carrying value of \$49,144 and a specific allowance of \$24,144.

The corporation is exposed to credit risk that arises from the above loans which are issued to small business in various sectors of the economy. Credit risk arises from the possibility that the entities to which the corporation provides loans may experience financial difficulty and may be unable to fulfil their obligations.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF 16-37

Notes to Financial Statements Year ended March 31, 2009

6. Loans receivable (continued)

Before issuing loans to small business, the corporation performs a credit risk evaluation. The small business loan applicant is required to pledge assets as security which may comprise business assets under a general security agreement, assignment of inventory and accounts receivable, mortgages on real property and personal guarantees. The corporation mitigates its credit risk by performing the credit risk evaluation and receiving pledged collateral. The corporation's loan clients are numerous with the majority of loans issued for an average amount of \$50,000 to a maximum of \$150,000 which reduces the concentration of credit risk. The corporation performs ongoing credit evaluations of its loan clients' financial condition and limits the amount of credit extended when deemed necessary. The corporation maintains provisions for potential credit losses based on management's review of specific loans.

At year end, the corporation had approved additional loans totaling \$377,000 pending certain conditions.

7. Property, plant and equipment

	Cost	Accumulated Depreciation	2009 Net Book Value	2008 Net Book Value
Office furniture and equipment	96,784	86,075	10,709	13,385
Computer equipment	157,471	136,164	21,307	29,530
Leasehold improvements	33,173	26,670	6,503	7,651
	<u>\$ 287,428</u>	<u>\$ 248,909</u>	<u>\$ 38,519</u>	<u>\$ 50,566</u>

8. Deferred contributions

Deferred contributions related to expenses of future periods represent unspent externally restricted operations program funding received for the Self-Employment Employment Benefit program. Changes in the deferred contributions balance are as follows:

	2009	2008
Balance - Beginning of year	\$ 9,500	\$ Nil
Add amount received related to future periods	102,025	9,500
Less amount received recognized as revenue in the year	(9,500)	
Balance - End of year	<u>\$ 102,025</u>	<u>\$ 9,500</u>

9. Aboriginal loan guarantee funds

The Aboriginal loan guarantee funds are from Gitksan Wet'suwet'en Economic Development Corporation. The cash funds and accumulated interest earnings were to only be used to supplement security taken on loans granted to the Gitksan and Wet'suwet'en people. The loan guarantee funds were transferable to Community Futures Development Corporation in the event certain of these loans become uncollectible and loan losses are realized. As at March 31, 2009, all loans under existing guarantee arrangements are fully repaid and/or discharged to the Gitksan Government Commission and the loan guarantee program has now been fully discontinued.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF 16-37

**Notes to Financial Statements
Year ended March 31, 2009**

10. Deferred capital contributions

Deferred capital contributions related to property, plant and equipment represent the unamortized amount and unspent amount of contributions received for the purchase of property, plant and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance - Beginning of year	\$ 5,785	\$ 7,601
Less amounts amortized to revenue	<u>(1,650)</u>	<u>(1,816)</u>
Balance - End of year	<u>\$ 4,135</u>	<u>\$ 5,785</u>

The balance of unamortized capital contributions related to property, plant and equipment consists of the following:

	2009	2008
Unamortized capital contributions used to purchase property, plant and equipment	\$ 4,135	\$ 5,785
Unspent contributions	<u>Nil</u>	<u>Nil</u>
	<u>\$ 4,135</u>	<u>\$ 5,785</u>

11. Invested in property, plant and equipment

- a) Fund balance invested in property, plant and equipment is calculated as follows:

	2009	2008
Property, plant and equipment	\$ 38,519	\$ 50,566
Less amounts financed by deferred contributions	<u>(4,135)</u>	<u>(5,785)</u>
	<u>\$ 34,384</u>	<u>\$ 44,781</u>

- b) Change in fund balance invested in property, plant and equipment is calculated as follows:

	2009	2008
Balance - Beginning of year	\$ 44,781	\$ 41,982
Excess of revenues over expenses:		
Amortization of deferred capital contributions	1,650	1,816
Depreciation of property, plant and equipment	<u>(12,796)</u>	<u>(14,117)</u>
	<u>(11,146)</u>	<u>(12,301)</u>
Net change in fund balance invested in property, plant and equipment:		
Purchase of property, plant and equipment	<u>749</u>	<u>15,100</u>
Balance - End of Year	<u>\$ 34,384</u>	<u>\$ 44,781</u>

12. Internally restricted fund balances

Internally restricted fund balances represent contract and ancillary earnings of the Community Investment Program which are internally restricted by the corporation's board of directors for future investment in community needs. Any transfers from fund balances internally restricted for community investment initiatives must be approved by the board of directors.

13. Externally restricted fund balances

The corporation has received funding to provide loans to certain sectors of the economy from the federal and provincial governments as outlined in note 3. The funding agreements require repayment of the governments' contributions beginning at the expiration dates of the contracts and continuing until such time as the loans receivable are retired. Under terms of the funding agreements, the corporation is entitled to retain a portion of income earned on loan and related investment revenues but will be required to repay a portion of the income earned to the governments upon repayment of the original contributions. The conditionally repayable loan funds are repayable if certain conditions occur or if the repayable investment funds are not administered according to the terms of the agreements.

14. Financial instruments

The corporation's financial assets and liabilities at March 31, 2009 include current assets, loans receivable and accrued liabilities. Due to the short-term nature of these items, carrying amounts are considered to approximate fair value.

15. Economic dependence

The corporation receives approximately 90% of its operating revenues from the federal and provincial governments and is economically dependent upon it.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF 16-37

Schedule of Revenue and Expenditure by Program
 Loan Investment Fund
 Year ended March 31, 2009

	Forestry Loan Program	Community Futures Loan Program	Disabled Entrepreneur Loan Program	Fisheries Loan Program	Recreation Fisheries Loan Program	Total Repayable Loan Program
Revenue						
Loan interest	\$ 13,980	\$ 84,832	\$ 7,241	\$ 11,470	\$	\$ 117,523
Bank interest and other	24,186	23,862	4,584	26,842		79,474
	38,166	108,694	11,825	38,312		196,997
Expenditures						
Provision for loan loss (recovery)	37	(5,386)	164	(6,030)		(11,215)
Office and miscellaneous		28				28
	37	(5,358)	164	(6,030)		(11,187)
Excess (shortfall) of revenue over expenditures for the year	38,129	114,052	11,661	44,342		208,184
Transfer to operating fund	(15,000)			(15,000)	(24,910)	(54,910)
Fund balance - beginning of year	1,283,498	2,132,220	300,118	1,298,184	24,910	5,038,930
Fund balance - end of year	\$ 1,306,627	\$ 2,246,272	\$ 311,779	\$ 1,327,526	\$	\$ 5,192,204
Fund balance - end of year comprises the following:						
Repayable contributions - Contributors/Funders	\$ 500,000	\$ 200,000	\$ 200,000	\$ 836,589	\$	\$ 1,736,589
- 16/37	500,000			41,500		541,500
Fund surplus (deficit) - repayable portion to Contributors	197,295		55,889	305,615		558,799
- conditionally non-repayable portion (Note 13)	109,332	2,046,272	55,890	143,822		2,355,316
	\$ 1,306,627	\$ 2,246,272	\$ 311,779	\$ 1,327,526	\$	\$ 5,192,204