

**PRINCE ALBERT & DISTRICT
COMMUNITY FUTURES
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

March 31, 2011

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF PRINCE ALBERT & DISTRICT COMMUNITY FUTURES DEVELOPMENT CORPORATION

We have audited the accompanying financial statements of Prince Albert & District Community Futures Development Corporation which comprise the statement of financial position as at March 31, 2011 and the statement of operations and changes in fund balances 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 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.

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 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 of 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.

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 Prince Albert & District Community Futures Development Corporation 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.

Deloitte + Touche LLP

Chartered Accountants

May 31, 2011

Prince Albert, Saskatchewan

PRINCE ALBERT & DISTRICT COMMUNITY FUTURES DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
year ended March 31, 2011

	General Fund	Regular Investment Fund	Disabled Entrepreneur Investment Fund	Forestry Investment Fund	2011 Total	2010 Total
REVENUE						
Contribution - Western Economic Diversification	\$ 297,669	\$ -	\$ -	\$ -	\$ 297,669	\$ 297,669
Community Access Program funding	4,190	-	-	-	4,190	4,253
Interest on loans	-	103,040	3,141	17,197	123,378	83,777
Interest on deposit accounts	236	924	283	825	2,268	2,890
Administration fees and other income	44,853	-	-	-	44,853	40,154
Recovery of doubtful loans and interest	-	1,764	-	-	1,764	-
YBEX awards program	-	-	-	-	-	5,291
	<u>346,948</u>	<u>105,728</u>	<u>3,424</u>	<u>18,022</u>	<u>474,122</u>	<u>434,034</u>
EXPENDITURES						
Accounting, audit and legal	8,673	-	-	-	8,673	11,081
Advertising and promotion	19,637	-	-	-	19,637	26,754
Bad debts	-	-	-	-	-	10,737
Bank charges and interest	1,133	-	-	-	1,133	1,593
Board travel and expenses	9,896	-	-	-	9,896	8,343
Computer equipment and software	4,948	-	-	-	4,948	1,895
Computer repairs and maintenance	5,412	-	-	-	5,412	6,233
Credit checks/collections	1,715	-	-	-	1,715	1,841
Insurance	3,563	-	-	-	3,563	3,770
Leasehold improvements and signage	326	-	-	-	326	4,142
Library and resource material	308	-	-	-	308	305
Memberships	893	-	-	-	893	942
Miscellaneous	2,381	-	-	-	2,381	2,730
Office equipment	934	-	-	-	934	4,805
Office supplies	4,643	-	-	-	4,643	5,847
Phone and fax	7,534	-	-	-	7,534	7,291
Photocopier copy contract	6,105	-	-	-	6,105	5,979
Postage	438	-	-	-	438	544
Rent	36,072	-	-	-	36,072	33,311
Staff training	7,211	-	-	-	7,211	11,033
Travel	4,051	-	-	-	4,051	13,869
Utilities	4,237	-	-	-	4,237	4,499
Wages and benefits	97,031	-	-	-	97,031	86,685
Wages and benefits - management	81,658	-	-	-	81,658	78,690
YBEX awards program	-	-	-	-	-	4,635
	<u>308,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,799</u>	<u>337,554</u>
SURPLUS BEFORE CAPITAL ADJUSTMENTS	38,149	105,728	3,424	18,022	165,323	96,480
CAPITAL ADJUSTMENTS						
Add back: capital asset additions expensed above	4,905	-	-	-	4,905	7,314
Less: capital asset amortization	(9,483)	-	-	-	(9,483)	(12,593)
SURPLUS	33,571	105,728	3,424	18,022	160,745	91,201
FUND BALANCES, BEGINNING OF YEAR	100,844	1,495,915	285,522	714,721	2,597,002	2,505,801
INTERFUND TRANSFERS	-	240,902	-	(240,902)	-	-
FUND BALANCES, END OF YEAR	\$ 134,415	\$ 1,842,545	\$ 288,946	\$ 491,841	\$ 2,757,747	\$ 2,597,002

PRINCE ALBERT & DISTRICT COMMUNITY FUTURES DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
as at March 31, 2011

	General Fund	Regular Investment Fund	Disabled Entrepreneur Investment Fund	Forestry Investment Fund	2011 Total	2010 Total
CURRENT ASSETS						
Cash	\$ 124,349	\$ 28,742	\$ 58,862	\$ 142,862	\$ 354,815	\$ 389,000
Short-term investments (Note 4)	-	155,084	206,473	173,170	534,727	774,479
Accounts receivable	3,802	-	-	-	3,802	3,163
Accrued interest receivable	-	9,836	174	939	10,949	10,925
Prepaid expenses and deposits	2,060	-	-	-	2,060	2,047
	130,211	193,662	265,509	316,971	906,353	1,179,614
LOANS RECEIVABLE (Note 5)	-	1,657,856	23,437	174,870	1,856,163	1,421,145
ALLOWANCE FOR DOUBTFUL LOANS (Note 5)	-	(8,973)	-	-	(8,973)	(10,737)
CAPITAL ASSETS (Note 6)	20,158	-	-	-	20,158	24,736
	<u>\$ 150,369</u>	<u>\$ 1,842,545</u>	<u>\$ 288,946</u>	<u>\$ 491,841</u>	<u>\$ 2,773,701</u>	<u>\$ 2,614,758</u>

CURRENT LIABILITIES

Accounts payable and accrued charges	\$ 15,954	\$ -	\$ -	\$ -	\$ 15,954	\$ 17,756
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FUND BALANCES

Investment in capital assets (Note 7)	20,158	-	-	-	20,158	24,736
Externally restricted fund balance	-	1,842,545	288,946	491,841	2,623,332	2,496,158
Unrestricted fund balance	114,257	-	-	-	114,257	76,108
	134,415	1,842,545	288,946	491,841	2,757,747	2,597,002
	<u>\$ 150,369</u>	<u>\$ 1,842,545</u>	<u>\$ 288,946</u>	<u>\$ 491,841</u>	<u>\$ 2,773,701</u>	<u>\$ 2,614,758</u>

APPROVED BY THE BOARD:

Chairperson

General Manager

PRINCE ALBERT & DISTRICT COMMUNITY FUTURES DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
year ended March 31, 2011

	General Fund	Regular Investment Fund	Disabled Entrepreneur Investment Fund	Forestry Investment Fund	2011 Total	2010 Total
OPERATING ACTIVITIES						
Surplus	\$ 33,571	\$ 105,728	\$ 3,424	\$ 18,022	\$ 160,745	\$ 91,201
Items not affecting cash	9,483	-	-	-	9,483	12,593
Amortization of capital assets	43,054	105,728	3,424	18,022	170,228	103,794
Changes in non-cash working capital	-	(440)	(281)	240,473	239,752	(3,103)
(Increase) decrease in short-term investments	(639)	-	-	-	(639)	2,670
(Increase) decrease in accounts receivable	-	(1,204)	207	973	(24)	(2,034)
(Increase) decrease in accrued interest receivable	(13)	-	-	-	(13)	2,833
(Decrease) increase in prepaid expenses and deposits	(1,802)	-	-	-	(1,802)	10,325
(Decrease) increase in accounts payable and accrued charges	-	-	-	-	-	(4,091)
(Decrease) in deferred revenue	40,600	104,084	3,350	259,468	407,502	110,394
INVESTING ACTIVITIES						
Additions to capital assets	(4,905)	-	-	-	(4,905)	(7,314)
(Increase) decrease in loans receivable (net)	-	(520,353)	30,864	52,707	(436,782)	(592,504)
	(4,905)	(520,353)	30,864	52,707	(441,687)	(599,818)
NET INCREASE (DECREASE) IN CASH	35,695	(416,269)	34,214	312,175	(34,185)	(489,424)
CASH, BEGINNING OF YEAR	88,654	204,109	24,648	71,589	389,000	878,424
INTERFUND TRANSFERS	-	240,902	-	(240,902)	-	-
CASH, END OF YEAR	\$ 124,349	\$ 28,742	\$ 58,862	\$ 142,862	\$ 354,815	\$ 389,000

**PRINCE ALBERT & DISTRICT
COMMUNITY FUTURES DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2011**

1. PURPOSE OF ORGANIZATION

The Corporation was incorporated January 1, 1997 under the Non-Profit Corporations Act, 1995 of Saskatchewan and, as a non-profit organization, is exempt from income taxes under the Income Tax Act. The Corporation was established as part of a federal government initiative called the Community Futures Program and commenced operations in June 1997. The Corporation receives funding from the Department of Western Economic Diversification Canada. The mission of the Corporation is to function as a “Small Business Assistance Centre”, providing no-charge business plan help, access to the Community Futures Loan Funds, small business training and education, and access to its Business Resource Library, Internet and computer facilities.

2. CHANGES IN ACCOUNTING POLICIES

Future Accounting Changes

The Accounting Standards Board has approved a new framework for not-for-profit organizations that is based on existing Canadian Generally Accepted Accounting Principles and incorporates the 4400 series of standards which relate to situations unique to not-for-profit entities. The new standards are available as of December 31, 2010 as part III of the Canadian Institute of Chartered Accountants (“CICA”) Handbook – Accounting and are effective for reporting periods beginning on or after January 1, 2012. The Corporation will adopt the changes in standards for the year beginning April 1, 2012. The effect this adoption will have on the statements of the Corporation is not yet determinable.

3. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and reflect the following significant accounting policies:

Fund Accounting

The accounts of the Corporation are maintained in accordance with the principles of fund accounting. For accounting and reporting purposes, resources are classified into funds in accordance with specified activities or objectives:

(i) General Fund

The General Fund reports the Corporation’s general revenue and operating costs related to the service delivery and operating activities of the Corporation.

**PRINCE ALBERT & DISTRICT
COMMUNITY FUTURES DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2011**

3. ACCOUNTING POLICIES (continued)

(ii) Investment Funds

The Investment Funds report the 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 Funds report the activities of the Regular, Disabled Entrepreneur and the Forestry Investment Funds. The Corporation is restricted in the types of loans that can be made according to its agreement with the federal government.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect reported assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Loans Receivable

Loans are stated at their principal amount. A loan is classified as impaired when management has determined that there is a reasonable doubt as to the ultimate collectability of principal and interest. The provision for impaired loans is established on a loan-by-loan basis for specifically identified probable losses on loans receivable.

Capital Assets

Capital assets are recorded at cost and amortized using the straight-line method over the following periods:

Resource library	5 years
Office furniture and equipment	5 years
Computer equipment	5 years
Leasehold improvements and signage	5 years

**PRINCE ALBERT & DISTRICT
COMMUNITY FUTURES DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2011**

3. ACCOUNTING POLICIES (continued)

Financial Instruments

The Corporation has elected to use the exemption provided by the CICA permitting not for profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Corporation for the year ended March 31, 2011. The Corporation applies the requirements of Section 3861 of the CICA Handbook.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments. Settlement date accounting is used.

Classification

Cash	Held for trading
Short-term investments	Available-for-sale
Accounts receivable	Loans and receivables
Accrued interest receivable	Loans and receivables
Loans receivable	Loans and receivables
Accounts payable and accrued charges	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the statement of financial position date.

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held to maturity or held for trading investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in fund balances until realized when the cumulative gain or loss is transferred to other income. Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

**PRINCE ALBERT & DISTRICT
COMMUNITY FUTURES DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2011**

3. ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities other than derivative instruments.

Transaction costs

Transaction costs are expensed as incurred.

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Concentration of Credit Risk

Financial instruments, which potentially subject the Corporation to concentrations of credit risk, consist principally of loans receivable. Management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions except for the Forestry Investment Funds which account for approximately 9% (16% in 2010) of the Corporation's loan portfolio. Although the Corporation's loan portfolio is diversified, a substantial portion of its borrowers' ability to honor the terms of their loans is dependent on business and economic conditions in Saskatchewan.

Interest Rate Policy

Interest rates on all loans are fixed at the time of approval. There is no further accrual of interest on loans when there is doubt by management regarding the collectability of principal or interest. At that time, the reversal of any accrued and unpaid interest is reported as a reduction of current year's earnings. Subsequent collection of amounts due are reported as interest income only when management determines the collectability of the loan is no longer in doubt.

Impairment of Long-lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

**PRINCE ALBERT & DISTRICT
COMMUNITY FUTURES DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2011**

4. SHORT-TERM INVESTMENTS

Short-term investments consist of guaranteed investment certificates with a principal amount of \$534,727 (\$774,479 in 2010) which earn interest at a weighted average rate of 0.78% (0.35% in 2010) and mature in April 2011.

5. LOANS RECEIVABLE

Investment loans receivable from entrepreneurs are interest-bearing at fixed rates with monthly blended principal and interest repayments. Security is taken on these loans as appropriate to the situation and use of funds.

Loans receivable consist of the following:

	2011	2010
Loans receivable - performing	\$ 1,847,190	\$ 1,410,408
Loans receivable - non-performing	8,973	10,737
Loans receivable - end of year	\$ 1,856,163	\$ 1,421,145

The change in the provision for doubtful loans during the year is as follows:

	2011	2010
Provision for doubtful loans, beginning of year	\$ 10,737	\$ -
Recovery of loans previously allowed for	(1,764)	-
Current year increase in provision	-	10,737
Provision for doubtful loans, end of year	\$ 8,973	\$ 10,737

At March 31, 2011, the Corporation had approved but not disbursed loans in the amount of \$nil (2010 - \$51,000).

**PRINCE ALBERT & DISTRICT
COMMUNITY FUTURES DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2011**

6. CAPITAL ASSETS

	Cost		Accumulated Amortization		Net Book Value	
	2011	2010	2011	2010	2011	2010
Resource library	\$ 20,629	\$ 19,896	\$ 733	\$ 1,448		
Office furniture and equipment	128,329	119,242	9,087	13,643		
Computer equipment	100,199	92,107	8,092	6,650		
Leasehold improvements and signage	81,010	78,764	2,246	2,995		
	<u>\$ 330,167</u>	<u>\$ 310,009</u>	<u>\$ 20,158</u>	<u>\$ 24,736</u>		

7. INVESTMENT IN CAPITAL ASSETS

	2011	2010
Investment in capital assets, beginning of year	\$ 24,736	\$ 30,016
Additions to capital assets	4,905	7,313
Amortization of capital assets	<u>(9,483)</u>	<u>(12,593)</u>
Investment in capital assets, end of year	<u>\$ 20,158</u>	<u>\$ 24,736</u>

8. FINANCIAL INSTRUMENTS

Fair Value

The fair value of cash, short term investments, accounts receivable, accrued interest receivable and accounts payable and accrued charges is approximately equal to their carrying values due to their short-term maturity.

The loans receivable are interest-bearing at fixed rates varying from 4.50% to 10.00% amortized for terms between 24 and 180 months. The fair value of the loans outstanding at March 31, 2011, is not readily determinable.

**PRINCE ALBERT & DISTRICT
COMMUNITY FUTURES DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2011**

9. CONTINGENCY

In accordance with the Community Futures Program Agreement signed May 2, 2006 with Western Economic Diversification Canada, any cash balance of each loan investment fund may be repayable to the Government of Canada at any time at the discretion of the Minister. Investment loans receivable at this date will be liquidated via sale to a third party or other means satisfactory to the Minister and forwarded to Western Economic Diversification Canada. This would result in a maximum repayment of \$785,000 from the Regular Investment Fund, \$200,000 from the Disabled Entrepreneur Investment Fund and \$500,000 from the Forestry Investment Fund.

10. COMMITMENTS

The Corporation leases the operating premises under a lease arrangement which expires March 31, 2014. Future lease payments will aggregate \$108,997 including the following amounts over the next three years:

<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 34,799	\$ 37,099	\$ 37,099

The Corporation leases video conferencing equipment under a lease arrangement which expires May 31, 2014. Future lease payments will aggregate \$8,125 including the following amounts over the next four years:

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 2,500	\$ 2,500	\$ 2,500	\$ 625

The Corporation leases photocopier equipment under a lease arrangement which expires August 14, 2014. Future lease payments will aggregate \$14,237 including the following amounts over the next four years:

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 4,167	\$ 4,167	\$ 4,167	\$ 1,736

**PRINCE ALBERT & DISTRICT
COMMUNITY FUTURES DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2011**

11. ECONOMIC DEPENDENCE

The Corporation is economically dependent upon the Government of Canada represented by the Minister of Western Economic Diversification for annual contributions under the Community Futures Program to fund the eligible operating expenditures of the Corporation. The current agreement expires on March 31, 2011 and may be terminated by the Minister upon 60 days notice to the Corporation. On March 11, 2011, the Corporation signed an amendment to the original contribution agreement to extend funding for an additional year to March 31, 2012.

12. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are to maintain sufficient General Fund and Investment Fund balances to achieve the purpose of the funds and to ensure compliance with internal and external restrictions placed on those funds.

In the management of capital, the Corporation includes fund balances in the definition of capital. As at March 31, 2011, the Corporation has \$2,757,747 (\$2,597,002 in 2010) in capital.

Capital management objectives, policies and procedures are unchanged since the preceding year.