

CEDAR LAKE COMMUNITY FUTURES
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2008

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MARCH 31, 2008

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AUDITORS' REPORT

To The Directors
Cedar Lake Community Futures Development Corporation

We have audited the balance sheet of the Cedar Lake Community Futures Development Corporation as at March 31, 2008 and the operating and investment fund statements of revenue, expenditures and surplus and the statement of cash flows for the year then ended. These financial statements are the responsibility of the organization'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.

Recent changes to Canadian generally accepted accounting principles for financial instruments require the corporation to incorporate fair value information in its financial statements and to provide enhanced disclosure of financial instrument classification and risk. The corporation has not applied these recommendations to the financial statements.

In our opinion, except for the failure to apply current generally accepted accounting principles for financial instruments as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS

The Pas, Manitoba
June 9, 2008

AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT

To Western Economic Diversification

We have audited Cedar Lake Community Futures Development Corporation's compliance as at March 31, 2008 with the criteria established in the Contribution Agreement between Western Economic Diversification and the corporation dated March 24, 2006 and amended February 27, 2008. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of the corporation. Our responsibility is to express an opinion on this compliance 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 corporation complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

Clause 6.3(b) of the Contribution Agreement requires the corporation to submit annual audited financial statements prepared in accordance with Canadian generally accepted accounting principles. The March 31, 2008 annual audited financial statements are subject to a qualified audit opinion due to a departure from current Canadian generally accepted accounting principles for financial instruments.

In our opinion, except for the failure to comply with clause 6.3(b) of the Contribution Agreement as described in the preceding paragraph, Cedar Lake Community Futures Development is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

CHARTERED ACCOUNTANTS

The Pas, Manitoba
June 9, 2008

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 1

BALANCE SHEET

MARCH 31

	Operating Fund	Investment Fund	Combined 2008	2007
A S S E T S				
CURRENT				
Cash	\$ 49,671	\$ 185,855	\$ 235,526	\$ 243,978
Accounts receivable	20,571		20,571	33,398
Prepaid expenses	4,377		4,377	5,045
Due from Operating Fund (Note 5)		17,209	17,209	37,476
Current portion of loans receivable	...	114,600	114,600	86,783
	<u>74,619</u>	<u>317,664</u>	<u>392,283</u>	<u>406,680</u>
LOANS RECEIVABLE (Note 3)		273,055	273,055	246,172
CAPITAL ASSETS (Note 4)	<u>13,231</u>	...	<u>13,231</u>	<u>10,343</u>
	\$ <u>87,850</u>	\$ <u>590,719</u>	\$ <u>678,569</u>	\$ <u>663,195</u>
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	\$ 5,558	\$	\$ 5,558	\$ 6,693
Due to Investment Fund (Note 5)	17,209		17,209	37,476
Deferred revenue (Note 6)	<u>7,309</u>	...	<u>7,309</u>	...
	30,076		30,076	44,169
SURPLUS				
FUND SURPLUS	<u>57,774</u>	<u>590,719</u>	<u>648,493</u>	<u>619,026</u>
	\$ <u>87,850</u>	\$ <u>590,719</u>	\$ <u>678,569</u>	\$ <u>663,195</u>

Approved on behalf of the Board:

.....

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 2

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

YEAR ENDED MARCH 31

OPERATING FUND	2008	2007
REVENUE		
Grants - Western Economic Diversification	\$ 309,618	\$ 294,037
Deferred revenue	(7,309)	...
	<u>302,309</u>	<u>294,037</u>
EXPENDITURES		
Advertising and promotion	3,488	5,897
Amortization of capital assets	6,897	3,063
Bank charges and interest	808	462
Insurance	2,998	3,287
Office and general	13,645	18,468
Professional fees	4,520	384
Rent	10,706	9,130
Telephone	13,107	14,221
Training	1,836	873
Travel - board	33,481	25,227
- staff	35,965	35,905
Utilities	1,599	1,511
Wages and benefits	164,893	172,790
Workshops and conferences	<u>19,960</u>	<u>35,399</u>
	<u>313,903</u>	<u>326,617</u>
EXCESS OF EXPENDITURES OVER REVENUE BEFORE SUPPLEMENTARY PROJECTS	(11,594)	(32,580)
Supplementary Projects (<i>Schedule 1</i>)	<u>27,444</u>	<u>20,895</u>
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	15,850	(11,685)
SURPLUS, <i>beginning of year</i>	<u>41,924</u>	<u>53,609</u>
SURPLUS, <i>end of year</i>	\$ <u>57,774</u>	\$ <u>41,924</u>

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 3

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

YEAR ENDED MARCH 31

INVESTMENT FUND	General	Disability	Total	
			2008	2007
REVENUE				
Interest income	\$ <u>28,966</u>	\$ <u>5,946</u>	\$ <u>34,912</u>	\$ <u>33,106</u>
EXPENSES				
Bank charges	70		70	20
Legal fees				685
Other	1,400		1,400	1,210
Provision for doubtful loans (recovery)	<u>19,393</u>	<u>432</u>	<u>19,825</u>	(<u>21,490</u>)
	<u>20,863</u>	<u>432</u>	<u>21,295</u>	(<u>19,575</u>)
EXCESS OF REVENUE OVER EXPENDITURES	8,103	5,514	13,617	52,681
EARNED DEFICIT, <i>beginning of year</i>	(<u>285,930</u>)	(<u>69,332</u>)	(<u>355,262</u>)	(<u>407,943</u>)
EARNED DEFICIT, <i>end of year</i>	\$ (<u>277,827</u>)	\$ (<u>63,818</u>)	\$ (<u>341,645</u>)	\$ (<u>355,262</u>)
EARNED DEFICIT	\$ (<u>277,827</u>)	\$ (<u>63,818</u>)	\$ (<u>341,645</u>)	\$ (<u>355,262</u>)
FUNDED SURPLUS	<u>732,364</u>	<u>200,000</u>	<u>932,364</u>	<u>932,364</u>
TOTAL SURPLUS, <i>end of year</i>	\$ <u>454,537</u>	\$ <u>136,182</u>	\$ <u>590,719</u>	\$ <u>577,102</u>

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 4

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

<u>ALL FUNDS</u>	<u>2008</u>	<u>2007</u>
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Cash received from funding sources and clients	\$ 381,305	\$ 361,406
Cash paid to suppliers and employees	(359,376)	(366,328)
Interest	<u>34,104</u>	<u>31,824</u>
	<u>56,033</u>	<u>26,902</u>
<i>INVESTING ACTIVITIES</i>		
Purchase of capital assets	(9,785)	
Repayment of loans	141,552	45,641
Issuance of loans	<u>(196,252)</u>	<u>(208,701)</u>
	<u>(64,485)</u>	<u>(163,060)</u>
NET DECREASE IN CASH DURING YEAR	(8,452)	(136,158)
CASH, <i>beginning of year</i>	<u>243,978</u>	<u>380,136</u>
CASH, <i>end of year</i>	\$ <u>235,526</u>	\$ <u>243,978</u>

CASH COMPRISED OF

Cash	\$ <u>235,526</u>	\$ <u>243,978</u>
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**CEDAR LAKE COMMUNITY FUTURES
DEVELOPMENT CORPORATION**

SCHEDULE 1

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

SUPPLEMENTARY PROJECTS	2008	2007
REVENUE	\$ <u>58,860</u>	\$ <u>73,020</u>
EXPENSES		
Project costs	19,213	31,856
Training	<u>12,203</u>	<u>20,269</u>
	<u>31,416</u>	<u>52,125</u>
EXCESS OF REVENUE OVER EXPENDITURES	\$ <u>27,444</u>	\$ <u>20,895</u>

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

1. PURPOSE OF ORGANIZATION

Cedar Lake Community Futures Development Corporation is a community based not-for-profit organization incorporated without share capital under the laws of the Province of Manitoba. The Government of Canada, through the Department of Western Economic Diversification, provides financial assistance to the organization pursuant to an agreement. The purpose of the organization is to support community economic development, diversify the economy, support the creation and expansion of small and medium sized enterprises, maintain and create new employment and maintain the Minister's capacity to deliver business services to rural communities in western Canada.

The organization is exempt from federal or provincial income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

FUND ACCOUNTING

Cedar Lake Community Futures Development Corporation follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the program delivery and administration activities of the organization. This fund reports unrestricted resources and restricted operating grants.

The Investment Fund accounts for the investment activities to promote new business or the expansion of existing businesses. Investment funds are segregated into repayable and non-repayable funds.

(a) **General Investment Fund**

A repayable contribution of \$732,364 by Western Diversification to be used for loans, loan guarantees and equity investment in a new business or expansion of an existing business. The maximum amount of the loan is \$50,000 for a term not exceeding 5 years. Any unencumbered cash balance in the fund as at April 1, 2010 and subsequent principal collections on loans up to a maximum of original contribution by Canada will become payable to Canada.

(b) **Disabled Entrepreneur Investment Fund**

A repayable contribution of \$200,000 by Western Diversification to be used for loans, loan guarantees and equity investment in businesses owned by disabled persons. The maximum amount of the loan is \$50,000 for a term not exceeding 5 years. Any unencumbered cash balance in the fund as at April 1, 2010 and subsequent principal collections on loans up to a maximum of original contribution by Canada will become payable to Canada.

REVENUE RECOGNITION

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenditures are incurred.

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

REVENUE RECOGNITION continued

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue in the Investment Fund when earned.

LOANS RECEIVABLE

Loans receivable are stated net of an allowance for loan impairment. Interest income is recorded on the accrual basis unless the loan is classified as an impaired loan. Loans are considered to be impaired when, in management's opinion, there is a reasonable doubt as to the ultimate collectibility of some portion of the principal or interest. Impaired loans are recorded at their estimated realizable amounts.

CAPITAL ASSETS

The organization records the acquisition of capital assets at cost. Amortization is recorded using the declining balance method at the following rates:

Furniture, fixtures and equipment	20%
Computer and electronic equipment	30% / 55%

GOVERNMENT ASSISTANCE

Capital asset grants are accounted for in reduction of their cost.

3. LOANS RECEIVABLE

	General	Disability	TOTAL	
			2008	2007
Loans receivable	\$ 368,184	\$ 95,477	\$ 463,661	\$ 387,768
Less provision for doubtful loans	(76,006)	...	(76,006)	(54,813)
	292,178	95,477	387,655	332,955
Less current portion	(110,726)	(3,874)	(114,600)	(86,783)
	\$ <u>181,452</u>	\$ <u>91,603</u>	\$ <u>273,055</u>	\$ <u>246,172</u>

In most cases the loans are secured by a chattel mortgage, personal guarantees, or second mortgage. As the valuation of the underlying security cannot be ascertained with any degree of accuracy, a measurement of uncertainty exists in the valuation of loans and provision for losses. In determining the recognized amounts for these assets and loss provisions, the organization relies on an assessment of prevailing business and economic conditions. Management believes that the recognized amounts are unlikely to change by a material amount in the near term.

**CEDAR LAKE COMMUNITY FUTURES
DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2008	2007
Furniture, fixtures and equipment	\$ 48,173	\$ 42,036	\$ 6,137	\$ 7,671
Computer and electronic equipment	<u>9,785</u>	<u>2,691</u>	<u>7,094</u>	<u>2,672</u>
	\$ <u>57,958</u>	\$ <u>44,727</u>	\$ <u>13,231</u>	\$ <u>10,343</u>

5. DUE FROM OPERATING FUND / DUE TO INVESTMENT FUND

The balance of \$17,209 is repayable in annual installments of:

2008/2009	\$ 17,209
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6. DEFERRED REVENUE

	2008	2007
Western Economic Diversification - capital contribution	\$ <u>7,309</u>	\$ <u>0</u>

7. COMMITMENT

The organization has entered into an annual lease for office space expiring March 31, 2010 with a minimum annual payment of \$9,900.