

Sto:lo Community Futures Corporation
Consolidated Financial Statements
March 31, 2013

Management's Responsibility

To the Members of Sto:lo Community Futures Corporation:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated 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 consolidated financial statements.

The Board of Directors is composed primarily of Directors 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 report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

MNP LLP is appointed by the members to audit the consolidated financial statements and report directly to them; their report follows. 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.

June 11, 2013



Chairman



Secretary / Treasurer

Independent Auditors' Report

To the Members of Sto:lo Community Futures Corporation:

We have audited the accompanying consolidated financial statements of Sto:lo Community Futures Corporation, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statements of revenue and expenses, changes in 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Sto:lo Community Futures Corporation as at March 31, 2013 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements which describes that Sto:lo Community Futures Corporation adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements, including the consolidated statement of financial position as at March 31, 2013 and March 31, 2012, and the consolidated statements of revenue and expenses, changes in net assets and cash flows for the year ended March 31, 2013 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Chilliwack, British Columbia

June 11, 2013

MNP LLP
Chartered Accountants

Sto:lo Community Futures Corporation

Consolidated Statement of Financial Position

As at March 31, 2013

	Operations Fund	General Investment Fund	Disabled Entrepreneur Fund	2013	2012 (Unaudited)	2011 (Unaudited)
<i>April 1</i>						
Assets						
Current						
Cash	16,415	189,243	30,000	235,658	376,377	538,475
Accounts receivable	13,637	-	-	13,637	12,143	1,744
Sinking fund (Note 4)	-	277,800	-	277,800	-	-
Prepaid expenses	-	-	-	-	3,051	1,510
Loans receivable (Note 6)	-	406,044	2,054	408,098	561,196	506,273
Due from (to) other funds	-	(207,439)	207,439	-	-	-
	30,052	665,648	239,493	935,193	952,767	1,048,002
Capital assets (Note 5)	2,925	-	-	2,925	2,925	2,925
	32,977	665,648	239,493	938,118	955,692	1,050,927
Liabilities						
Current						
Bank indebtedness	-	-	-	-	-	1,447
RBC Line of Credit	-	-	-	-	-	25,000
Accounts payable and accruals (Note 13)	22,653	-	-	22,653	26,337	23,360
	22,653	-	-	22,653	26,337	49,807
Long-term debt (Note 7)	63,430	950,000	200,000	1,213,430	1,224,907	1,150,000
	86,083	950,000	200,000	1,236,083	1,251,244	1,199,807
Net Assets						
Invested in Capital Assets	2,925	-	-	2,925	2,925	2,925
Unrestricted	(56,031)	-	-	(56,031)	(34,621)	(29,643)
Externally restricted	-	(284,352)	39,493	(244,859)	(263,856)	(122,162)
	(53,106)	(284,352)	39,493	(297,965)	(295,552)	(148,880)
	32,977	665,648	239,493	938,118	955,692	1,050,927

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these consolidated financial statements

Sto:lo Community Futures Corporation

Consolidated Statement of Operations and Changes in Net Assets

For the year ended March 31, 2013

	<i>Operations Fund</i>	<i>General Investment Fund</i>	<i>Disabled Entrepre. Fund</i>	2013	2012
					<i>(Unaudited)</i>
Revenue					
Western Economic Diversification	286,845	-	-	286,845	286,845
Interest income	-	36,193	233	36,426	44,567
Sto:lo Development Corporation	57,500	-	-	57,500	65,000
N.A.C.C.A.	15,250	-	-	15,250	11,820
Administrative and other	19,283	6,129	30	25,442	26,482
	378,878	42,322	263	421,463	434,714
Expenses					
Bad debts	-	9,432	-	9,432	154,602
Board retreat	14,621	-	-	14,621	-
Computer software	-	-	-	-	2,341
Events and promotion	3,449	-	-	3,449	4,840
Insurance	2,185	-	-	2,185	2,142
Interest and bank charges	9,691	6,421	-	16,112	13,969
Licences and fees	1,166	-	-	1,166	1,491
Meetings	2,630	-	-	2,630	1,591
Office	18,856	259	-	19,115	23,256
Professional fees	17,023	12,256	-	29,279	36,140
Professional services	18,658	-	-	18,658	18,520
Rent	79,138	-	-	79,138	79,138
Restructuring costs	-	-	-	-	2,818
Telephone	7,101	-	-	7,101	7,735
Travel	7,389	-	-	7,389	7,903
Wages and benefits	213,601	-	-	213,601	224,900
	395,508	28,368	-	423,876	581,386
Excess (deficiency) of revenue over expenses	(16,630)	13,954	263	(2,413)	(146,672)
Net assets, beginning of year (Note 12)	(36,476)	(298,306)	39,230	(295,552)	(148,880)
Net assets, end of year	(53,106)	(284,352)	39,493	(297,965)	(295,552)

The accompanying notes are an integral part of these consolidated financial statements

Sto:lo Community Futures Corporation Consolidated Statement of Cash Flows

For the year ended March 31, 2013

	Operations Fund	General Investment Fund	Disabled Entrepre. Fund	2013	2012
<i>(Unaudited)</i>					
Cash provided by (used for) the following activities					
Operating					
Cash receipts from grants	286,845	-	-	286,845	286,845
Cash paid for program service expenses	(400,920)	(23,587)	-	(424,510)	(579,951)
Cash receipts from interest	-	36,192	233	36,426	44,567
Other contributions	90,538	6,129	30	96,699	92,903
Investment loan payments	-	216,939	2,779	219,718	554,116
Investment loan advances	-	(65,090)	(1,530)	(66,620)	(609,038)
Interfund transfers	-	1,512	(1,512)	-	-
	(23,537)	172,095	-	148,558	(210,558)
Financing					
Repayments of bank indebtedness	-	-	-	-	(25,000)
Advances of long-term debt	2,566	-	-	2,566	78,300
Repayment of long-term debt	(14,043)	-	-	(14,043)	(3,393)
	(11,477)	-	-	(11,477)	49,907
Increase (decrease) in cash resources	(35,014)	172,095	-	137,081	(160,651)
Cash resources, beginning of year	51,429	294,948	30,000	376,377	537,028
Cash resources, end of year	16,415	467,043	30,000	513,458	376,377
Cash resources are composed of:					
Cash	16,415	189,243	30,000	235,658	376,377
Sinking fund <i>(Note 4)</i>	-	277,800	-	277,800	-
	16,415	467,043	30,000	513,458	376,377

The accompanying notes are an integral part of these consolidated financial statements

Sto:lo Community Futures Corporation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

1. Corporation

Sto:lo Community Futures Corporation was incorporated under the Canada Corporations Act on March 2, 2011 for the purpose of continuing the previous activities of Community Futures Development Corporation of Sto:lo. Net assets owned under the previous corporation have been transferred to the new corporation by way of an assignment and assumption agreement. This has been completed with the approval and concurrence of Western Economic Diversification (WED).

The corporation is a community based corporation that provides loans and financial services to small businesses within the Sto:Lo First Nation community. The Corporation is exempt from income taxes under the Income Tax Act Section 149(1)(l) as a non-profit Corporation.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

Basis of presentation

The consolidated financial statements include the financial activities of the Corporation and Sto:lo Forestry Corporation Inc., a wholly owned subsidiary of the Corporation. All transactions between these Corporations have been eliminated in the consolidated balances, but are reflected in the appropriate funds.

Fund accounting

Sto:lo Community Futures Corporation follows the restricted method of accounting for contributions.

The Operations Fund accounts for the Corporation's operating costs and general revenues. This fund reports both unrestricted resources and restricted operating grants. It also reports the assets, liabilities, revenues and expenses related to the Corporation's capital assets.

The General Investment Fund and Disabled Entrepreneur Fund report restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Disabled Entrepreneur Fund are limited to businesses owned and operated by disabled entrepreneurs. The Corporation has received WED authorization, in principal, to transfer \$208,813 from the Disabled Entrepreneur Fund to the General Investment Fund on a conditional basis for the period ending March 31, 2013. The Corporation is restricted in the types of loans that can be approved according to its agreement with the federal government.

Financial instruments

The Corporation recognizes its financial instruments when the Corporation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CICA 3840 *Related Party Transactions*.

At initial recognition, the Corporation may irrevocably elect to subsequently measure any financial instrument at fair value. Fair value is determined by the instrument's initial cost in a transaction between unrelated parties.

The Corporation subsequently measures investments in equity instruments quoted in an active market and all derivative instrument at fair value. Fair value is determined by the instrument's initial cost in a transaction between unrelated parties. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. With the exception of financial instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Sto:lo Community Futures Corporation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

3. Impact of adopting accounting standards for not-for-profit organizations

These are the Corporation's first consolidated financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accounting policies in Note 2 have been applied in preparing the consolidated financial statements for the year ended March 31, 2013, the comparative information for the year ended March 30, 2012, and the opening ASNPO balance sheet as at April 1, 2011 (the Corporation's date of transition to ASNPO).

The transition to ASNPO has not affected the statement of financial position, statement of operations, and statement of cash flows previously reported under Canadian generally accepted accounting principles.

4. Sinking fund

During the year, the corporation established a sinking fund totalling \$277,800 to facilitate the repayment of long term debt to Community Futures Development Association of BC for the Pooled Asset Lending as listed in Note 6.

5. Capital assets

	Cost	2013 Net book value	2012 Net book value
Artwork	2,925	2,925	2,925

No amortization expense was recorded in the Operation Fund Statement of Operations or Changes in Net Assets.

6. Loans receivable

There were a total of 26 loans receivable at March 31, 2013 (22 loans - 2012). They are paid monthly, including interest at rates varying from 8% to 10% per annum, calculated semi-annually; and terms of one to five years.

Loans receivable consist of the following:

	2013	2012
Loans receivable	418,543	751,465
Less: allowance for impaired loans	(10,445)	(190,269)
	408,098	561,196

Sto:lo Community Futures Corporation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

7. Long-term debt

	2013	2012
Government of Canada - Western Economic Diversification		
Conditionally repayable contributions as follows: General Investment Fund \$450,000; and Disabled Entrepreneur Fund \$200,000.		
The Conditionally Repayable Loan funds are repayable if any of the following conditions occur.		
1. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the Agreement; or		
2. Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund of the Corporation, the Conditionally Repayable Investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of Community-owned or controlled businesses, and strengthening of the western Canadian economy; or		
3. In the opinion of the Minister of Western Economic Diversification, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the western Canadian economy; or		
4. The Agreement is terminated as described in Section 16 of the Agreement; or		
5. An event of default occurs, as described in Section 17 of the Agreement	650,000	650,000
Community Futures Development Association of BC		
General Investment Fund - Pooled Asset Lending; payments are interest only at Royal Bank Prime minus 2.25% or a minimum of 1.25%, term of loan is 5 years from the date of authorization, maturity date being July 31, 2014, renewal of loan is subject to the availability of funds, secured by a general security agreement	250,000	250,000
General Investment Fund - Pooled Asset Lending; payments are interest only at Royal Bank Prime minus 2.25% or a minimum of 1.25%, term of loan is 5 years from the date of authorization, maturity date being March 9, 2015, renewal of loan is subject to the availability of funds, secured by a general security agreement	250,000	250,000
Sto:lo Forestry Corporation - with blended monthly payments of principal and interest totaling \$1,635, interest rate of 8%.	63,430	74,907
	1,213,430	1,224,907

8. Bad debts

Included in bad debts is one account totalling \$10,445 for which the corporation has pursued legal action for the collection of this loan; the outcome of this action is uncertain at March 31, 2013.

The corporation has pursued legal action in the 2012 fiscal year for the collection of one account totalling \$130,277; the outcome of this action is uncertain at March 31, 2013. A court date has been scheduled for May 2014.

Sto:lo Community Futures Corporation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

9. Capital management

The Corporation's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services to small businesses.

The Corporation sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

10. Economic dependence

The Corporation's primary source of revenue is funding from Western Economic Diversification Canada. The grant funding can be cancelled if the Corporation does not observe certain established guidelines. The Corporation's ability to continue viable operations is dependent upon following the criteria within the established guidelines. As at the date of these financial statements the Corporation believes that it is in compliance with the guidelines.

11. Financial instruments

The Corporation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Corporation is exposed to interest rate cash flow risk primarily through its borrowings with Community Futures Development Association of B.C. The Corporation is exposed to interest rate price risk on its long-term debt as they are at fixed rates. The Corporation's two term loans with an interest rate of prime minus 2.25% or a minimum of 1.25%, matures at the end of five years (refer to note 7). The Corporation has the option to renegotiate this loan at the end of five years.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk primarily through its borrowings with Community Futures Development Association of BC. As at March 31, 2013, the fair market value of the Company's outstanding debt approximates its carrying value due to the debt's short-term maturities and variable interest rates.

12. Opening Net Assets

The amount of \$4,780 previously recorded in the 2012 fiscal year end as an interfund transfer was not approved by Western Economic Diversification. As a result, prior year and opening Operations Fund and General Investment Fund accounts have been restated to reverse this amount.

Sto:lo Community Futures Corporation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

13. Accounts payable and accruals

Accounts payable consist of the following:

	2013	2012 <i>(Unaudited)</i>
Accounts payable & other	15,561	18,714
HST payable	341	847
Pension deductions payable	2,702	2,915
Payroll deductions & WCB payable	4,050	3,861
	<hr/> 22,654 <hr/>	<hr/> 26,337 <hr/>