

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)

FINANCIAL STATEMENTS

MARCH 31, 2012

CONTENTS

	Page
AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Balance Sheet.....	3
Income and Changes in General Fund Balance.....	4
Income and Changes in Restricted Fund Balances.....	5
Cash Flows.....	6
Notes To The Financial Statements.....	7
Auditor's Report on Compliance With Agreement.....	12

WALTER H. RYL*
Chartered Accountant

enotes Professional Corporation

P.O. BOX 1503
ROOM 204, CENTURY SQUARE
10140 - 101 AVENUE
LAC LA BICHE, ALBERTA T0A 2C0
TELEPHONE: 780-623-3463 FAX: 780-623-3995
EMAIL: walterhryl@telus.net

AUDITOR'S REPORT

To the Directors of:
Lac La Biche Regional Community
Development Corporation

I have audited the accompanying financial position of Lac La Biche Regional Community Development Corporation as at March 31, 2012 and the related statements of operations, 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 Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

*WALTER H. RYL**
Chartered Accountant

enotes Professional Corporation

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10140 - 101 AVENUE
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Auditor's Responsibility - Continued

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Lac La Biche Regional Community Development Corporation as at March 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Lac La Biche, Alberta
June 19, 2012



CHARTERED ACCOUNTANT

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
BALANCE SHEET
AS AT MARCH 31, 2012

ASSETS

	GENERAL FUND	LOAN INVESTMENT FUNDS NON-REPAYABLE	REPAYABLE	TOTAL 2012	TOTAL 2011
CASH	\$ 154,508	\$ 1,432,792	\$ -	\$ 1,587,300	\$ 1,028,399
INVESTMENTS (Note 2)	816	-	-	816	174
ACCOUNTS RECEIVABLE	14,731	-	-	14,731	12,998
INVESTMENT LOANS RECEIVABLE (Note 5)	-	5,106,597	33,912	5,140,509	5,780,797
PREPAID EXPENSES	5,043	-	-	5,043	20,771
DUE FROM (TO) FUNDS	-	(526,380)	526,380	-	-
PROPERTY, EQUIPMENT (Notes 2, 3 and 7)	<u>337,193</u>	<u>-</u>	<u>-</u>	<u>337,193</u>	<u>338,539</u>
	<u>\$ 512,291</u>	<u>\$ 6,013,009</u>	<u>\$ 560,292</u>	<u>\$ 7,085,592</u>	<u>\$ 7,181,678</u>

LIABILITIES

UNK INDEBTEDNESS (Note 7)	\$ -	\$ -	\$ -	\$ -	\$ -
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	15,150	-	-	15,150	8,648
LINE OF CREDIT (Note 8)	-	-	-	-	500,000
DEFERRED CONTRIBUTIONS (Note 11)	3,165	-	-	3,165	42,139
ADVANCES FROM WESTERN ECONOMIC DIVERSIFICATION (Note 6)	<u>-</u>	<u>-</u>	<u>374,777</u>	<u>374,777</u>	<u>374,777</u>
	<u>18,315</u>	<u>-</u>	<u>374,777</u>	<u>393,092</u>	<u>925,564</u>

FUND BALANCES

INVESTMENT IN LONG LIVED ASSETS (Note 4)	337,193	-	-	337,193	338,539
RESTRICTED FUNDS	-	6,013,009	185,515	6,198,524	5,840,832
UNRESTRICTED FUNDS (Note 4)	<u>156,783</u>	<u>-</u>	<u>-</u>	<u>156,783</u>	<u>76,743</u>
	<u>493,976</u>	<u>6,013,009</u>	<u>185,515</u>	<u>6,692,500</u>	<u>6,256,114</u>
	<u>\$ 512,291</u>	<u>\$ 6,013,009</u>	<u>\$ 560,292</u>	<u>\$ 7,085,592</u>	<u>\$ 7,181,678</u>

APPROVED BY THE BOARD:

_____ Director

_____ Director

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
INCOME AND CHANGES IN GENERAL FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2012

	<u>2012</u>	<u>2011</u>
REVENUE		
Western Economic Diversification grant	\$ 294,963	\$ 294,963
Other income (Note 9)	<u>239,583</u>	<u>266,634</u>
	<u>534,546</u>	<u>561,597</u>
EXPENDITURES		
Salaries and employee benefits	213,849	266,023
Professional expenses		
Management consulting fees	14,401	48,740
Training and education	5,737	3,821
Accounting and audit fees	4,750	7,420
Legal, consulting	1,936	5,883
Credit bureau	778	366
Administration		
Special projects - marketing (Note 10)	103,697	117,225
Other projects	18,918	10,268
Building occupancy costs	18,905	22,548
Travel	10,251	6,552
Office	6,828	6,050
Telephone and communications	6,277	10,757
GST expense - non rebate portion (Note 2)	5,214	4,747
Entrepreneurial training	5,200	4,078
Board expenses	4,265	9,493
Equipment rental (Note 16)	3,495	3,628
Advertising and promotion	3,275	10,361
Postage, delivery	2,355	2,184
Insurance	2,305	2,241
Bad debts	608	-
Memberships, licenses, dues, subscriptions	505	1,879
Bank charges and interest	412	153
	<u>433,961</u>	<u>544,417</u>
NET INCOME FROM OPERATIONS	100,585	17,180
AMORTIZATION (Note 2)	<u>(21,891)</u>	<u>(19,887)</u>
NET INCOME	<u>\$ 78,694</u>	<u>\$ (2,707)</u>

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
INCOME AND CHANGES IN RESTRICTED FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2012

	LOAN INVESTMENT FUNDS		TOTAL	TOTAL
	<u>NON-REPAYABLE</u>	<u>REPAYABLE</u>	<u>2012</u>	<u>2011</u>
REVENUE				
Loan interest	\$ 353,738	\$ 1,657	\$ 355,395	\$ 372,905
Miscellaneous recoveries	370	-	370	-
Bank and term deposit interest	<u>3,660</u>	<u>-</u>	<u>3,660</u>	<u>2,491</u>
	<u>357,768</u>	<u>1,657</u>	<u>359,425</u>	<u>375,396</u>
EXPENSES				
Interest and bank charges	1,733	-	1,733	3,476
Provision for investment losses (Note 6)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,223</u>
	<u>1,733</u>	<u>-</u>	<u>1,733</u>	<u>8,699</u>
NET INCOME	356,035	1,657	357,692	366,697
FUND BALANCES, Beginning of year	<u>5,656,974</u>	<u>183,858</u>	<u>5,840,832</u>	<u>5,474,135</u>
FUND BALANCES, End of year	<u>\$ 6,013,009</u>	<u>\$ 185,515</u>	<u>\$ 6,198,524</u>	<u>\$ 5,840,832</u>

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012

	GENERAL	LOAN INVESTMENT FUNDS		TOTAL	TOTAL
	FUND	NON-REPAYABLE	REPAYABLE	2012	2011
SOURCES OF CASH					
Western Economic Diversification	\$ 294,963	\$ -	\$ -	\$ 294,963	\$ 294,963
Other income and deferred revenues	198,876	4,030	-	202,906	289,226
CFLIP loan advance	-	-	-	-	500,000
Investment income	-	355,156	874	356,030	362,965
Transfers between funds	-	(5,148)	5,148	-	-
Investment loan repayments	-	<u>2,899,148</u>	<u>29,060</u>	<u>2,928,208</u>	<u>1,711,128</u>
	<u>493,839</u>	<u>3,253,186</u>	<u>35,082</u>	<u>3,782,107</u>	<u>3,158,282</u>
USES OF CASH					
Salaries and benefits	213,849	-	-	213,849	266,023
Materials and services	198,112	-	-	198,112	273,316
CFLIP loan repayments	-	500,000	-	500,000	3,280
Interest and bank charges	412	1,733	-	-	3,629
Purchase of capital assets	20,545	-	-	20,545	1,350
Investment loan advances	-	<u>2,253,473</u>	<u>35,082</u>	<u>2,288,555</u>	<u>2,294,481</u>
	<u>432,918</u>	<u>2,755,206</u>	<u>35,082</u>	<u>3,221,061</u>	<u>2,842,079</u>
NET INCREASE (DECREASE) IN CASH	60,921	497,980	-	561,046	316,203
CASH, Beginning of year	<u>93,587</u>	<u>934,812</u>	-	<u>1,028,399</u>	<u>712,196</u>
CASH, End of year	<u>\$ 154,508</u>	<u>\$ 1,432,792</u>	<u>\$ -</u>	<u>\$ 1,589,445</u>	<u>\$ 1,028,399</u>

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

1. NATURE OF OPERATIONS

The corporation is a non-profit organization which may receive funding, on a contractual basis, from all levels of Government, to implement the region's community economic development and strategic planning initiatives. As a non-profit organization, the corporation is exempt from income taxes under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies.

A. FUND ACCOUNTING

The corporation follows the restricted method of accounting for contributions.

The General Fund accounts for the corporation's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Loan Investment Funds 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 Loan Investment Fund for the Disabled and the Loan Investment Fund for Youth are limited to businesses owned and operated by disabled and youth entrepreneurs respectively. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

B. PROPERTY, EQUIPMENT

Property and equipment is recorded at cost. Amortization is provided on the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	- 20%
Computer software	- 33 1/3%
Building/Improvements	- 4%

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

In the year of acquisition, amortization is provided for at one half of the normal rates. When capital assets are disposed, the cost of the asset and related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in operations. No amortization is recorded in the year of disposition.

C. GOODS AND SERVICE TAX

The corporation accounts for goods and services tax on an exclusive basis. Under this method all expenditures are stated exclusive of goods and services tax. G.S.T. expense is shown net of G.S.T. rebates received.

D. INVESTMENTS

The Corporation owns 201.70 common shares of Sunlife Financial, as a result of demutualization. These marketable securities have been recorded at a nominal value of \$1 per share. Present market value of these shares is approximately \$4,674.

E. REVENUE RECOGNITION

Revenue from investment loan receivable are recognized on an accrual basis. No interest is accrued on loans when collection is considered doubtful.

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2012</u>	<u>Net 2011</u>
Land	\$ 115,920	\$ -	\$ 115,920	\$ 115,920
Building	367,469	191,699	175,770	190,469
Furniture & equip.	77,502	60,116	17,386	10,760
Computer software	24,732	13,451	11,281	3,435
Leasehold improvement	31,168	14,332	16,836	17,955
	<u>\$ 616,791</u>	<u>\$ 279,598</u>	<u>\$ 337,193</u>	<u>\$ 338,539</u>

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

4. INVESTMENT IN LONG LIVED ASSETS AND UNRESTRICTED FUNDS

The net changes in investment in long lived assets and unrestricted funds are as follows:

	INVESTED IN LONG LIVED ASSETS		UNRESTRICTED	TOTAL 2012	TOTAL 2011
BALANCE, OPENING	\$ 338,539	\$ 76,743	\$ 415,282	\$ 417,989	
NET INCOME	-	78,694	78,694	(2,707)	
AMORTIZATION EXP.	(21,891)	21,891	-	-	
PURCHASE OF CAPITAL ASSETS	20,545	(20,545)	-	-	
BALANCE CLOSING	<u>\$ 337,193</u>	<u>\$ 156,783</u>	<u>\$ 493,976</u>	<u>\$ 415,282</u>	

5. INVESTMENT LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSS

The corporation has a portfolio of 106 loans, bearing interest rates up to 8.42%. The loans are secured by general security agreements, personal guarantees and land mortgages. The loans are due at various dates through 2016.

An allowance for losses on investment loans is made based on expected loan default rates, potential loss ratios and review of loans portfolio, as determined by management, as follows:

	TOTAL LOANS	ACCRUED INTEREST	PROVISION FOR CREDIT LOSSES	NET LOANS
Loan Investment Funds:				
Non-repayable	\$ 5,253,711	\$ 67,886	\$ (215,000)	\$ 5,106,597
Repayable	33,120	792	-	33,912
	<u>\$ 5,286,831</u>	<u>\$ 68,678</u>	<u>\$ (215,000)</u>	<u>\$ 5,140,509</u>

Actual writeoffs, net of recoveries, have been provided for in the statement of income and changes in fund balances. The provision for credit losses is sufficient to keep the balance in the allowance for credit losses adequate to absorb additional credit related losses.

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

6. REPAYABLE INVESTMENT FUNDS

Repayable investment funds consist of contributions received in March 1996 the corporation received \$200,000 to implement the Youth Investment Fund program, sponsored by Western Economic Diversification - Canada. Any portion of this contribution that has not been committed under a legally binding contractual agreement, may become repayable at the discretion of the Crown. In prior years, a write off of \$20,000 occurred with respect to this fund. Consequently, the balance of advances repayable under these funds has been reduced to \$180,000.

In addition, the corporation entered into an agreement with the Minister of Western Economic Diversification to receive \$200,000 to implement a Disabled Entrepreneurs Investment Fund . in 1997. Any portion of this contribution that has not been committed under a legally binding contractual agreement, may become repayable at the discretion of the Crown. In prior years a write off of \$10,446 occurred with respect to this fund, 50% of which, or \$5,223 has been applied against the repayable portion of this fund.

The Disabled Entrepreneurs Investment Fund is for loans, loan guarantees and equity investments in businesses owned and operated by disabled persons.

7. BANK INDEBTEDNESS

The Corporation's revolving line of credit is a maximum of \$25,000 for the Administration (General) account. This line of credit is secured by a general security agreement on loan and accounts receivable and assets of the corporation, and a mortgage on land and building. When utilized, the lines of credit will bear interest at Prime plus 1%.

8. LINE OF CREDIT

	<u>2012</u>	<u>2011</u>
Line of credit to Community Futures Lending and Investment Pool of Alberta. The corporation is repaying interest only at Prime plus 0.25%. The loan is secured by a general security agreement providing first fixed charge on all book debts, and a credit limit of \$1,000,000.	\$	\$ 500,000

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

9. OTHER INCOME

Other income is comprised of:	<u>2012</u>	<u>2011</u>
Special project marketing	\$ 209,573	\$ 172,947
Loan application fees	10,558	11,442
Other grants	10,000	3,190
Rent	2,840	2,730
Investment incomes	1,616	642
Secondment funds	-	55,391
Lac La Biche County Economic Dev.	-	8,910
Miscellaneous, recoveries	4,996	11,382
	<u>\$ 239,583</u>	<u>\$ 266,634</u>

10. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent restricted operating funds received in the current period, that are related to the subsequent period. Changes in the deferred contributions balance are as follows:

	<u>OPENING</u>	<u>ADVANCES</u>	<u>REVENUE REALIZED</u>	<u>CLOSING</u>
CAP grant funds	\$ -	\$ 3,165	\$ -	\$ 3,165
NADC Golf Consortium	10,000	-	10,000	-
Western Economic Div.	12,291	-	12,291	-
Community Marketing	<u>19,848</u>	<u>83,750</u>	<u>103,598</u>	<u>-</u>
	<u>\$ 42,139</u>	<u>\$ 86,915</u>	<u>\$ 125,889</u>	<u>\$ 3,165</u>

11. ECONOMIC DEPENDENCE

In the fiscal year ended March 31, 2012, the Corporation received 55% of its general operating revenues from Western Economic Diversification, and accordingly is economically dependent upon this department.

12. OPERATING LEASE COMMITMENTS

Under the terms of an operating lease agreement with respect to office equipment, the corporation is required to make monthly payments of \$143. The lease expires May 2015.

WALTER H. RYL*
Chartered Accountant

notes Professional Corporation

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TELEPHONE: 780-623-3463 FAX: 780-623-3995
EMAIL: walterhryl@telus.net

AUDITOR'S REPORT
ON COMPLIANCE WITH AGREEMENT

To Western Economic Diversification

I have audited the Lac La Biche Regional Community Development Corporation's compliance as at March 31, 2012 with the criteria established in the Contribution Agreement between Western Economic Diversification and the Corporation dated March 20, 2000 (with amendments and extensions thereto) and the interpretation of the Agreement as set out in Note 1 attached. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of the Corporation. My responsibility is to express an opinion on this compliance based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 the compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In my opinion, the Corporation is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

Lac La Biche, Alberta
June 19, 2012



CHARTERED ACCOUNTANT