

Community Futures Development Corporation of Central Island
Non-Consolidated Financial Statements
March 31, 2013

Community Futures Development Corporation of Central Island
Contents

For the year ended March 31, 2013

Page

Management's Responsibility

Independent Auditors' Report

Non-Consolidated Financial Statements

Non-Consolidated Statement of Financial Position..... 1

Non-Consolidated Statement of Operations..... 3

Non-Consolidated Statement of Changes in Fund Balances..... 4

Non-Consolidated Statement of Cash Flows..... 5

Notes to the Non-Consolidated Financial Statements..... 6

Management's Responsibility

To the Directors of Community Futures Development Corporation of Central Island:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. 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 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 and Audit Committee are 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 Audit Committee fulfils its responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Corporation's external auditors.

MNP LLP is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Committee and management to discuss their audit findings.

June 28, 2013



Executive Director

Independent Auditors' Report

To the Directors of Community Futures Development Corporation of Central Island:

We have audited the accompanying non-consolidated financial statements of Community Futures Development Corporation of Central Island, which comprise the non-consolidated statement of financial position as at March 31, 2013 and the non-consolidated statements of operations, 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 Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-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 non-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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-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 non-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 non-consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Community Futures Development Corporation of Central Island as at March 31, 2013, and the results of its operations, changes in fund balances, 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 2 to the non-consolidated financial statements which describes that Community Futures Development Corporation of Central Island 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 non-consolidated financial statements, including the non-consolidated statement of financial position as at March 31, 2012 and April 1, 2011 and the non-consolidated statements of operations and changes in fund balances for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Nanaimo, British Columbia

June 28, 2013

MNP LLP
Chartered Accountants

Community Futures Development Corporation of Central Island
Non-Consolidated Statement of Financial Position

As at March 31, 2013

	<i>Operating Fund</i>	<i>Investment Fund</i>	<i>March 31 2013</i>	<i>March 31 2012</i>	<i>April 1 2011</i>
				<i>(Restated - Note 1)</i>	<i>(Restated - Note 1)</i>
Assets					
Current					
Cash (bank overdraft)	(3,033)	1,758,696	1,755,663	1,596,454	1,344,953
Accrued interest receivable	-	14,910	14,910	17,096	23,622
HST/GST receivable	4,307	489	4,795	8,711	15,683
Accounts receivable	9,066	-	9,066	37,538	-
Due from (to) other funds (Note 11)	174	(174)	-	-	-
Loans receivable - current (Note 4)	-	417,508	417,508	270,263	561,395
	10,514	2,191,429	2,201,942	1,930,062	1,945,653
Capital assets (Note 5)	8,852	-	8,852	18,125	7,392
Loans receivable (Note 4)	-	2,217,858	2,217,858	2,138,496	3,290,571
Long term equity investments	-	200,000	200,000	200,000	217,500
Investment in Colville Investments Corporation (Note 6)	-	100	100	100	100
	19,366	4,609,387	4,628,752	4,286,783	5,461,216

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

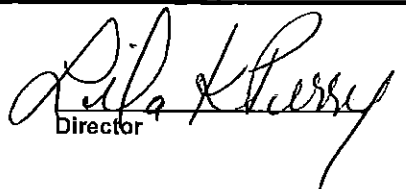
Community Futures Development Corporation of Central Island
Non-Consolidated Statement of Financial Position

As at March 31, 2013

	Operating Fund	Investment Fund	March 31 2013	March 31 2012 (Restated - Note 1)	April 1 2011 (Restated - Note 1)
Liabilities					
Current					
Accounts payable and accruals	26,654	28	26,681	64,184	43,006
Due to Vancouver Island University (WestCapp)	-	-	-	-	275,000
Current portion of capital lease obligations (Note 7)	3,983	-	3,983	3,983	-
Due to Colville Investments Corporation (Note 8)	62,677	-	62,677	31,959	35,172
	93,314	28	93,341	100,126	353,178
Repayable contributions (Note 9)	-	1,635,100	1,635,100	1,592,170	1,705,114
Capital lease obligations (Note 7)	9,736	-	9,736	13,718	-
	9,736	1,635,100	1,644,836	1,605,888	1,705,114
	103,050	1,635,128	1,738,177	1,706,014	2,058,292
Commitment (Note 10)					
Fund balances					
Investment in capital assets	8,852	-	8,852	18,126	7,392
Externally restricted assets	-	2,974,259	2,974,259	2,641,273	3,453,726
Operating deficiency	(92,536)	-	(92,536)	(78,630)	(58,194)
	(83,684)	2,974,259	2,890,575	2,580,769	3,402,924
	19,366	4,609,387	4,628,752	4,286,783	5,461,216

Approved on behalf of the Board


Director


Director

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

Community Futures Development Corporation of Central Island
Non-Consolidated Statement of Operations

For the year ended March 31, 2013

	Operating Fund	Investment Fund	2013	2012 (Restated - Note 1)
Revenue				
Western Economic Diversification contribution	273,480	-	273,480	273,482
Loan interest	-	225,321	225,321	298,845
Bank interest	6	21,863	21,869	19,490
Miscellaneous income	11,850	-	11,850	852
Fee income	7,078	5,283	12,361	3,922
Rental income	3,116	-	3,116	3,078
Total revenue	295,530	252,467	547,997	599,669
Expenses				
Advertising	5,776	-	5,776	5,351
Amortization	9,611	-	9,611	10,521
Bad debts (recovery) (Note 12)	-	(220,580)	(220,580)	1,112,968
Collection costs	-	11,985	11,985	6,255
Bank charges and interest	1,928	160	2,088	2,326
CED activities	15,464	-	15,464	14,369
Colville (Note 15)	32,030	-	32,030	-
Equipment rental	2,799	-	2,799	2,455
Insurance	4,394	212	4,606	4,933
Licences and fees	2,512	-	2,512	7,889
Miscellaneous	13,021	-	13,021	-
Office	13,919	907	14,825	15,211
Professional fees and consulting	28,063	33,778	61,841	69,617
Rent	22,436	-	22,436	23,343
Repairs and maintenance	1,164	-	1,164	2,984
Salaries and benefits	189,353	-	189,353	210,345
Supplies	2,771	-	2,771	4,257
Telephone	5,956	-	5,956	4,322
Training and education	944	-	944	901
Travel and conference	14,785	-	14,785	17,520
Utilities	1,873	-	1,873	1,701
Total expenses	368,799	(173,538)	195,260	1,517,268
Excess (deficiency) of revenue over expenses before other items	(73,269)	426,005	352,737	(917,599)
Other Items				
Loss on investment	-	-	-	(17,500)
Interest transfers (Note 11)	50,090	(50,090)	-	-
Gain (loss) on change in fair value of conditionally repayable loans	-	(42,930)	(42,930)	112,944
Excess (deficiency) of revenue over expenses	(23,179)	332,985	309,807	(822,155)

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

Community Futures Development Corporation of Central Island
Non-Consolidated Statement of Changes in Fund Balances

For the year ended March 31, 2013

	<i>Operating Fund</i>	<i>Investment Fund</i>	2013	2012 <i>(Restated - Note 1)</i>
Fund balances, beginning of year	(60,505)	2,641,274	2,580,769	3,402,924
Excess (deficiency) of revenue over expenses	(23,179)	332,985	309,807	(822,155)
Fund balances, end of year	(83,684)	2,974,259	2,890,576	2,580,769

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

Community Futures Development Corporation of Central Island
Non-Consolidated Statement of Cash Flows

For the year ended March 31, 2013

	2013	2012
Cash provided by (used for) the following activities		
Operating		
Cash received from contributions	366,633	343,359
Cash receipts from unrestricted investment income	310,189	295,946
Cash paid for program service expenses	(237,602)	(201,504)
Cash paid for salaries and benefits	(204,817)	(224,714)
Cash paid for interest	(1,486)	(1,655)
Cash paid to Vancouver Island University (WestCapp)	-	(275,000)
	232,917	(63,568)
Financing		
Repayment of advances from Colville Investments Corporation	(3,884)	(3,884)
Repayments of capital lease obligations	(3,981)	(3,983)
	(7,865)	(7,867)
Investing		
Purchase of Capital Assets	(338)	(2,485)
Advances of loans receivable	(535,073)	(33,000)
Repayments of loans receivable	469,568	358,421
	(65,843)	322,936
Increase in cash resources	159,209	251,501
Cash resources, beginning of year	1,596,454	1,344,953
Cash resources, end of year	1,755,663	1,596,454

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

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2013

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

These are the Corporation's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accounting policies in Note 3. have been applied in preparing the 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).

In preparing these financial statements, the Corporation has elected to apply the following transitional provision permitted by CICA 1501 *First-time adoption by not-for-profit organizations* at the date of transition to ASNPO.

Financial instruments

- The Corporation elected to designate repayable contributions to be measured at fair value at the date of transition to ASNPO.

Reconciliations and explanatory notes on how the transition to ASNPO has affected the statement of financial position and statement of operations previously reported under Canadian generally accepted accounting principles (GAAP) are provided below.

Explanation of changes to net assets at April 1, 2011

	<i>Sub-Notes</i>	<i>Adjustments to Opening Fund Balances</i>
Change in valuation of repayable contributions	Note 1	(198,065)

Notes to changes to net assets at April 1, 2011

Note 1

The Corporation has elected to value its repayable contributions at fair value.

Reconciliation of excess (deficiency) of revenue over expenses for the year ended March 31, 2012

	<i>Sub-Notes</i>	<i>GAAP</i>	<i>Adjustments</i>	<i>ASNPO</i>
Revenues		672,895	-	672,895
Gain (loss) on change in fair value of conditionally repayable loans	Note 1	-	112,944	112,944
Expenses		1,590,494	-	1,590,494
Loss on investment		17,500	-	17,500
Excess (deficiency) of revenues over expenses		(935,099)	112,944	(822,155)

Notes to the reconciliation of excess of revenue over expenses for the year ended March 31, 2012

Note 1

The Corporation has elected to value its repayable contributions at fair value.

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2013

2. Incorporation and nature of the organization

Community Futures Development Corporation of Central Island (the "Corporation") was established to promote employment and economic development in the Central Vancouver Island area. The activities of the Corporation include delivering various economic development programs on behalf of the Government of Canada, specifically for Western Economic Diversification ("WED") and Fisheries and Oceans Canada. The Corporation also operates programs to promote employment and economic development through loans and loan guarantees to qualifying local businesses. The Corporation, incorporated without share capital under Part II of the Canada Corporations Act, is a not-for-profit organization and is exempt for income tax purposes.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Investment in a not-for-profit subsidiary

The Corporation's financial statements do not include the accounts of Colville Investments Corporation, which is controlled by the Corporation. The required disclosures have been provided in Note 6.

All transactions with the subsidiary are disclosed as related party transactions.

Fund accounting

The Corporation follows the restricted fund method of accounting for contributions, and maintains two funds: the operating fund and the investment fund.

The Operating Fund provides the personnel and other facilities that enable the Corporation to deliver the Community Futures contribution agreement with WED and other related programs. It accounts for the corporations' program delivery and administrative activities.

The Investment Fund promotes economic development in the community by providing assistance to small businesses in the form of loans or equity investments in accordance with the requirements of the agreement with WED. The assets, liabilities, revenue and expenses associated with providing these loans and equity investment are recorded in the Investment Fund.

Revenue recognition

The Corporation receives contributions from various departments of the Government of Canada. The Corporation follows the restricted fund method of accounting for contributions.

The annual WED contribution is recognized as revenue in the year specified in the agreement with WED. Interest transfers are recognized as revenue in the period that the transfer is approved by WED. Interest is recognized in the period in which it is earned.

Contributed services

Contributions of services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Committee volunteers contribute many hours of time to the Corporation. Because of the difficulty of determining the fair value, these contributed services are not recognized in the financial statements.

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2013

3. Significant accounting policies (Continued from previous page)

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	<i>Method</i>	<i>Years</i>
Computer equipment	straight-line	3 years
Equipment	straight-line	5 years
Furniture and fixtures	straight-line	5 years

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accrued interest receivable, accounts receivable, HST receivable and loans receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. Provision is made for a decline in fair value of long term investments when the decline is not considered to be temporary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

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* (refer to Note 6).

At initial recognition, the Corporation may irrevocably elect to subsequently measure any financial instrument at fair value. The Corporation has elected to subsequently measure repayable contributions at their fair value.

The Corporation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of those 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 revenue 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.

Community Futures Development Corporation of Central Island
Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2013

4. Loans receivable

Loans receivable are repayable monthly at varying amounts including interest ranging from 0% to 11% and have maturities from April 1, 2013 to January 14, 2030. The interest rate on some loans are adjusted semi-annually based on the bank prime rate.

	2013	2012
Loans Receivable	3,016,366	3,112,759
Less: allowance for doubtful loans	(381,000)	(704,000)
<hr/>		
	2,635,366	2,408,759
Less: current portion of loans receivable	(417,508)	(270,263)
<hr/>		
	2,217,858	2,138,496
<hr/>		

Principal repayments on loans receivable in each of the next five years are estimated as follows:

2014	\$417,508
2015	\$384,143
2016	\$380,220
2017	\$340,841
2018	\$264,867

5. Capital assets

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Computer equipment	117,410	110,386	7,024	14,149
Furniture and fixtures	26,042	24,647	1,395	3,142
Equipment	38,222	37,789	433	834
<hr/>				
	181,674	172,822	8,852	18,125
<hr/>				

Included in computer equipment is equipment under capital lease with a net book value of \$3,652 (2012 - \$10,677).

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2013

6. Investment in Colville Investments Corporation

The Corporation is the sole shareholder of Colville Investments Corporation. The company is a not-for-profit organization incorporated under the B.C. Company Act and is an exempt organization for income tax purposes. Information for the years ended March 2013 and 2012 presented below is unaudited. Subsequent to year end Colville Investments Corporation purchased a building in downtown Nanaimo. It is the intention of Community Futures Development Corporation of Central Island to relocate to this building.

	March 31, 2013	March 31, 2012
Assets	\$ 252,330	\$ 218,996
Liabilities	4,150	3,001
Shareholders' Equity	248,180	215,995
Revenues	32,915	2,746
Expenses	730	2,699
Excess of revenues over expenses	32,185	47
Cash flows from activities:		
Operating (decrease in cash)	(11,231)	(21,865)

7. Capital lease obligations

The Corporation's capital lease obligations are repayable in monthly installments of \$332 until June 15, 2015 and \$212 thereafter until June 15, 2017. No interest is being charged on these obligations. Payments over the next four years are as follows:

2014	3,983
2015	3,983
2016	3,210
2017	2,543

8. Due to Colville Investments Corporation

\$34,000 (2012 - \$nil) of the loan due to Colville Investments Corporations has no set terms of repayment and does not bear interest.

\$28,677 (2012 - \$31,959) due to Colville Investments Corporation is due on demand and is being repaid in monthly payments of \$324 including interest at 2%. Based on these repayment terms the principal payments due in the next five years are as follows:

2014	2,659
2015	2,712
2016	2,767
2017	2,823
2018	2,880

Interest charged during the year by Colville Investments Corporation was \$602 (2012 - \$674).

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2013

9. Repayable contributions

The Corporation has received repayable contributions from the Government of Canada and British Columbia. These contributions provided the capital through which loans, loan guarantees and equity investments can be made in businesses owned and operated by applicants eligible under the specific programs being managed by the Corporation.

	2013	2012 <i>(Restated)</i>
<p>Disabled Entrepreneur Investment Fund Under the original terms of this funding agreement, loans could be made to disabled entrepreneurs until March 31, 2004. This agreement was subsequently extended to March 31, 2005. Advances to the Corporation were unsecured and did not bear interest. No further extension has been granted and accordingly funds must be repaid to WED on demand. The original amount of the loan was \$200,000.</p>	114,228	88,675
<p>Youth Entrepreneur Fund Under the original terms of this funding agreement, loans could be made to qualifying youths until March 31, 2003. This agreement was subsequently extended to March 31, 2005. Advances to the Corporation were unsecured and did not bear interest. No further extension has been granted and accordingly funds must be repaid to WED on demand.</p>	200,000	200,000
<p>Fisheries Legacy Fund Under the original terms of this funding agreement, loans could be made to small businesses in fishing related and ocean-based commercial ventures until March 31, 2003. This agreement was subsequently extended to March 31, 2005. Advances to the Corporation were unsecured and did not bear interest. No further extension has been granted and accordingly funds must be repaid to WED on demand.</p>	420,000	420,000
<p>Fisheries Legacy Fund Under the original terms of this funding agreement, loans could be made to qualifying fishers until March 31, 2003 at which time the agreement was to be reviewed. Advances to the Corporation were unsecured and did not bear interest. On termination of the agreement, 90% of the outstanding balance of the fund is repayable to Fisheries and Oceans Canada ("DFO") together with 90% of subsequent principal and interest payments made by loan holders. No extension has been granted and accordingly the funds must be repaid to DFO on demand.</p>	833,179	833,179
<p>Community Business Fund Under the terms of this restated contribution agreement, loans may be made to small businesses carrying on business in the forest, aquaculture, manufacturing or tourism sectors. Advances to the Corporation were unsecured and did not bear interest. In the event that the funding agreement is terminated, any uncommitted funds together with interest thereon must be repaid to the Province of BC. Subsequent principal and interest repayments must be repaid to the Province of BC in proportion to their share of such loans. The agreement can be terminated by either party with 90 days notice and accordingly is classified as a current liability. The original amount of the loan was \$250,000.</p>	67,693	50,316
	1,635,100	1,592,170

Community Futures Development Corporation of Central Island
Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2013

10. Commitment

The Corporation leases premises under an operating lease which expires August 31, 2014. The annual lease payments, not including HST, are \$23,150 in 2014 and \$9,645 in 2015.

11. Interfund transactions

The Operating Fund received interest transfers of \$50,090 (2012 - \$73,226) from the Investment Fund. \$1,921 was from the Community Business Fund and \$48,169 was from the Non-repayable Investment Fund. There were no other transfers between funds during the year.

The balances due to (from) other funds are non-interest bearing, unsecured and have no fixed terms of repayment.

12. Bad debts

The charge to income during the year related to impaired loans is comprised of the following:

	2013	2012
Additions to the allowance - principal	116,000	519,000
Additions to the allowance - interest	831	-
Reversals of the allowance - principal	(316,000)	-
Reversals of the allowance - interest	(18,778)	-
Recoveries	(41,531)	(23,313)
Loans written off	38,898	617,281
Bad debts	(220,580)	1,112,968

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2013

13. 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.

Credit concentration

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash, accrued interest receivable, and loans receivable. The Corporation has provided for credit risks by establishing allowances against the carrying value of certain impaired loans. Loans are considered impaired as soon as collection of the full principal and interest on the loan becomes doubtful. Each impaired loan is evaluated separately and written down to the fair value of any security held. Various forms of security are taken on loans ranging from promissory notes and personal guarantees of principals to chattel mortgages and mortgages over real property. Credit risk exposure is limited for cash due to the credit quality of the financial institution where the cash is held. The maximum credit risk exposure is \$4,177,993 (2012 - \$3,959,847).

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 with respect to loans receivable and interest receivable, all of which are subject to a range of interest rates ranging from 0% - 11% (2012 - 0% - 11%).

14. Economic dependence

The Corporation is dependent on contributions from the Government of Canada; specifically operating fund contributions from WED.

15. Related party transaction

The Colville expense reverses revenue from its subsidiary that was recorded in 2011. The expense is measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

16. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.