

ACCESS COMMUNITY CAPITAL FUND

FINANCIAL STATEMENTS

MARCH 31, 2011



David Burkes, B. Com, C.A. • IFA



AUDITOR'S REPORT

To the Members of ACCESS Community Capital Fund

I have audited the accompanying financial statements for ACCESS Community Capital Fund, which comprise the statement of financial position as at March 31, 2011, the statement of operations and net assets and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 for not for profit organizations. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Auditors' 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 for not for profit organizations. Those standards require that I 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.

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

AUDITOR'S REPORT (Continued)

Basis for Qualified Opinion

Due to the inherent nature of the transactions of the organization, the completeness of donations is not susceptible of satisfactory audit verification. Accordingly, my verification of these amounts was limited to the amounts recorded in the organization's accounting records and I was not able to determine whether any adjustments might be necessary to these accounts.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ACCESS Community Capital Fund, as at March 31, 2011, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not for profit organizations.



**Richmond Hill, Ontario
September 7, 2011**

**Chartered Accountant
Licensed Public Accountant**



ACCESS COMMUNITY CAPITAL FUND

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011

With comparative figures for 2010

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
<u>CURRENT</u>		
Cash and Cash Equivalents (Note 3)	\$ 50,496	\$ 98,949
Short-term Investments (Note 3)	229,961	177,986
Prepaid Expenses and Other Receivables	<u>6,213</u>	<u>-</u>
	<u>\$ 286,670</u>	<u>\$ 276,935</u>

LIABILITIES AND NET ASSETS

<u>CURRENT</u>		
Accounts Payable and Accrued Charges	\$ 21,186	\$ 4,290
Deferred Operating Grant (Note 5)	53,903	31,000
Current Portion of Loans Payable (Note 6)	<u>53,564</u>	<u>117,183</u>
	128,653	152,473
<u>LOANS PAYABLE</u> (Note 6)	<u>122,303</u>	<u>74,520</u>
	250,956	226,993
<u>NET ASSETS</u>	<u>35,714</u>	<u>49,942</u>
	<u>\$ 286,670</u>	<u>\$ 276,935</u>

APPROVED BY THE BOARD:



Director



Director

(see accompanying notes)



ACCESS COMMUNITY CAPITAL FUND

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2011

With comparative figures for 2010

	<u>2011</u>	<u>2010</u>
<u>REVENUE</u>		
Foundation Grants	\$ 56,507	\$ -
Donations	11,612	12,351
Guarantee and Loan Administration Fees	3,195	1,625
Interest Income	2,010	4,954
Other	<u>1,755</u>	<u>3,580</u>
	<u>75,079</u>	<u>22,510</u>
<u>EXPENSES</u>		
Advertising and Promotion	1,910	263
Defaulted Loans (Note 4)	8,341	4,982
Insurance	1,212	1,793
Interest Expense	1,738	452
Office and General	8,114	2,440
Professional Fees	3,274	3,075
Program Costs	58,503	3,392
Rent	<u>6,215</u>	<u>-</u>
	<u>89,307</u>	<u>16,397</u>
<u>EXCESS (DEFICIENCY) OF</u>		
<u>REVENUES OVER EXPENSES</u>	(14,228)	6,113
<u>NET ASSETS, Beginning of the Year</u>	<u>49,942</u>	<u>43,829</u>
<u>NET ASSETS, End of the Year</u>	<u>\$ 35,714</u>	<u>\$ 49,942</u>

(see accompanying notes)



ACCESS COMMUNITY CAPITAL FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011

With comparative figures for 2010

	<u>2011</u>	<u>2010</u>
<u>OPERATING ACTIVITIES:</u>		
Excess (Deficiency) of Revenues Over Expenses	\$ <u>(14,228)</u>	\$ <u>6,113</u>
<u>Changes In Working Capital:</u>		
Short-term investments (Note 3)	(51,975)	(21,490)
Prepaid Expenses and Other Receivables	(6,213)	-
Accounts Payable and Accrued Charges	16,896	(3,047)
Deferred Operating Grant	<u>22,903</u>	<u>31,000</u>
	<u>(18,389)</u>	<u>6,463</u>
<u>INVESTING ACTIVITIES:</u>		
Loans Payable	<u>(15,836)</u>	<u>24,741</u>
<u>INCREASE (DECREASE) IN CASH</u>	(48,453)	37,317
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of the Year	<u>98,949</u>	<u>61,632</u>
<u>CASH AND CASH EQUIVALENTS</u>		
End of the Year	<u>\$ 50,496</u>	<u>\$ 98,949</u>

(See accompanying notes)



ACCESS COMMUNITY CAPITAL FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

1. PURPOSE OF ORGANIZATION:

ACCESS Community Capital Fund (ACCESS) is a not-for-profit community based Organization whose aim is to improve access to small business loans for viable, emerging small enterprises in Toronto by guaranteeing loans. ACCESS is a registered charity under the Income Tax Act of Canada. The registration number is 868066911 RR0001.

ACCESS has been granted tax-exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act (Canada) and is, therefore, not subject to either federal or provincial income taxes.

These financial statements represent the combined operations of ACCESS and its chapters.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

The organization follows the deferral method of accounting for contributions.

- Unless specifically restricted by the donor, all contributions are considered to be available for unrestricted use.**
- Unrestricted contributions received are recognized as income when received.**
- Donations are recorded as income when the funds are received.**
- Interest income is recognized as earned.**

(b) Cash and Cash Equivalents and Short-term Investments:

ACCESS considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

(c) Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. Actual results could differ from management's best estimates as additional information becomes available in the future.



ACCESS COMMUNITY CAPITAL FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(d) **Financial Instruments:**

All financial instruments are classified into a defined category; namely, held for trading financial assets or financial liability, held to maturity investments, loans and receivables, available for sale financial assets or other financial liabilities. These classifications will determine how each instrument will be measured, at either fair value or, in limited circumstances, at cost or amortized cost and will determine how gains and losses are recognized.

ACCESS has classified cash as held for trading, carried at fair value. Accounts payable and accrued charges are classified as other financial liabilities which are measured at amortized cost using the effective interest method.

(e) **Contributed Services:**

Because of the difficulty of determining the fair value of services provided by volunteers, contributed services are not recognized in the financial statements.

3. **CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:**

The market value of the cash and cash equivalents investments and short-term investments as at March 31, 2011 was \$280,457 (2010 - \$276,935). Details are as follows:

	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents:		
Cash	\$ 50,432	\$ 98,870
Alterna Savings Shares	<u>64</u>	<u>79</u>
	50,496	98,949
Short-term Investments:		
G.I.C.'s	<u>229,961</u>	<u>177,986</u>
	<u>\$ 280,457</u>	<u>\$ 276,935</u>

The GIC's bear interest from 0.75 % to 4.10% and are due between May 2011 and January 2012. The GIC's are redeemable anytime before maturity.

Cash and cash equivalents include amounts which have been set aside to meet externally restricted loans payable obligations (Note 6). This includes investments that are specifically restricted for the use of guaranteeing micro-loans approved by ACCESS. As at March 31, 2011, the amount of restricted loans payable obligation was \$175,867 (2010 - \$191,703).



ACCESS COMMUNITY CAPITAL FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

4. ALLOWANCE FOR NON-COLLECTABLE LOANS:

ACCESS has created a program reserve fund (Fund) of not less than 20% of the initial principal amount of the business loans guaranteed by ACCESS.

As part of the agreement in establishing the Fund, ACCESS has agreed to guarantee all loans processed through the Fund if the loan is in excess of 60 days past due. It is agreed that the Alterna Savings is guaranteed repayment by ACCESS only to the extent of the funds in the Fund. The total loans outstanding as at March 31, 2011 was \$59,420 (2010 - \$36,090).

As at March 31, 2011 a specific reserve for non-collectable loans of \$10,027 (2010 - \$3,250), included in Accounts Payable and Accrued Charges, has been established.

The continuity of the reserve for non-collectable loans is as follows:

	<u>2011</u>	<u>2010</u>
Reserve Balance, Beginning of the Year	\$ 3,250	\$ 3,250
Increase in reserve	<u>6,777</u>	<u>-</u>
Reserve Balance, End of the Year	<u>\$ 10,027</u>	<u>\$ 3,250</u>

The continuity of Defaulted Loans expense is as follows:

Loans written off	\$ 1,564	\$ 4,982
Increase in reserve	<u>6,777</u>	<u>-</u>
	<u>\$ 8,341</u>	<u>\$ 4,982</u>

5. DEFERRED OPERATING GRANT:

Deferred Operating Grant is as follows:

	<u>2011</u>	<u>2010</u>
Ontario Trillium Foundation	\$ 4,993	\$ 31,000
Citi Foundation	<u>48,910</u>	<u>-</u>
	<u>\$ 53,903</u>	<u>\$ 31,000</u>

Continuity of Deferred Operating Grant for the year is as follows:

Deferred Operating Grant, Beginning of the year	\$ 31,000	\$ 31,000
Add – Received during the year	79,410	-
Less – Disbursed during the year	<u>(56,507)</u>	<u>-</u>
Deferred Operating Grant, End of the year	<u>\$ 53,903</u>	<u>\$ 31,000</u>



ACCESS COMMUNITY CAPITAL FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

6. LOANS PAYABLE:

The loans payable are for a fixed period and are repayable with accrued interest as follows:

	<u>2011</u>	<u>2010</u>
- Due within the next five years	\$ 122,303	\$ 74,520
- Due within one year	<u>53,564</u>	<u>117,183</u>
	<u>\$ 175,867</u>	<u>\$ 191,703</u>

Interest rates on the loans payable are between 0% and 2%. Loans payable represent amounts due to individuals or organizations who have invested in the loan guarantee fund.

7. FINANCIAL INSTRUMENTS:

(a) Credit risk:

Credit risk is the risk of financial loss to ACCESS if a guaranteed loan (see note 4) fails to meet its obligations. ACCESS's maximum exposure to credit risk at the balance sheet date under its financial instruments is \$59,420.

All of ACCESS's cash is held with a major financial institution and, thus, the exposure to credit risk is considered insignificant. ACCESS actively monitors the exposure to credit risk under its financial instruments, including with respect to guaranteed loans. ACCESS considers the risk of loss to be minimal.

(b) Market and interest rate risk:

The risk associated with investments are the risk associated with the securities in which the funds are invested. The value of fixed income securities will generally rise if interest rate fall and fall if interest rates rise.



ACCESS COMMUNITY CAPITAL FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

8. CAPITAL MANAGEMENT AND ECONOMIC DEPENDENCE:

ACCESS includes cash and short-term investments, accounts payable and accrued charges, deferred operating grant, and net assets in its capital management consideration. ACCESS's objectives when managing capital are to safeguard its ability to continue as a going concern and continue to execute its mandate within the restrictions that ACCESS is not in receipt of core funding.

ACCESS monitors these items to assess its ability to fulfil its ongoing financial obligations. ACCESS relies primarily on grants and donations to fund its operations and makes adjustments to its budgeted expenditures in light of changes. ACCESS is not subject to externally imposed capital requirements.

9. RELATED PARTY TRANSACTIONS

During the year, ACCESS paid rent in the amount of \$6,215 to a member of the immediate family of a Director. The transaction was in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

