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**B.C. COMMUNITY FINANCIAL SERVICES CORPORATION**  
**(dba Four Corners Community Savings)**

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**Financial Statements**

**March 31, 2002**

## **AUDITOR'S REPORT**

To the Shareholder of

### **B.C. Community Financial Services Corporation (dba Four Corners Community Savings)**

We have audited the Balance Sheet of B.C. Community Financial Services Corporation (dba Four Corners Community Savings) as at March 31, 2002, and the Statements of Loss and Deficit and Cash Flow for the year then ended. These financial statements are the responsibility of the corporation'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 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2002 and the results of operations and changes in financial position of the corporation for the year then ended, in accordance with Canadian generally accepted accounting principles.

As required by the Community Financial Services Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Burnaby, BC  
May 18, 2002

**KANESTER JOHAL**  
Chartered Accountants

**B.C. COMMUNITY FINANCIAL SERVICES CORPORATION**  
**(dba Four Corners Community Savings)**

**Balance Sheet**  
**As At March 31, 2002**

	<b>2002</b>	<b>2001</b>
<b>Assets</b>		
Cash	\$ 390,495	\$ 437,816
Term deposits (Note 4)	8,798,729	22,527,886
Accrued interest	103,905	204,108
Line of credits (Note 5 )	71,645	136,614
Prepaid expenses	10,681	10,507
Loans Receivable (Note 6)	93,263	225,193
Mortgages Receivable	3,902,445	5,099,353
Capital Assets (Note 7)	704,120	793,105
	<u>\$ 14,075,283</u>	<u>\$ 29,434,582</u>
<b>Liabilities</b>		
Chequing	\$ 1,231,422	\$ 1,174,018
Savings	663,734	472,103
Money orders	13,448	47,229
Term deposits	6,031,843	20,519,250
Registered retirement savings plan	201,770	261,549
Accounts payable and accrued liabilities	70,252	100,497
	<u>8,212,469</u>	<u>22,574,646</u>
<b>Share Capital And Deficit</b>		
Share Capital (Note 9)	10,000,000	10,000,000
Contributed Surplus (Note 10)	1,000,000	1,000,000
Deficit	<u>(5,137,186)</u>	<u>(4,140,064)</u>
	<u>5,862,814</u>	<u>6,859,936</u>
	<u>\$ 14,075,283</u>	<u>\$ 29,434,582</u>

**Approved On Behalf Of The Board Of Directors:**

**Director** \_\_\_\_\_

**Director** \_\_\_\_\_

**Going Concern Assumption (Note 3)**

**B.C. COMMUNITY FINANCIAL SERVICES CORPORATION**  
**(dba Four Corners Community Savings)**

**Statement Of Loss And Deficit**  
**For The Year Ended March 31, 2002**

	<b>2002</b>	<b>2001</b>
<b>Financial Revenue</b>		
Investment	\$ 656,427	\$ 1,368,055
Customer service and miscellaneous	510,401	486,931
	<u>1,166,828</u>	<u>1,854,986</u>
<b>Financial Expenses</b>	<u>572,217</u>	<u>1,111,213</u>
	<u>594,611</u>	<u>743,773</u>
<b>Administrative Expenses</b>		
Administrative and general (Note 16(c))	136,658	280,924
Amortization	113,660	110,893
Automated Teller Machine	33,421	27,530
BC capital tax	-	12,325
Bad debts	97,264	97,441
Bonding and insurance	27,996	26,280
Contract services	11,152	20,059
Courier	1,946	5,291
Data processing	146,562	169,991
Directors and Advisory Council fees and related expenses	24,850	30,825
Expense recovery (Note 16(c))	(80,000)	(200,000)
Interest and bank charges	12,401	11,431
Professional fees	63,162	134,426
Rent	174,338	156,327
Repairs and maintenance	27,527	31,543
Security	4,825	4,689
Telephone	19,181	17,302
Utilities	21,560	19,531
Wages and benefits	758,997	759,005
	<u>1,595,500</u>	<u>1,715,813</u>
<b>Loss From Operations</b>	(1,000,889)	(972,040)
Gain On Foreign Currency Exchange	<u>3,767</u>	<u>24,602</u>
<b>Net Loss, for the year</b>	(997,122)	(947,438)
<b>Deficit, beginning of year</b>	<u>(4,140,064)</u>	<u>(3,192,626)</u>
<b>Deficit, end of year</b>	<u>\$ (5,137,186)</u>	<u>\$ (4,140,064)</u>

**Going Concern Assumption (Note 3)**

**B.C. COMMUNITY FINANCIAL SERVICES CORPORATION**  
**(dba Four Corners Community Savings)**

**Statement Of Cash Flow**  
**For The Year Ended March 31, 2002**

	<b>2002</b>	<b>2001</b>
<b>Operating Activities</b>		
Net loss From Operations	\$ (997,122)	\$ (947,438)
Add: adjustment for Amortization	<u>113,660</u>	<u>110,893</u>
	(883,462)	(836,545)
Net change in		
Accrued interest	100,203	57,421
Prepaid expenses	(174)	13,257
Accounts payable and accrued liabilities	<u>(30,245)</u>	<u>17,613</u>
	<u>(813,678)</u>	<u>(748,254)</u>
<b>Financing Activities</b>		
Decrease (increase) in customers deposits	<u>(14,331,932)</u>	<u>367,787</u>
	<u>(14,331,932)</u>	<u>367,787</u>
<b>Investing Activities</b>		
Additions to capital assets	(24,675)	(30,125)
Increase in line of credits	196,899	96,703
(Increase) decrease in mortgages receivable	<u>1,196,908</u>	<u>(1,962,957)</u>
	<u>1,369,132</u>	<u>(1,896,379)</u>
<b>(Decrease) Increase In Cash</b>	(13,776,478)	(2,276,846)
<b>Cash, beginning of year</b>	<u>22,965,702</u>	<u>25,242,548</u>
<b>Cash, end of year</b>	<u>\$ 9,189,224</u>	<u>\$ 22,965,702</u>
<b>Cash is consisted of:</b>		
Cash	\$ 390,495	\$ 437,816
Term deposits	<u>8,798,729</u>	<u>22,527,886</u>
	<u>\$ 9,189,224</u>	<u>\$ 22,965,702</u>

# **B.C. COMMUNITY FINANCIAL SERVICES CORPORATION**

**(dba Four Corners Community Savings)**

## **Notes To The Financial Statements**

**March 31, 2002**

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### **1. The Corporation**

BC Community Financial Services Corporation was established under the Community Financial Services Act, SBC 1994 on July 4, 1994 and commenced operations on January 12, 1995. The purpose of the Corporation is to encourage and facilitate the use of savings institutions by, and to provide a full range of financial and related services to, members of the community. The Act does not allow the Corporation to issue its shares to any person other than the Minister of Finance and Corporate Relations for the Province of British Columbia.

### **2. Significant Accounting Policies**

#### **Capital Assets**

Capital assets are recorded at cost. Amortization is provided at the following rates:

Computer equipment	- 5 years straight line
Furniture and equipment	- 10 years straight line
Leasehold improvements	- 15 years straight line
Security system	- 10 years straight line
Software	- 3 years straight line

Half rates are applied in the year of acquisition.

#### **Loans and Mortgages Receivable**

Loans and mortgages receivable are stated net of a provision established to recognize loan impairment. This provision is determined by reference to specific loans in arrears and by judgement of management based on loan collection experience. Loans and mortgages receivable considered uncollectible are written off.

#### **Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Foreign Exchange**

The company follows the temporal method of accounting for the translation of foreign currency amounts into Canadian dollars. Unrealized exchange gains and losses on translation of long-term debt are deferred and amortized over the remaining periods. Other exchange gains and losses arising from foreign currency balances at the balance sheet date are recognized as they occur.

**B.C. COMMUNITY FINANCIAL SERVICES CORPORATION**  
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**Notes To The Financial Statements**  
**March 31, 2002**

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**3. Going Concern Assumption**

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. The Corporation has incurred significant operating losses over the past five fiscal years and has a substantial deficit. Management and the Province of British Columbia are currently in discussions as to the viability and sustainability of the Corporation as a going concern.

The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Corporation be unable to continue in existence.

**4. Term Deposits**

**Term deposits consist of:**

	<b>2002</b>	<b>2001</b>
Credit Union Central of British Columbia	\$ 8,798,729	\$ 22,527,886

**5. Line of Credits**

	<b>2002</b>	<b>2001</b>
Notes receivable	\$ 125,529	\$ 165,121
Less: allowance for doubtful	(53,884)	(28,507)
	\$ 71,645	\$ 136,614

**6. Loans Receivable**

	<b>2002</b>	<b>2001</b>
Loans receivable	\$ 136,133	\$ 268,686
Less: allowance for doubtful	(42,870)	(43,493)
	\$ 93,263	\$ 225,193

**B.C. COMMUNITY FINANCIAL SERVICES CORPORATION**  
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**Notes To The Financial Statements**  
**March 31, 2002**

**7. Capital Assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2002</b>	<b>Net 2001</b>
Computer equipment	\$ 170,417	\$ 142,154	\$ 28,263	\$ 48,536
Furniture and equipment	134,764	51,745	83,019	83,529
Leasehold improvements	930,576	358,249	572,327	634,365
Security system	44,615	26,961	17,654	22,116
Software	22,968	20,111	2,857	4,559
	<b>\$ 1,303,340</b>	<b>\$ 599,220</b>	<b>\$ 704,120</b>	<b>\$ 793,105</b>

**8. Bank Indebtedness**

The Corporation has a line of credit with Credit Union Central of British Columbia with an authorized amount of \$500,000 and interest calculated at prime rate. The line of credit is guaranteed by the Province of British Columbia.

**9. Share Capital**

Authorized:  
 10,000,000 Shares with a par value of \$1.00 each.

	<b>2002</b>	<b>2001</b>
Issued and outstanding: 10,000,000 Shares	\$ 10,000,000	\$ 10,000,000

**10. Contributed Surplus**

Contributions from the Province of British Columbia were provided to fund start-up costs and initial operation losses of the Corporation.

**11. Contractual Obligations**

- a) Effective April 1, 2001, the Corporation entered into an agreement to have data processing services provided to the Corporation on a monthly basis.
- b) Effective March 31, 2002, the Corporation's existing lease agreement expired. Subsequent to this date, the Corporation entered into a month to month lease agreement with BC Building Corporation. During the fiscal year, negotiations were held between the Corporation and BC Building Corporation with regard to the amount of the base rent. At present, the negotiations are still on going.



**B.C. COMMUNITY FINANCIAL SERVICES CORPORATION**  
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**Notes To The Financial Statements**  
**March 31, 2002**

**12. Capital Requirements**

Under Section 68 of the Financial Institutions Act, a financial institution must ensure that its capital base is at all times adequate in relation to the business carried on by the financial institution. A trust company authorized to carry on deposit business or both trust business and deposit business must ensure that its capital base is at all times at least greater of \$5,000,000 or 8% of the total value of risk-weighted assets. The Corporation has satisfied both these requirements at March 31, 2002.

**13. Maturities And Weighted Average Rates**

	Weighted Average Rate	Within 1 year	2 to 3 years	3 to 4 years	Over 4 years	Not Interest Sensitive	Total
<b>Assets</b>							
Cash	0.00 %	\$ -	\$ -	\$ -	\$ -	\$ 390,495	\$ 390,495
Term deposits	2.93 %	8,189,244	544,485	65,000	-	-	8,798,729
Accrued interest	0.00 %	-	-	-	-	103,905	103,905
Loans and mortgages	8.24 %	913,486	1,338,789	428,485	1,386,592	-	4,067,352
Premises and equipment	0.00 %	-	-	-	-	704,120	704,120
Prepaid expenses	0.00 %	-	-	-	-	10,681	10,681
		<u>\$ 9,102,730</u>	<u>\$ 1,883,274</u>	<u>\$ 493,485</u>	<u>\$ 1,386,592</u>	<u>\$ 1,209,201</u>	<u>\$ 14,075,282</u>
<b>Liabilities and Shareholders' Equity</b>							
Deposits	2.54 %	\$ 7,487,051	\$ 546,721	\$ 108,444	\$ -	\$ -	\$ 8,142,216
Other	0.00 %	-	-	-	-	70,252	70,252
Shareholder's equity	0.00 %	-	-	-	-	5,862,814	5,862,814
		<u>\$ 7,487,051</u>	<u>\$ 546,721</u>	<u>\$ 108,444</u>	<u>\$ -</u>	<u>\$ 5,933,066</u>	<u>\$ 14,075,282</u>
Interest Sensitivity Position		<u>\$ 1,615,679</u>	<u>\$ 1,336,553</u>	<u>\$ 385,041</u>	<u>\$ 1,386,592</u>	<u>\$ (4,723,865)</u>	<u>\$ -</u>

**14. Remuneration To Directors And Advisory Council Members**

During the year, the Corporation incurred \$24,850 (2001 - \$30,825) in fees payable to members of the Board of Directors and the Advisory Council for attendance at meetings.

**B.C. COMMUNITY FINANCIAL SERVICES CORPORATION**  
(dba Four Corners Community Savings)

**Notes To The Financial Statements**  
**March 31, 2002**

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**15. Financial Instruments**

The following information represents the estimated fair values of the Corporation's financial instruments. Fair values have not been disclosed for those assets and liabilities which are not considered financial instruments.

	Book Value	Fair Value	Fair Value Over Book Value
<b>Assets</b>			
Cash	\$ 390,495	\$ 390,495	\$ -
Term deposits and accrued interest	8,902,634	8,994,705	92,071
Loans	4,067,352	4,067,352	-
	<u>\$ 13,360,481</u>	<u>\$ 13,452,552</u>	<u>\$ 92,071</u>
<b>Liabilities and Shareholder's Equity</b>			
Deposits	\$ 8,142,216	\$ 8,262,168	\$ 119,952
Other	70,252	70,252	-
	<u>\$ 8,212,468</u>	<u>\$ 8,332,420</u>	<u>\$ 119,952</u>

The fair values have been calculated using the present value techniques and are based on market conditions at March 31, 2002. Interest rate sensitivity is the primary cause of the differences between the book and fair values. The book values have not been adjusted to reflect fair values, as the Corporation generally holds the instruments to maturity.

**16. Related Parties Transactions**

During the year, the Corporation participated in the following transactions with other government organizations:

- a) The Corporation paid \$174,388 (2001 - \$156,327) in rent to another provincial organization;
- b) The Corporation paid or accrued \$248,565 (2001 - \$567,927) in interest to other provincial government organizations; and
- c) The corporation received services with a value of approximately \$80,000 (2001 - approximately \$200,000) from other government agencies for no consideration. The services have been included in general and administrative.

During the year, the corporation extended term loans, lines of credit and mortgages to employees. On March 31, 2002 these totalled \$13,374 in term loans and lines of credit and \$nil in respect to the mortgages.