

COMMUNITY FORWARD FUND ASSISTANCE CORP.

FINANCIAL STATEMENTS

DECEMBER 31, 2012

COMMUNITY FORWARD FUND ASSISTANCE CORP.

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Members of the
Community Forward Fund Assistance Corp.:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Forward Fund Assistance Corp. (the "Organization"), which comprise the statements of financial position as at December 31, 2012 and 2011 and the statements of revenue and expenditures, changes in net assets, and cash flows for the years ended December 31, 2012 and 2011 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), 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 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 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 auditors' 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 auditors consider 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.

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 financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2012 and 2011, and its results of operations and cash flows for the periods then ended in accordance with IFRS.



Chartered Accountants
Licensed Public Accountants

Ottawa, Canada
February 28, 2013

COMMUNITY FORWARD FUND ASSISTANCE CORP.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

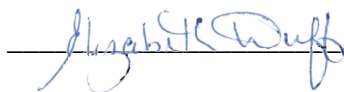
	<u>2012</u>	<u>2011</u> (Note 2)
ASSETS		
CURRENT ASSETS		
Cash	\$ 419,929	\$ 166,838
Short term investments (Note 5)	301,579	-
Accounts receivable	-	11,971
Prepaid expenditures	<u>5,734</u>	<u>6,789</u>
Total current assets	<u>727,242</u>	<u>185,598</u>
NON-CURRENT ASSETS		
Loan receivable (Note 7)	9,334	12,149
Property and equipment (Note 6)	<u>15,637</u>	<u>19,425</u>
Total non-current assets	<u>24,971</u>	<u>31,574</u>
	<u>\$ 752,213</u>	<u>\$ 217,172</u>

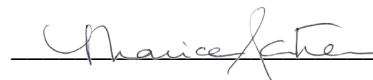
LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 11)	\$ 20,196	\$ 11,047
Due to related party (Note 10)	<u>760</u>	<u>-</u>
Total current liabilities	<u>20,956</u>	<u>11,047</u>
NON-CURRENT LIABILITIES		
Loan payable (Note 8)	<u>100,000</u>	<u>100,000</u>
DEFERRED CONTRIBUTIONS (Note 9)	<u>484,906</u>	<u>20,834</u>
NET ASSETS		
Unrestricted	130,714	65,866
Invested in property and equipment	<u>15,637</u>	<u>19,425</u>
	<u>146,351</u>	<u>85,291</u>
	<u>\$ 752,213</u>	<u>\$ 217,172</u>

Financial instruments (Note 11)

ON BEHALF OF THE BOARD:

 , Director

 , Director

COMMUNITY FORWARD FUND ASSISTANCE CORP.

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
REVENUE		
Grants (Note 9)	\$ 388,928	\$ 193,817
Consulting	36,989	3,000
Subscription fees	102,025	35,000
Interest	<u>2,995</u>	<u>361</u>
	<u>530,937</u>	<u>232,178</u>
EXPENDITURES		
Advertising and promotion	42,738	13,846
Amortization (Note 6)	4,600	1,178
Bank charges	-	100
Insurance	5,290	1,138
Interest on loan payable	2,000	-
Trust management expenses	83,928	-
Occupancy	21,275	7,055
Office expenses	24,049	7,875
Professional fees	42,355	17,154
Subcontractors (Note 10)	173,215	68,437
Telephone and communication	-	193
Travel	14,680	5,363
Wages and benefits	<u>55,747</u>	<u>24,548</u>
	<u>469,877</u>	<u>146,887</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 61,060</u>	<u>\$ 85,291</u>

COMMUNITY FORWARD FUND ASSISTANCE CORP.

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>			<u>2011</u>
	<u>Invested in property and equipment</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
BALANCES AT BEGINNING OF YEAR	\$ 19,425	\$ 65,866	\$ 85,291	\$ -
Excess of revenue over expenditures	-	61,060	61,060	85,291
Amortization of property and equipment	(4,600)	4,600	-	-
Acquisition of property and equipment	<u>812</u>	<u>(812)</u>	<u>-</u>	<u>-</u>
BALANCES AT END OF YEAR	<u>\$ 15,637</u>	<u>\$ 130,714</u>	<u>\$ 146,351</u>	<u>\$ 85,291</u>

COMMUNITY FORWARD FUND ASSISTANCE CORP.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 61,060	\$ 85,291
Items not involving cash:		
Amortization	4,600	1,178
Accrued interest revenue	<u>(1,579)</u>	<u>-</u>
	64,081	86,469
Changes in non-cash operating working capital:		
Accounts receivable	11,971	(11,971)
Prepaid expenditures	1,055	(6,789)
Accounts payable and accrued liabilities	9,148	11,047
Due to related party	<u>760</u>	<u>-</u>
	<u>87,016</u>	<u>78,756</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(812)	(20,603)
Purchase of investments	<u>(300,000)</u>	<u>-</u>
	<u>(300,812)</u>	<u>(20,603)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from assumption of loan payable	-	100,000
Initial loan advanced	-	(15,000)
Receipt of loan repayments	2,815	2,851
Contributions received and deferred	<u>464,072</u>	<u>20,834</u>
	<u>466,887</u>	<u>108,685</u>
INCREASE IN CASH	253,091	166,838
Cash at beginning of year	<u>166,838</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ 419,929</u>	<u>\$ 166,838</u>
Supplementary cash flow information:		
Interest paid	\$ 2,000	\$ 100

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

1. NATURE OF OPERATIONS

The Community Forward Fund Assistance Corp. (the "Organization") was incorporated on February 2, 2011 under Part II of the Ontario Business Corporations Act. Its principal business activity consists of helping to improve the financial stability of Canadian non-profit and charitable organizations ("NPOs").

The Organization assists NPOs to obtain financing, whether through loans, loan guarantees, grants or other forms of investment, and to enhance the financial and business management of NPOs, through the provision, on a not-for-profit basis, of services including:

- (a) financial services and/or management services to NPOs;
- (b) loans to, or guarantee of loans to, NPOs;
- (c) information and/or services to persons or entities ("NPO Supporters") in respect of their loans to, guarantee of loans to, donations to, and/or investments in, NPOs;
- (d) assisting in the creation of one or more entities which will make loans to, or guarantee loans to, NPOs; and
- (e) the creation, maintenance and dissemination of research and information regarding NPOs and NPO Supporters.

The Organization is registered with the Ontario Securities Commission ("OSC") under the categories of "Restricted Dealer", "Restricted Portfolio Manager" and "Investment Fund Manager".

The Organization is a not-for-profit organization and is exempt from income taxes.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements of the Organization have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This is the first time that the Organization has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (pre-changeover Canadian GAAP).

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

2. BASIS OF PREPARATION (continued)

Statement of Compliance (continued)

The transition represents a change in accounting policy, and has no effect on the reported financial position, results of operations and cash flows of the Organization. Under these circumstances, the Organization is required to report a third column on its statement of financial position, at the transition date. In this case, the transition date is February 2, 2011, the date the Organization commenced operations, meaning all balances at that moment are nil. As a result, the balance sheet at the date of transition has been omitted.

The financial statements were approved by the Board of Directors on February 28, 2013.

Basis of Measurement

The financial statements have been prepared on a historical cost basis except for held-for-trading financial assets which are measured at fair value.

The financial statements are presented in Canadian dollars, which is also the Organization's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying its accounting policies. There are no areas that have been identified as having a higher degree of complexity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Despite the conversion to IFRS for the current reporting period, the accounting policies set out below have been applied consistently to all years presented in these financial statements.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand.

Property and Equipment

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Amortization

Amortization is recognized in the statement of revenue and expenditures and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Computer equipment	3 years
Computer software	5 years

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Financial Instruments

Financial instruments are initially recognized at fair value and then subsequently measured at amortized cost with gains and losses recognized in the statement of revenue and expenditures in the period in which the gain or loss occurs. Changes in fair value of financial instruments classified as held-for-trading are recorded in the statement of revenue and expenditures.

The Organization's accounting policy for each category is as follows:

<i>Financial Asset/Liability</i>	<i>Category</i>	<i>Measurement</i>
Cash and cash equivalents	Held-for-trading	Fair value
Short term investments	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Loan payable	Financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost
Due to related party	Financial liabilities	Amortized cost

Transaction Costs

Transaction costs are comprised primarily of legal, accounting and other costs directly attributable to the acquisition, issuance or disposal of a financial asset or liability.

Transaction costs related to held-for-trading financial liabilities are expensed as incurred.

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Grant revenue

The Organization receives funding in the form of grants with restrictions on the use of funds. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Funds received from funders that exceed the costs of the purposes for which they were granted, are reported as deferred contributions.

Consulting revenue

Consulting revenue is recognized as revenue when the service has been rendered, revenue has been earned and collection is reasonably assured.

Interest revenue

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Organization and the amount of income can be measured reliably.

Loans Receivable

Loans receivable are recorded at the principal amount of loans outstanding less an allowance for loan impairment. Loans are classified as impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and interest.

Loans usually bear interest at approximate market rates and have fixed repayment schedules.

Contributed Services and In-Kind Materials and Services

Volunteers contribute several hours per year to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Furthermore, the Organization benefits from various donations of materials, the fair value of which is recognized in the financial statements, when determinable. Donated services are not recognized in the financial statements.

Impairment on Financial Assets

At each reporting date the Organization assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the assets and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income

Revenue and expenditures are reported in the statement of revenue and expenditures. Items that would otherwise be reported in the statement of comprehensive income do not apply to the Organization and, as such there is no comprehensive income statement embedded in the statement of revenue and expenditures.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning January 1, 2013 or later years. None of these is expected to have a significant effect on the financial statements, except for the following:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of an IASB wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains, but simplifies, the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015.

The Organization does not plan to adopt this standard early.

IFRS 13 Fair Value Measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRS's. The standard is effective for annual periods beginning on or after January 1, 2013.

The Organization does not plan to adopt this standard early.

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Organization.

5. SHORT TERM INVESTMENTS

The short term investments consist of redeemable term deposits, which earn interest at annual rates varying between 1.25% and 1.30% and mature between January 2013 and October 2013. Given the investments are interest-bearing, carrying value approximates fair value.

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

6. PROPERTY AND EQUIPMENT

	<u>Computer Equipment</u>	<u>Computer Software</u>	<u>Total</u>
Cost			
Balance at February 2, 2011	\$ -	\$ -	\$ -
Additions	<u>2,410</u>	<u>18,193</u>	<u>20,603</u>
Balance at December 31, 2011	2,410	18,193	20,603
Additions	<u>812</u>	<u>-</u>	<u>812</u>
Balance at December 31, 2012	<u>3,222</u>	<u>18,193</u>	<u>21,415</u>
Accumulated amortization			
Balance at February 2, 2011	-	-	-
Amortization for the period	<u>268</u>	<u>910</u>	<u>1,178</u>
Balance at December 31, 2011	268	910	1,178
Amortization for the year	<u>961</u>	<u>3,639</u>	<u>4,600</u>
Balance at December 31, 2012	<u>1,229</u>	<u>4,549</u>	<u>5,778</u>
Carrying amounts			
February 2, 2011	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2011	<u>2,142</u>	<u>17,283</u>	<u>19,425</u>
December 31, 2012	<u>\$ 1,993</u>	<u>\$ 13,644</u>	<u>\$ 15,637</u>

7. LOAN RECEIVABLE

The loan receivable bears interest at 6.5% per annum and is receivable in blended monthly instalments of \$293 and matures December 21, 2015. No security has been obtained on the loan.

8. LOAN PAYABLE

The Organization borrowed a total of \$100,000 from Greater Vancouver Community Assistance Foundation, maturing December 31, 2021. The note bears interest a 2% per annum and is payable only on the last day of June and December each year. All principal amounts outstanding shall be repayable on demand at the end of the term. This loan was obtained in order to meet the working capital requirements as set out by the OSC. Given the loan is similar to loans offered in the market, carrying value approximates fair value.

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

9. DEFERRED CONTRIBUTIONS

Deferred contributions consist of grants that have been received by the Organization with certain restrictions for their use.

Ontario Trillium Foundation

The Organization has received this grant specifically for expenditures related to its initial operations. These expenditures are expected to be incurred evenly over the period of the grant and, as such, related grant revenue is recognized evenly over the same period.

VanCity Credit Union

The Organization received this grant to help with future projects. As such, the full amount has been deferred until related expenditures are incurred.

Citizens Bank

The Organization has received this grant to offset trust management fees incurred, and startup costs. Grant revenue is recognized when related costs are incurred.

	Ontario Trillium <u>Foundation</u>	VanCity <u>Credit Union</u>	Citizens <u>Bank</u>	<u>Total</u>
Balance at beginning of year	\$ 20,834	\$ -	\$ -	\$ 20,834
Restricted contributions received	250,000	375,000	228,000	853,000
Amounts recognized as revenue	<u>(250,000)</u>	<u>-</u>	<u>(138,928)</u>	<u>(388,928)</u>
Balance at end of the year	<u>\$ 20,834</u>	<u>\$ 375,000</u>	<u>\$ 89,072</u>	<u>\$ 484,906</u>

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

10. RELATED PARTY TRANSACTIONS

The following is a summary of the Organization's related party transactions during the year:

The Organization acts as a Manager to the Community Forward Fund (the "Fund"), under the terms of a Management Agreement dated June 8, 2012. The Fund is a trust operated under the terms of a Trust Agreement dated June 8, 2012. Under this agreement, the Organization charges management fees to the Fund determined on a monthly basis for managing the Fund. The Organization did not charge management fees for the current year as there were no net expenses after applying operational support grants.

- a) During the year, the Organization advanced funds to, and obtained repayments of advances from, the Trust.

Balances due to related parties consist of the following:

	<u>2012</u>	<u>2011</u>
Due to Trust	<u>\$ 760</u>	<u>\$ -</u>

- b) Key Management Compensation

The Organization paid fees to companies owned by executive officers and directors of the Organization as follows:

DKGI INC.	Management fee
NEWMAN & ASSOCIATES	Management fee
NORA SOBOLOV CONSULTING	Management fee

The Organization incurred the following fees in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation includes:

	December 31, <u>2012</u>	December 31, <u>2011</u>
Payments reported as subcontractors expenditures	<u>\$ 127,833</u>	<u>\$ 51,637</u>

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Organization is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

The Organization is exposed to risks that arise from its use of financial instruments. This note describes the Organization's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Organization's exposure to financial instrument risk, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Organization's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Organization's finance function. The Board of Directors receive monthly reports from the Organization's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as much as possible without unduly affecting the Organization's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risks: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

General Objectives, Policies and Processes (continued)

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with Alterna Savings and Credit Union (ASCU). The Organization considers this risk to be immaterial.

Credit Risk

Credit risk is the risk of financial loss to the Organization if a customer, funder, or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Organization consist primarily of cash and cash equivalents, short term investments and loan receivable. Cash and cash equivalents are maintained with ASCU, a reputable, well capitalized institution and may be redeemed upon demand. Short term investments are refundable term deposits purchased with ASCU.

The carrying amount of financial assets represents the maximum credit exposure. The Organization has gross credit exposure at December 31, 2012 and December 31, 2011 relating to cash and cash equivalents of \$419,929 and \$166,838, respectively.

The Organization has gross credit exposure at December 31, 2012 relating to short term investments of \$301,579. The investments are held with ASCU, a reputable financial institution. The risk that the invested funds will not be returned is low.

The Organization has gross credit exposure at December 31, 2012 and December 31, 2011 relating to loans receivable of \$9,334 and \$12,149, respectively. The Organization has considered the impact of these funds not being repaid to be minimal.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they become due. The Organization's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

General Objectives, Policies and Processes (continued)

Liquidity Risk (continued)

Typically, the Organization ensures that it has sufficient cash on hand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Organization prepares annual operating budgets, which are regularly monitored and updated as considered necessary.

The Organization monitors its risk of shortage of funds by monitoring the maturity dates of existing accounts payable and accrued liabilities.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities.

	<u>Up to 3 months</u>
Accounts payable and accrued liabilities	
December 31, 2011	\$ 11,047
December 31, 2012	\$ 20,197

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for cash and cash equivalents, short term investments and accounts payable and accrued liabilities approximate fair value due to their short term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values, these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

COMMUNITY FORWARD FUND ASSISTANCE CORP.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of loans receivable and payable is determined using the present value of future cash flows under current financing agreements, based on market interest rates for loans with similar conditions and maturities. The fair value of loans receivable is derived from inputs other than quoted prices and is therefore considered to be level 2.

12. CAPITAL DISCLOSURES

The Organization's objective when managing capital is to maintain its ability to continue as a going concern in order to deliver the services required under its by-laws. The Organization includes net assets and deferred contributions in the definition of capital. The Organization's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to continue to fulfill its mandate and to broaden the spectrum under which its mandate is delivered. To secure the additional capital necessary to pursue such plans, the Organization continuously attempts to identify potential new services and/or sources of revenue within its mandate, and also attempts to identify potential new sources of revenue. The Organization is subject to regulated imposed capital requirements due to the Minimum Capital Requirements imposed by the OSC. There has been no change with respect to the overall capital risk management strategy during the current period.