

AUDITOR'S REPORT

To the Shareholder of

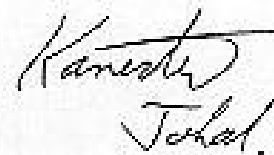
B.C. Community Financial Services Corporation (dba Four Corners Community Savings)

We have audited the Balance Sheet of B.C. Community Financial Services Corporation (dba Four Corners Community Savings) as at March 31, 2000, 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 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, 2000 and the results of operations and changes in financial position of the corporation for the year then ended, in accordance with 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.



KANESTER JOHAL
Chartered Accountants

Burnaby, BC
May 9, 2000

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

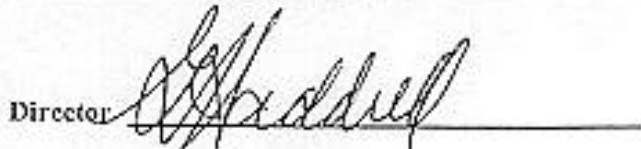
Balance Sheet
 As At March 31

	2000	1999
Assets		
Cash Resources		
Cash	\$ 311,456	\$ 465,115
Term deposits (Note 3)	24,931,092	28,550,554
Accrued interest	261,529	237,922
Notes receivable (Note 4)	100,371	-
Prepaid expenses	23,764	-
	<u>25,628,212</u>	<u>29,253,591</u>
Loans Receivable (Note 5)	358,138	11,482
Mortgages Receivable	3,136,396	290,044
Capital Assets (Note 6)	873,873	896,825
	<u>\$ 29,996,619</u>	<u>\$ 30,451,942</u>
Liabilities		
Deposits		
Chequing	\$ 452,333	\$ 578,806
Savings	609,890	366,131
Money orders	46,577	51,080
Term deposits	20,795,426	20,578,365
Registered retirement savings plan	202,149	41,976
	<u>22,106,375</u>	<u>21,616,358</u>
Others		
Accounts payable and accrued liabilities	82,870	72,561
Accrued fees (Note 8)	-	34,738
BC Corporation Capital Tax payable	-	23,148
	<u>82,870</u>	<u>130,447</u>
	<u>22,189,245</u>	<u>21,746,805</u>
Share Capital And Deficit		
Share Capital (Note 9)	10,000,000	10,000,000
Contributed Surplus (Note 10)	1,000,000	1,000,000
Deficit	(3,192,626)	(2,294,863)
	<u>7,807,374</u>	<u>8,705,137</u>
	<u>\$ 29,996,619</u>	<u>\$ 30,451,942</u>

Approved On Behalf Of The Board Of Directors:

Director

Director

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

Statement Of Loss And Deficit
 For The Year Ended March 31

	2000	1999
Financial Revenue		
Investment	\$ 1,360,310	\$ 1,571,335
Customer service and miscellaneous	171,422	22,318
	<u>1,531,732</u>	<u>1,593,653</u>
Financial Expenses	<u>960,365</u>	<u>1,081,464</u>
	<u>571,367</u>	<u>512,189</u>
Administrative Expenses		
Administrative and general	147,871	91,936
Amortization	105,619	96,422
Automated Teller Machine	16,838	-
BC capital tax	66,471	88,396
Bad debts	12,570	2,724
Bonding and insurance	26,320	26,756
Contract services	39,540	35,156
Courier	6,090	5,193
Data processing	135,973	105,707
Directors and Advisory Council fees and related expenses	23,450	31,808
Expense recovery (Note 16(c))	(72,000)	(32,700)
Interest and bank charges	11,030	10,657
Professional fees	68,598	68,348
Rent	127,648	156,327
Repairs and maintenance	23,788	14,725
Security	6,266	4,531
Telephone	16,871	8,624
Utilities	14,703	13,529
Wages and benefits	715,926	491,352
	<u>1,493,572</u>	<u>1,219,491</u>
Loss From Operations	(922,205)	(707,302)
Gain On Foreign Currency Exchange	<u>24,442</u>	<u>3,521</u>
Net Loss, for the year	(897,763)	(703,781)
Deficit, beginning of year	<u>(2,294,863)</u>	<u>(1,591,082)</u>
Deficit, end of year	<u>\$ (3,192,626)</u>	<u>\$ (2,294,863)</u>

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

Statement Of Cash Flow
For The Year Ended March 31

	2000	1999
Operating Activities		
Net loss From Operations	\$ (897,763)	\$ (703,781)
Add: adjustment for Amortization	<u>105,619</u>	<u>96,422</u>
	(792,144)	(607,359)
Net change in		
Accrued interest	(23,607)	30,419
Prepaid expenses	(23,764)	17,414
Accounts payable and accrued liabilities	10,310	45,697
Accrued fees	(34,738)	6,475
BC corporate tax	<u>(23,148)</u>	<u>22,013</u>
	<u>(887,091)</u>	<u>(485,341)</u>
Financing Activities		
Increase (decrease) in customers deposits	490,016	(59,633)
Issue of share capital	<u>-</u>	<u>3,000,000</u>
	<u>490,016</u>	<u>2,940,367</u>
Investing Activities		
Additions to capital assets	(82,667)	(71,676)
Increase in loan receivable	(447,027)	(11,188)
Increase in mortgages receivable	<u>(2,846,352)</u>	<u>(290,044)</u>
	<u>(3,376,046)</u>	<u>(372,908)</u>
(Decrease) Increase In Cash	(3,773,121)	2,082,118
Cash, beginning of year	<u>29,015,669</u>	<u>26,933,551</u>
Cash, end of year	<u>\$ 25,242,548</u>	<u>\$ 29,015,669</u>
Cash is consisted of:		
Cash	\$ 311,456	\$ 465,115
Term deposits	<u>24,931,092</u>	<u>28,550,554</u>
	<u>\$ 25,242,548</u>	<u>\$ 29,015,669</u>

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

Notes To The Financial Statements
March 31, 2000

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
 (dba Four Corners Community Savings)

Notes To The Financial Statements
 March 31, 2000

3. Term Deposits

Term deposits consist of:

	2000	1999
Credit Union Central of British Columbia	\$ 24,931,092	\$ 28,550,554

4. Notes Receivable

	2000	1999
Notes receivable	\$ 102,324	\$ -
Less: allowance for doubtful	(1,953)	-
	\$ 100,371	\$ -

5. Loans Receivable

	2000	1999
Loans receivable	\$ 361,583	\$ 11,482
Less: allowance for doubtful	(3,445)	-
	\$ 358,138	\$ 11,482

6. Capital Assets

	Cost	Accumulated Amortization	Net 2000	Net 1999
Computer equipment	\$ 140,047	\$ 80,189	\$ 59,858	\$ 69,628
Furniture and equipment	115,440	27,140	88,300	51,727
Leasehold improvements	930,576	234,172	696,404	738,413
Security system	44,615	18,038	26,577	31,039
Software	17,863	15,129	2,734	6,018
	\$ 1,248,541	\$ 374,668	\$ 873,873	\$ 896,825

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

Notes To The Financial Statements
March 31, 2000

7. 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.

8. Accrued Fees

In prior years, certain members of the Board of Directors and Advisory Council had offered to waive their fees. A separate fund has been established to hold all fees waived and to use these monies to secure loans to individuals for specified purposes. In the current year funds have been deposited in the chequing and savings account.

9. Share Capital

Authorized:

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

	2000	1999
Issued and outstanding:		
10,000,000 Shares	\$ 10,000,000	\$ 10,000,000

During 1999, the Corporation had issued an additional 3,000,000 shares to the Ministry of Finance for proceeds of \$3,000,000.

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) The Corporation has entered into a contract to have data processing services provided to the Corporation under an agreement expiring April 1, 2001. The minimum monthly payment under the agreement is \$3,850.
- b) Effective April 1, 1996, the Corporation entered into a five year lease agreement with BC Building Corporation with two five year renewal terms for its premises. The annual base rent is \$105,416 plus operating costs. Minimum payments due under the lease are as follows:

2001

\$ 105,416

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

Notes To The Financial Statements
 March 31, 2000

12. Capital Requirements

The Capital Adequacy Requirement under the Financial Institutions Act of British Columbia provides that the Corporation must maintain a capital base of at least 8% of the total value of risk-weighted assets, as defined by the Act, to avoid certain operating restrictions. The Corporation has satisfied this requirement at March 31, 2000.

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
Assets							
Cash	0.00 %	\$ -	\$ -	\$ -	\$ -	\$ 311,456	\$ 311,456
Term deposits	5.32 %	23,800,687	1,120,000	-	10,405	-	24,931,092
Accrued interest	0.00 %	-	-	-	-	261,529	261,529
Loans and mortgages	7.89 %	555,337	249,894	226,168	2,563,506	-	3,594,905
Premises and equipment	0.00 %	-	-	-	-	873,873	873,873
Prepaid expenses	0.00 %	-	-	-	-	23,764	23,764
		<u>\$ 24,356,024</u>	<u>\$ 1,369,894</u>	<u>\$ 226,168</u>	<u>\$ 2,573,911</u>	<u>\$ 1,470,622</u>	<u>\$ 29,996,619</u>
Liabilities and Shareholders' Equity							
Deposits	4.92 %	\$ 20,940,962	\$ 1,140,108	\$ -	\$ 25,305	\$ -	\$ 22,106,375
Other	0.00 %	-	-	-	-	82,870	82,870
Shareholder's equity	0.00 %	-	-	-	-	7,807,374	7,807,374
		<u>\$ 20,940,962</u>	<u>\$ 1,140,108</u>	<u>\$ -</u>	<u>\$ 25,305</u>	<u>\$ 7,890,244</u>	<u>\$ 29,996,619</u>
Interest Sensitivity Position		<u>\$ 3,415,062</u>	<u>\$ 229,786</u>	<u>\$ 226,168</u>	<u>\$ 2,548,606</u>	<u>\$ (6,419,622)</u>	<u>\$ -</u>

14. Remuneration To Directors And Advisory Council Members

During the year, the Corporation incurred \$22,230 (1999 - \$25,900) in fees payable to members of the Board of Directors and the Advisory Council for attendance at meetings.

B.C. COMMUNITY FINANCIAL SERVICES CORPORATION
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Notes To The Financial Statements
 March 31, 2000

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
Assets			
Cash	\$ 311,456	\$ 311,456	\$ -
Term deposits and accrued interest	25,192,621	25,226,647	34,026
Loans	3,594,905	3,594,905	-
	<u>\$ 29,098,982</u>	<u>\$ 29,133,008</u>	<u>\$ 34,026</u>
Liabilities and Shareholder's Equity			
Deposits	\$ 22,106,375	\$ 22,164,261	\$ 57,886
Other	82,870	82,870	-
	<u>\$ 22,189,245</u>	<u>\$ 22,247,131</u>	<u>\$ 57,886</u>

The fair values have been calculated using the present value techniques and are based on market conditions at March 31, 2000. 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 \$127,648 (1999 - \$156,327) in rent to another provincial organization;
- b) The Corporation paid or accrued \$687,478 (1999 - \$710,061) in interest to other provincial government organizations; and
- c) The corporation received services with a value of approximately \$72,000 (1999 - approximately \$32,700) from other government agencies for no consideration.

During the year, the corporation extended term loans, lines of credit and a mortgage to employees. On March 31, 2000 these totalled \$29,453 in term loans and lines of credit and \$174,685 in mortgage.

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

Notes To The Financial Statements
March 31, 2000

17. Major Customer

One of the Corporation's customer, a provincial government organization has approximately \$10,000,000 (1999 - \$10,600,000) in term deposits with the Corporation, representing 49% (1999 - 49%) of the Corporation's customer deposits.

18. Comparative Figures

The previous year's financial statements were audited by another firm of Accountants.

The comparative figures have been reclassified to conform with the presentation adopted in the current year.