

CEDAR LAKE COMMUNITY FUTURES  
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2009

# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

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MARCH 31, 2009

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**HAUGEN MORRISH ANGERS**  
**CHARTERED ACCOUNTANTS**

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**AUDITORS' REPORT**

To The Directors  
Cedar Lake Community Futures Development Corporation

We have audited the balance sheet of the Cedar Lake Community Futures Development Corporation as at March 31, 2009 and the operating and investment fund statements of revenue, expenditures and surplus and the statement of cash flows for the year then ended. These financial statements are the responsibility of the organization'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 auditing 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, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Pas, Manitoba  
May 20, 2009

*Haugen Morrish Angers*  
CHARTERED ACCOUNTANTS



**HAUGEN MORRISH ANGERS**  
**CHARTERED ACCOUNTANTS**

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**AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT**

To Western Economic Diversification

We have audited Cedar Lake Community Futures Development Corporation's compliance as at March 31, 2009 with the criteria established in the Contribution Agreement between Western Economic Diversification and the corporation dated March 24, 2006 and amended February 27, 2009. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of the corporation. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the corporation complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion Cedar Lake Community Futures Development is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

**CHARTERED ACCOUNTANTS**

The Pas, Manitoba  
May 20, 2009

# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 1

## BALANCE SHEET

MARCH 31

	Operating Fund	Investment Fund	R.M. of Kelsey Investment Fund	Combined	
				2009	2008
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash	\$ 40,700	\$ 96,539	\$ 85,143	\$ 222,382	\$ 235,526
Accounts receivable	14,615			14,615	20,571
Prepaid expenses	3,507			3,507	4,377
Due from Operating Fund (Note 7)		( 1,020)		( 1,020)	17,209
Current portion of loans receivable	...	<u>168,081</u>	...	<u>168,081</u>	<u>114,600</u>
	<u>58,822</u>	<u>263,600</u>	<u>85,143</u>	<u>407,565</u>	<u>392,283</u>
LOANS RECEIVABLE (Note 4)		376,298		376,298	273,055
CAPITAL ASSETS (Note 5)	<u>8,102</u>	...	...	<u>8,102</u>	<u>13,231</u>
	<u>\$ 66,924</u>	<u>\$ 639,898</u>	<u>\$ 85,143</u>	<u>\$ 791,965</u>	<u>\$ 678,569</u>
<b>LIABILITIES</b>					
<b>CURRENT</b>					
Accounts payable and accrued liabilities	\$ 4,993	\$	\$	\$ 4,993	\$ 5,558
Due to Investment Fund (Note 7)	( 1,020)			( 1,020)	17,209
Deferred revenue (Note 8)	3,407			3,407	7,309
Loan from R.M. of Kelsey (Note 9)	...	...	85,143	<u>85,143</u>	...
	<u>7,380</u>	...	<u>85,143</u>	<u>92,523</u>	<u>30,076</u>
<b>SURPLUS</b>					
FUND SURPLUS	<u>59,544</u>	<u>639,898</u>	...	<u>699,442</u>	<u>648,493</u>
	<u>\$ 66,924</u>	<u>\$ 639,898</u>	<u>\$ 85,143</u>	<u>\$ 791,965</u>	<u>\$ 678,569</u>

Approved on behalf of the Board:

# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 2

## STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

YEAR ENDED MARCH 31

OPERATING FUND	2009	2008
<b>REVENUE</b>		
Grants - Western Economic Diversification	\$ 305,310	\$ 309,618
Deferred revenue	<u>3,902</u>	<u>( 7,309)</u>
	<b><u>309,212</u></b>	<b><u>302,309</u></b>
<b>EXPENDITURES</b>		
Advertising and promotion	11,179	3,488
Amortization of capital assets	5,129	6,897
Bank charges and interest	413	808
Insurance	2,673	2,998
Office and general	15,392	13,645
Professional fees	5,170	4,520
Rent	9,689	10,706
Telephone	18,366	13,107
Training		1,836
Travel - board	25,465	33,481
- staff	31,615	35,965
Utilities	1,878	1,599
Wages and benefits	188,425	164,893
Workshops and conferences	<u>15,424</u>	<u>19,960</u>
	<b><u>330,818</u></b>	<b><u>313,903</u></b>
EXCESS OF EXPENDITURES OVER REVENUE BEFORE SUPPLEMENTARY PROJECTS	( 21,606)	( 11,594)
Supplementary Projects ( <i>Schedule 1</i> )	<u>23,376</u>	<u>27,444</u>
EXCESS OF REVENUE OVER EXPENDITURES	1,770	15,850
SURPLUS, <i>beginning of year</i>	<u>57,774</u>	<u>41,924</u>
SURPLUS, <i>end of year</i>	\$ <u>59,544</u>	\$ <u>57,774</u>

# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 3

## STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

INVESTMENT FUND	General	Disability	YEAR ENDED MARCH 31	
			Total 2 0 0 9	2 0 0 8
<b>REVENUE</b>				
Interest income	\$ <u>50,051</u>	\$ <u>10,489</u>	\$ <u>60,540</u>	\$ <u>34,912</u>
<b>EXPENSES</b>				
Bank charges	98	10	108	70
Other	3,330		3,330	1,400
Provision for doubtful loans (recovery)	<u>( 10,427)</u>	<u>18,350</u>	<u>7,923</u>	<u>19,825</u>
	<u>( 6,999)</u>	<u>18,360</u>	<u>11,361</u>	<u>21,295</u>
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	57,050	( 7,871)	49,179	13,617
EARNED DEFICIT, <i>beginning of year</i>	<u>(277,828)</u>	<u>( 63,817)</u>	<u>(341,645)</u>	<u>(355,262)</u>
EARNED DEFICIT, <i>end of year</i>	\$ <u>(220,778)</u>	\$ <u>( 71,688)</u>	\$ <u>(292,466)</u>	\$ <u>(341,645)</u>
EARNED DEFICIT	\$ (220,778)	\$ ( 71,688)	\$ (292,466)	\$ (341,645)
FUNDED SURPLUS	<u>732,364</u>	<u>200,000</u>	<u>932,364</u>	<u>932,364</u>
TOTAL SURPLUS, <i>end of year</i>	\$ <u>511,586</u>	\$ <u>128,312</u>	\$ <u>639,898</u>	\$ <u>590,719</u>

# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 4

## STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

ALL FUNDS	2009	2008
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Cash received from funding sources and clients	\$ 383,907	\$ 381,305
Cash paid to suppliers and employees	(403,947)	(359,376)
Interest	<u>60,127</u>	<u>34,104</u>
	<u>40,087</u>	<u>56,033</u>
<i>INVESTING ACTIVITIES</i>		
Purchase of capital assets		( 9,785)
Repayment of loans	222,252	141,552
Issuance of loans	<u>(360,626)</u>	<u>(196,252)</u>
	<u>(138,374)</u>	<u>( 64,485)</u>
<i>FINANCING ACTIVITIES</i>		
Loan from R.M. of Kelsey	<u>85,143</u>	---
NET DECREASE IN CASH DURING YEAR	( 13,144)	( 8,452)
CASH, <i>beginning of year</i>	<u>235,526</u>	<u>243,978</u>
CASH, <i>end of year</i>	\$ <u>222,382</u>	\$ <u>235,526</u>
CASH COMPRISED OF		
Cash	\$ <u>222,382</u>	\$ <u>235,526</u>



# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

SCHEDULE 1

## SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

<u>SUPPLEMENTARY PROJECTS</u>	<u>2009</u>	<u>2008</u>
REVENUE	\$ <u>72,641</u>	\$ <u>58,860</u>
EXPENSES		
Project costs	38,972	19,213
Training	<u>10,293</u>	<u>12,203</u>
	<u>49,265</u>	<u>31,416</u>
EXCESS OF REVENUE OVER EXPENDITURES	\$ <u>23,376</u>	\$ <u>27,444</u>

# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

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### 1. PURPOSE OF ORGANIZATION

Cedar Lake Community Futures Development Corporation is a community based not-for-profit organization incorporated without share capital under the laws of the Province of Manitoba. The Government of Canada, through the Department of Western Economic Diversification, provides financial assistance to the organization pursuant to an agreement. The purpose of the organization is to support community economic development, diversify the economy, support the creation and expansion of small and medium sized enterprises, maintain and create new employment and maintain the Minister's capacity to deliver business services to rural communities in western Canada.

The organization is exempt from federal or provincial income taxes.

### 2. CHANGES IN ACCOUNTING POLICIES

#### *FINANCIAL INSTRUMENTS*

The corporation adopted the following recommendation of the CICA Handbook:

- a) Section 3855, Financial Instruments - Recognition and Measurement. This Section describes the standards for recognizing and measuring financial instruments in the statement of financial position and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available -for-sale and derivative financial instruments part of a hedging relationship or not, have to be measured at fair value on the statement of financial position at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.
- b) These new changes were applied retroactively as of April 1, 2008 without restatement of prior year's figures. There were no adjustments made to the statements of financial position as of April 1, 2008 upon the adoption of these standards.

Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the statement of financial position date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for management capital.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

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## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES *continued*

The significant accounting policies adopted by Cedar Lake Community Futures Development Corporation include:

- a) Cedar Lake Community Futures Development Corporation follows the restricted method of accounting for contributions.

The Operations Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Investment Fund reports restricted resources that are to be used for assistance to small business and entrepreneurs in the form of loans, loan guarantees or equity participation. The organization is restricted in the types of loans that can be made according to its agreement with the federal government. When all loans are collected, the remaining assets of the investment fund may be returned by Cedar Lake Community Futures Development Corporation, at the discretion of the Minister.

#### **i) General Investment Fund**

A repayable contribution of \$732,364 by Western Diversification to be used for loans, loan guarantees and equity investment in a new business or expansion of an existing business. The maximum amount of the loan is \$75,000 for a term not exceeding 5 years. Any unencumbered cash balance in the fund as at April 1, 2010 and subsequent principal collections on loans up to a maximum of original contribution by Canada will become payable to Canada.

#### **ii) Disabled Entrepreneur Investment Fund**

A repayable contribution of \$200,000 by Western Diversification to be used for loans, loan guarantees and equity investment in businesses owned by disabled persons. The maximum amount of the loan is \$75,000 for a term not exceeding 5 years. Any unencumbered cash balance in the fund as at April 1, 2010 and subsequent principal collections on loans up to a maximum of original contribution by Canada will become payable to Canada.

#### **iii) R.M. of Kelsey Investment Fund**

A repayable contribution of \$85,143 by the Rural Municipality of Kelsey to deliver and maintain the Manitoba Community Works Loan Program. The R.M. of Kelsey Investment Fund follows the same investment fund guidelines as the General Investment Fund and the Disabled Entrepreneur Investment Fund. Loan amounts are to assist R.M. of Kelsey clients to start or expand a business. Repaid capital and interest is to be lent out to other clients.

- b) Loans receivable are stated at net realizable value.
- c) Accrued interest on loans is recognized to the extent of the accrual does not exceed 24 months interest. Accrued interest on loans for which an allowance for doubtful loans has been established is written off as a reduction in loan interest income in the period in which collectibility of the loan first becomes doubtful.
- d) Foreclosed property is valued at the lower or cost and net realizable value. Changes to the asset's net realizable value is recorded as a charge to loan impairment.

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# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES *continued*

- e) Capital assets are stated at the cost less accumulated amortization. Amortization is recorded on the diminishing balance method using the following rates:

Equipment and furnishings	20%
Computer equipment	30% to 55%

One-half of these rates are used in the year of acquisition.

- f) Capital asset grants are accounted for in reduction of their cost.
- g) The charge for loan impairment includes the current year's allowance for loan principal deemed uncollectible, less collections of principal and interest on loans allowed for in prior years and the write-down of foreclosed assets.
- h) The preparation of the financial statements requires management to make estimates and assumptions that affect reported assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

#### l) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instructions were acquired or issued, their characteristics and the corporation's designation of such instruments. Settlement date accounting is used.

#### Classification

Cash	Held for trading
Investments (if applicable)	Available-for-sale
Accounts receivable	Loans and receivables
Accrued interest receivable	Loans and receivables
Loans receivable	Loans and receivables
Accounts payable and accrued charges	Other liabilities

#### Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the statement of financial position date.

#### Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held to maturity or held for trading investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in fund balances until realized when the cumulative gain or loss is transferred to other income. Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities other than derivative instruments.

Transaction costs

Transaction costs are expensed as incurred.

4. LOANS RECEIVABLE

	General	Disability	TOTAL	
			2 0 0 9	2 0 0 8
Loans receivable	\$ 473,995	\$ 158,116	\$ 632,111	\$ 463,661
Less provision for doubtful loans	( 69,382)	( 18,350)	( 87,732)	( 76,006)
	404,613	139,766	544,379	387,655
Less current portion	(119,529)	( 48,552)	(168,081)	(114,600)
	<u>\$ 285,084</u>	<u>\$ 91,214</u>	<u>\$ 376,298</u>	<u>\$ 273,055</u>

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 7.25% to 12% with monthly blended principal and interest repayments amortized for terms up to 60 months. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general and specific security agreements covering business assets and mortgages on land and building.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2 0 0 9	2 0 0 8
Furniture, fixtures and equipment	\$ 48,173	\$ 43,263	\$ 4,910	\$ 6,137
Computer and electronic equipment	<u>9,785</u>	<u>6,593</u>	<u>3,192</u>	<u>7,094</u>
	<u>\$ 57,958</u>	<u>\$ 49,856</u>	<u>\$ 8,102</u>	<u>\$ 13,231</u>

6. LINE OF CREDIT

The company has an authorized line of credit with Westoba Credit Union to a maximum of \$25,000 at bank prime rate plus 1.0%, which remained unused as at March 31, 2009.

# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

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## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

### 7. DUE TO/FROM OPERATING FUND / DUE TO/FROM INVESTMENT FUND

The balance of \$1,020 represents expenses of the investment fund paid by the operating fund.

8. DEFERRED REVENUE	2009	2008
Western Economic Diversification - capital contribution	\$ <u>3,407</u>	\$ <u>7,309</u>

### 9. R.M. OF KELSEY INVESTMENT FUND

Repayable Community Works Loan Program funds are available from CLCFDC to start or expand small business within the rural municipality of Kelsey.

The R.M.'s contribution of \$85,143 is repayable on demand with a 2 month notice as follows:

- a) the cash balance of the fund, and
- b) the rights to the loan receivable portfolio will be assigned.

### 10. W.E.D. OPERATING CONTRIBUTIONS AND ECONOMIC DEPENDENCE

The current year operating funding approved by W.E.D. was \$305,310. W.E.D. operating contributions have been approved to March 31, 2010 as follows: 2009-2010 - \$311,116. The corporation is economically dependent upon W.E.D. for annual contributions to fund eligible operating expenditures of the corporation. The current agreement expires on March 31, 2010 and may be terminated by the Minister upon 60 days notice to the corporation.

### 11. COMMITMENT

The organization has entered into an annual lease for office space expiring March 31, 2010 with a minimum annual payment of \$9,900.

### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, CLCFDC is exposed to credit risk, liquidity risk and market risk. CLCFDC does not undertake hedging transactions to manage risk. As part of its overall risk assessment process, management takes steps to identify and mitigate undue concentrations of risk.

#### *CREDIT RISK*

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

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# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *continued*

Financial instruments that subject CLCFDC to concentrations of credit risk consist of cash, accounts receivable and loans receivable. The maximum exposure to credit risk at the balance sheet date is the fair value of the cash, accounts receivable and loans receivable. CLCFDC has deposited the cash with a reputable financial institution from which management believes the risk of loss to be remote. CLCFDC has loans receivable from various parties from diverse industry sectors within its geographical region. While the local concentration increases credit risk, CLCFDC does not believe it represents significant credit risk.

#### *LIQUIDITY RISK*

Liquidity risk is the risk that CLCFDC will encounter difficulty in meeting obligations associated with financial liabilities.

The following table shows the timing of cash outflows relating to accounts payable and accrued liabilities.

	2 0 0 9		2 0 0 8	
	Current	Non-Current	Current	Non-Current
Accounts payable and accrued liabilities	\$ <u>4,993</u>	\$	\$ <u>5,558</u>	\$

CLCFDC manages liquidity risk as a component of its overall budgeting, financial reporting and financial monitoring processes. As CLCFDC has a significant working capital surplus management does not believe it is exposed to significant liquidity risk.

#### *MARKET RISK*

Market risk is comprised of the following three types of risk:

##### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

CLCFDC operates domestically and does not have significant financial instruments denominated in a foreign country. Consequently, CLCFDC is not exposed to significant currency risk.

##### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

CLCFDC's loans receivable bear interest at fixed rates and all other financial assets and liabilities are non-interest bearing. Consequently, management does not believe that the impact of interest rate fluctuations will be significant.

# CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

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### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *continued*

#### Other Price Risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

CLCFDC does not hold any financial assets or liabilities subject to this type of fluctuation and consequently is not exposed to significant other price risk.

### 13. CAPITAL MANAGEMENT

CLCFDC manages the following as capital:

	2 0 0 9	2 0 0 8
Fund Surplus	\$ <u>681,092</u>	\$ <u>648,493</u>

CLCFDC manages capital in order to safeguard its ability to continue as a going concern, to ensure that adequate returns are provided to continue its loan programs and to ensure an appropriate balance between risk and return.

CLCFDC manages capital as a component of its overall budgeting, financial reporting and financial monitoring processes through internal use of GAAP and non-GAAP financial measures.