
CEDAR LAKE COMMUNITY FUTURES
DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
MARCH 31, 2014

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

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MARCH 31, 2014

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INDEPENDENT AUDITORS' REPORT

To The Directors
Cedar Lake Community Futures Development Corporation

We have audited the accompanying financial statements of Cedar Lake Community Futures Development Corporation which comprise the balance sheet as at March 31, 2014 and the statements of revenue and expenditures and surplus and cash flows for the year then ended, 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 Canadian accounting standards for not-for-profit organizations 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 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.

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 Cedar Lake Community Futures Development Corporation as at March 31, 2014 and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The Pas, Manitoba
June 27, 2014

Collins Barrow HMA LLP
CHARTERED ACCOUNTANTS

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, 2014 with the criteria established in the Contribution Agreement between Western Economic Diversification and the corporation dated March 24, 2006 and amended March 14, 2013. 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.

Collins Barrow HMA LLP
CHARTERED ACCOUNTANTS

The Pas, Manitoba
June 27, 2014

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 1

BALANCE SHEET

MARCH 31

	Operating Fund	Investment Fund	R.M. of Kelsey Investment Fund	Micro Loans	Combined 2014	2013
ASSETS						
CURRENT						
Cash	\$ 99,228	\$ 396,064	\$ 40,108	\$ 58,803	\$ 594,203	\$ 581,872
Accounts receivable	2,140	10	18	16	2,184	1,012
Prepaid expenses	2,883				2,883	2,774
Due from Investment Fund (Note 7)	1,026				1,026	1,014
Current portion of loans receivable	...	221,830	5,510	775	228,115	234,464
	<u>105,277</u>	<u>617,904</u>	<u>45,636</u>	<u>59,594</u>	<u>828,411</u>	<u>821,136</u>
LOANS RECEIVABLE (Note 4)		316,851	12,727		329,578	294,021
CAPITAL ASSETS (Note 5)	<u>7,953</u>	...	...	...	<u>7,953</u>	<u>9,495</u>
	<u>\$ 113,230</u>	<u>\$ 934,755</u>	<u>\$ 58,363</u>	<u>\$ 59,594</u>	<u>\$ 1,165,942</u>	<u>\$ 1,124,652</u>
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities	\$ 10,851				\$ 10,851	\$ 9,309
Due to Operating Fund (Note 7)		1,026			1,026	1,014
Deferred revenue (Note 8)	25,926				25,926	25,926
Repayable contribution from R.M. of Kelsey (Note 9)	...	...			...	35,143
	<u>36,777</u>	<u>1,026</u>	<u>35,143</u>		<u>72,946</u>	<u>71,392</u>
SURPLUS						
FUND SURPLUS	<u>76,453</u>	<u>933,729</u>	<u>23,220</u>	<u>59,594</u>	<u>1,092,996</u>	<u>1,053,260</u>
	<u>\$ 113,230</u>	<u>\$ 934,755</u>	<u>\$ 58,363</u>	<u>\$ 59,594</u>	<u>\$ 1,165,952</u>	<u>\$ 1,124,652</u>

Approved on behalf of the Board:

Theresa Specker

Deborah

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 2

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

YEAR ENDED MARCH 31

OPERATING FUND	2014	2013
REVENUE		
Western Economic Diversification contribution	\$ 311,116	\$ 311,116
Deferred revenue	<u> </u>	<u> 160</u>
	<u>311,116</u>	<u>311,276</u>
EXPENDITURES		
Advertising and promotion	3,039	3,229
Amortization of capital assets	3,251	2,879
Bank charges and interest	406	593
Insurance	1,974	2,004
Office and general	11,591	12,829
Professional fees	5,716	4,054
Rent	11,130	11,124
Telephone	11,647	11,553
Travel - board	23,754	25,857
- staff	21,351	33,434
Utilities	1,803	1,622
Wages and benefits	212,533	201,000
Workshops and conferences	<u>18,268</u>	<u>12,502</u>
	<u>326,463</u>	<u>322,680</u>
EXCESS OF EXPENDITURES OVER REVENUE BEFORE SUPPLEMENTARY PROJECTS	(15,347)	(11,404)
Supplementary Projects <i>(Schedule 1)</i>	<u>3,772</u>	<u>14,513</u>
EXCESS OF EXPENDITURES OVER REVENUE (REVENUE OVER EXPENDITURES)	(11,575)	3,109
SURPLUS, <i>beginning of year</i>	<u>88,028</u>	<u>84,919</u>
SURPLUS, <i>end of year</i>	\$ <u><u>76,453</u></u>	\$ <u><u>88,028</u></u>

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 3

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

YEAR ENDED MARCH 31

INVESTMENT FUND	General	Disability	Total	
			2 0 1 4	2 0 1 3
REVENUE				
Interest income	\$ <u>54,738</u>	\$ <u>12,311</u>	\$ <u>67,049</u>	\$ <u>54,000</u>
EXPENDITURES				
Other loan expenses	1,733	373	2,106	
Provision for doubtful loans (recovery)	<u>15,060</u>	(<u>615</u>)	<u>14,445</u>	<u>19,271</u>
	<u>16,793</u>	(<u>242</u>)	<u>16,551</u>	<u>19,271</u>
EXCESS OF REVENUE OVER EXPENDITURES	37,945	12,553	50,498	34,729
EARNED DEFICIT, <i>beginning of year</i>	(<u>22,091</u>)	(<u>27,042</u>)	(<u>49,133</u>)	(<u>83,862</u>)
EARNED SURPLUS, <i>end of year</i>	\$ <u>15,854</u>	\$ (<u>14,489</u>)	\$ <u>1,365</u>	\$ (<u>49,133</u>)
EARNED SURPLUS	\$ 15,854	\$ (14,489)	\$ 1,365	\$ (49,133)
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>748,218</u>	\$ <u>185,511</u>	\$ <u>933,729</u>	\$ <u>883,231</u>

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 4

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

YEAR ENDED MARCH 31

R.M. OF KELSEY	2014	2013
REVENUE		
Interest income	\$ <u>1,992</u>	\$ <u>4,773</u>
EXPENDITURES		
Other loan expenses		60
Professional fees	<u>773</u>	<u>700</u>
	<u>773</u>	<u>760</u>
EXCESS OF REVENUE OVER EXPENDITURES	1,219	4,013
EARNED SURPLUS, <i>beginning of year</i>	<u>22,001</u>	<u>17,988</u>
EARNED SURPLUS, <i>end of year</i>	\$ <u>23,220</u>	\$ <u>22,001</u>
EARNED SURPLUS	\$ 23,220	\$ 22,001
FUNDED SURPLUS	...	...
TOTAL SURPLUS, <i>end of year</i>	\$ <u>23,220</u>	\$ <u>22,001</u>

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 5

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

YEAR ENDED MARCH 31

MICRO LOANS	2 0 1 4	2 0 1 3
REVENUE		
Interest income	\$ <u>573</u>	\$ <u>...</u>
EXPENDITURES		
Bank charges	20	
Other loan expenses	<u>959</u>	<u>...</u>
	<u>979</u>	<u>...</u>
EXCESS OF EXPENDITURES OVER REVENUE	(406)	
EARNED SURPLUS, <i>beginning of year</i>	<u>...</u>	<u>...</u>
EARNED DEFICIT, <i>end of year</i>	\$ (<u>406</u>)	\$ <u>0</u>
EARNED DEFICIT	\$ (406)	\$
FUNDED SURPLUS	<u>60,000</u>	<u>...</u>
TOTAL SURPLUS, <i>end of year</i>	\$ <u>59,594</u>	\$ <u>0</u>

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 6

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

ALL FUNDS	2014	2013
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Cash received from funding sources and clients	\$ 346,199	\$ 389,157
Cash paid to suppliers and employees	(372,159)	(350,187)
Interest	<u>69,208</u>	<u>58,180</u>
	<u>43,248</u>	<u>97,150</u>
<i>INVESTING ACTIVITIES</i>		
Purchase of capital assets	(1,709)	(3,557)
Repayment of loans	332,292	435,691
Issuance of loans	<u>(361,500)</u>	<u>(376,325)</u>
	<u>(30,917)</u>	<u>55,809</u>
<i>FINANCING ACTIVITIES</i>		
Repayment of contributions	...	(50,000)
Contributions received	<u>...</u>	<u>60,000</u>
	<u>...</u>	<u>10,000</u>
NET INCREASE IN CASH DURING YEAR	12,331	162,959
CASH, <i>beginning of year</i>	<u>581,872</u>	418,913
CASH, <i>end of year</i>	\$ <u>594,203</u>	\$ <u>581,872</u>
CASH COMPRISED OF		
Cash	\$ <u>594,203</u>	\$ <u>581,872</u>

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

SCHEDULE 1

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

SUPPLEMENTARY PROJECTS	2014	2013
REVENUE	\$ <u>36,255</u>	\$ <u>49,066</u>
EXPENSES		
Project costs	<u>32,483</u>	31,363
Training	<u>...</u>	<u>3,190</u>
	<u>32,483</u>	<u>34,553</u>
EXCESS OF REVENUE OVER EXPENDITURES	\$ <u>3,772</u>	\$ <u>14,513</u>

CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

1. PURPOSE OF ORGANIZATION

Cedar Lake Community Futures Development Corporation (CLCFDC) 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. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies adopted by CLCFDC include:

- a) CLCFDC follows the restricted fund method of accounting for contributions.

The Operating 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 CLCFDC, at the discretion of the Minister of State for Western Economic Diversification.

i) General Investment Fund

A repayable contribution of \$732,364 by Western Economic 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 \$150,000 for a term not exceeding 5 years. Any unencumbered cash balance in the fund as at April 1, 2014 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 Economic Diversification to be used for loans, loan guarantees and equity investment in businesses owned by disabled persons. The maximum amount of the loan is \$150,000 for a term not exceeding 5 years. Any unencumbered cash balance in the fund as at April 1, 2014 and subsequent principal collections on loans up to a maximum of original contribution by Canada will become payable to Canada.

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NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING PRINCIPLES *continued*

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

A repayable contribution of \$35,143 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.

iv) **Micro Loans Investment Fund**

A contribution of \$50,000 by the Manitoba Innovation, Energy, Mines (MIEM) to be used for loans. The maximum amount of loans to be issued is 10 loans of \$500, 10 loans of \$1,000 and 5 loans of \$2,000 per fiscal year. Repaid capital and interest is to be reinvested into the fund to be lent 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.
- 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	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.

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CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

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NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

i) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is at amortized cost except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Classification

Cash	Amortized cost
Accounts receivable	Amortized cost
Loans receivable	Amortized cost
Accounts payable and accrued charges	Amortized cost
Repayable contribution from R.M. of Kelsey	Amortized cost

4. LOANS RECEIVABLE

	Micro Loans	R.M. of Kelsey	General	Disability	TOTAL	
					2014	2013
Loans receivable	\$ 775	\$ 18,237	\$ 513,737	\$ 126,223	\$ 658,972	\$ 613,370
Less provision for doubtful loans	<u>...</u>	<u>...</u>	<u>79,231</u>	<u>22,048</u>	<u>101,279</u>	<u>84,885</u>
	775	18,237	434,506	104,175	557,693	528,485
Less current portion	<u>775</u>	<u>5,510</u>	<u>168,012</u>	<u>53,818</u>	<u>228,115</u>	<u>234,464</u>
	\$ <u>0</u>	\$ <u>12,727</u>	\$ <u>266,494</u>	\$ <u>50,357</u>	\$ <u>329,578</u>	\$ <u>294,021</u>

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 8% 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	
			2014	2012
Furniture, fixtures and equipment	\$ 55,159	\$ 49,425	\$ 5,734	\$ 6,821
Computer and electronic equipment	<u>14,874</u>	<u>12,655</u>	<u>2,219</u>	<u>2,674</u>
	\$ <u>70,033</u>	\$ <u>62,080</u>	\$ <u>7,953</u>	\$ <u>9,495</u>

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CEDAR LAKE COMMUNITY FUTURES DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

6. LINE OF CREDIT

CLCFDC 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, 2014.

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

The balance of \$1,016 represents expenses of the investment fund paid by the operating fund.

8. DEFERRED REVENUE

	2014	2013
Western Economic Diversification - quarterly funding advance	\$ <u>25,926</u>	\$ <u>25,926</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 \$35,143 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 \$311,116. CLCFDC is economically dependent upon W.E.D. for annual contributions to fund eligible operating expenditures of CLCFDC. The current agreement expired on March 31, 2014. A new agreement has been signed for the year ending March 31, 2014.

11. COMMITMENT

CLCFDC has entered into an annual lease for office space expiring March 31, 2014 with a minimum annual payment of \$9,900. As well, an annual lease for storage space expiring March 31, 2014 with a minimum annual payment of \$1,230.

12. FINANCIAL INSTRUMENTS

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.

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NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

12. FINANCIAL INSTRUMENTS *continued*

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. 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 these instruments.

CLCFDC's primary exposure to credit risk arises from its lending activities. To reduce its exposure to credit risk on lending activities CLCFDC:

- Adheres to internal policies and procedures related to credit risk management
- Obtains promissory notes, security agreements and life insurance coverage from borrowers
- Has implemented prescribed maximum loan amounts for individual borrowers
- Conducts and documents on-going monitoring and review procedures

CLCFDC has a concentration of credit risk in the Northwestern Manitoba region. A general decline in regional economic conditions would increase overall credit risk exposure.

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 near term cash flow impact of interest rate fluctuations will be significant. Assuming all other factors hold constant if an immediate and sustained increase or decrease in interest rates were to occur the loan portfolio would be subject to a corresponding increase or decrease in fair value based on the magnitude of the interest rate change and weighted average duration of the loan portfolio at that time.