

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

Financial Statements

Year Ended March 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of Kitayan Community Futures Development Corporation Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Kitayan Community Futures Development Corporation Inc., which comprise the combined statement of financial position as at March 31, 2014, and the statements of operations, changes in net assets 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.

Auditor's 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 organization'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 organization'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.

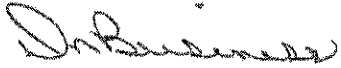


Independent Auditor's Report to the Members of Kitayan Community Futures Development Corporation Inc.
(continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kitayan Community Futures Development Corporation Inc. as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Winnipeg, Manitoba
July 30, 2014


Chartered Accountants Inc.

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

Combined Statement of Financial Position

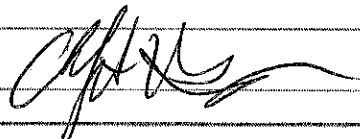
March 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash	\$ -	\$ 1,876
Accounts receivable	20,366	6,470
Prepaid expenses	13,186	8,021
Current portion of loans receivable (Note 4)	150,000	150,000
Current portion of due from operating fund (Note 8)	24,000	23,000
	<u>207,552</u>	<u>189,367</u>
LOANS RECEIVABLE (Note 4)	1,199,990	1,110,589
DUE FROM OPERATING FUND (Note 8)	57,287	76,287
RESTRICTED CASH (Note 5)	40,409	69,035
	<u>\$ 1,505,238</u>	<u>\$ 1,445,278</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 6)	\$ 16,208	\$ -
Accounts payable and accrued liabilities	48,660	25,867
Deferred income (Note 7)	28,739	28,740
Current portion of due to business fund (Note 8)	24,000	23,000
Current portion of Community Futures Manitoba (Note 9)	86,775	60,840
	<u>204,382</u>	<u>138,447</u>
DUE TO BUSINESS FUND (Note 8)	57,287	76,287
COMMUNITY FUTURES MANITOBA (Note 9)	271,130	304,160
	<u>532,799</u>	<u>518,894</u>
NET ASSETS		
Operating fund	(141,342)	(137,527)
Investment funds	1,113,781	1,063,911
	<u>972,439</u>	<u>926,384</u>
	<u>\$ 1,505,238</u>	<u>\$ 1,445,278</u>

LEASE COMMITMENTS (Note 11)

ON BEHALF OF THE BOARD

Director



Director

See Accompanying Notes

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.
Statement of Financial Position - Operating Fund

Year Ended March 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash	\$ -	\$ 1,876
Accounts receivable	20,366	6,470
Prepaid expenses	13,186	8,021
	\$ 33,552	\$ 16,367
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness <i>(Note 6)</i>	\$ 16,207	\$ -
Accounts payable and accrued liabilities	48,660	25,867
Deferred income	28,739	28,740
Current portion of due to business investment fund <i>(Note 8)</i>	24,000	23,000
	117,606	77,607
DUE TO BUSINESS INVESTMENT FUND <i>(Note 8)</i>	57,287	76,287
	174,893	153,894
NET ASSETS	(141,342)	(137,527)
	\$ 33,551	\$ 16,367

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.
Statement of Financial Position - Business Investment Fund

Year Ended March 31, 2014

	2014	2013
ASSETS		
CURRENT		
Current portion of loans receivable <i>(Note 4)</i>	\$ 140,000	\$ 140,000
Current portion of due from operating fund <i>(Note 8)</i>	24,000	23,000
	164,000	163,000
LOANS RECEIVABLE <i>(Note 4)</i>	1,165,000	1,085,568
RESTRICTED CASH <i>(Note 5)</i>	33,454	51,986
DUE FROM OPERATING FUND <i>(Note 8)</i>	57,287	76,287
	\$ 1,419,741	\$ 1,376,841
LIABILITIES AND NET ASSETS		
CURRENT		
Current portion of Community Futures Manitoba <i>(Note 9)</i>	\$ 86,775	\$ 60,840
	86,775	60,840
COMMUNITY FUTURES MANITOBA <i>(Note 9)</i>	271,130	304,160
	357,905	365,000
NET ASSETS	1,061,836	1,011,841
	\$ 1,419,741	\$ 1,376,841

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.
Statement of Financial Position - Disabled Investment Fund

Year Ended March 31, 2014

	2014	2013
ASSETS		
CURRENT		
Current portion of loans receivable <i>(Note 4)</i>	\$ 10,000	\$ 10,000
	10,000	10,000
LOANS RECEIVABLE <i>(Note 4)</i>	34,990	25,021
RESTRICTED CASH <i>(Note 5)</i>	6,955	17,049
	\$ 51,945	\$ 52,070
LIABILITIES AND NET ASSETS		
NET ASSETS	\$ 51,945	\$ 52,070

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.
Statement of Operations - Operating Fund

Year Ended March 31, 2014

	2014	2013
REVENUES		
Western Economic Diversification Canada	\$ 344,871	\$ 344,871
National Aboriginal Capital Corporation Association	24,215	58,727
Community Futures Manitoba	4,165	-
Other income	20	5,123
Legal settlement	-	18,226
	373,271	426,947
EXPENSES		
Advertising and promotion	300	300
Donations	2,058	3,607
Equipment rentals	3,453	6,248
Goods and sales tax	3,028	3,053
Insurance	15,498	13,456
Interest and bank charges	9,719	4,122
Meetings and conventions	13,289	15,489
Memberships	3,100	2,000
Office	16,388	14,789
Professional development	18,185	62,925
Professional fees	21,033	21,204
Rent	31,682	29,423
Salaries and wages	182,928	177,421
Telephone	18,547	14,110
Travel	33,331	17,930
Utilities	4,417	3,921
Vehicle	130	5,003
	377,086	395,001
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (3,815)	\$ 31,946

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.
Statement of Operations - Business Investment Fund

Year Ended March 31, 2014

	2014	2013
REVENUES		
Loan interest income	\$ 76,918	\$ 67,830
Interest income	44	44
	<u>76,962</u>	<u>67,874</u>
EXPENSES		
Bad debts	15,113	85,557
Interest and bank charges	72	156
Interest on long term debt	11,782	8,412
	<u>26,967</u>	<u>94,125</u>
EXCESS (DEFICIENCY) OF EXPENSES OVER REVENUES	\$ 49,995	\$ (26,251)

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.
Statement of Operations - Disabled Investment Fund
Year Ended March 31, 2014

	2014	2013
REVENUES		
Loan interest income	\$ 2,652	\$ 2,303
EXPENSES		
Unassigned map number	2,777	14,138
DEFICIENCY OF EXPENSES OVER REVENUES	\$ (125)	\$ (11,835)

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.
Combined Statement of Changes in Net Assets
Year Ended March 31, 2014

	Operating Fund	Investment Funds	2014	2013
NET ASSETS - BEGINNING OF YEAR	\$ (137,527)	\$ 1,063,911	\$ 926,384	\$ 932,524
Excess (deficiency) of revenues over expenses	(3,815)	49,870	46,055	(6,140)
NET ASSETS - END OF YEAR	\$ (141,342)	\$ 1,113,781	\$ 972,439	\$ 926,384

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.
Statement of Changes in Fund Balances
Year Ended March 31, 2014

	Operating Fund	Business Fund	Disabled Fund
NET ASSETS - BEGINNING OF YEAR	\$ (137,527)	\$ 1,011,841	\$ 52,070
Excess (deficiency) of revenue over expenses	(3,815)	49,995	(125)
	\$ (141,342)	\$ 1,061,836	\$ 51,945

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

Statement of Cash Flows

Year Ended March 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 46,055	\$ (6,140)
Changes in non-cash working capital:		
Accounts receivable	(13,896)	15,174
Prepaid expenses	(5,165)	141
Accounts payable and accrued liabilities	22,796	(18,343)
Deferred income	(1)	28,740
	3,734	25,712
Cash flow from operating activities	49,789	19,572
INVESTING ACTIVITIES		
Loans receivable advanced	(767,738)	(806,527)
Loans receivable repaid	678,334	876,009
Cash flow from (used by) investing activities	(89,404)	69,482
FINANCING ACTIVITIES		
Proceeds from Community Futures Manitoba	-	365,000
Repayments to Community Futures Manitoba	(7,095)	(425,000)
Cash flow used by financing activities	(7,095)	(60,000)
INCREASE (DECREASE) IN CASH FLOW	(46,710)	29,054
CASH - BEGINNING OF YEAR	70,911	41,857
CASH - END OF YEAR	\$ 24,201	\$ 70,911
CASH CONSISTS OF:		
Cash	\$ -	\$ 1,876
Bank indebtedness	(16,208)	-
Restricted cash	40,409	69,035
	\$ 24,201	\$ 70,911

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

Notes to Financial Statements

Year Ended March 31, 2014

1. NATURE OF ORGANIZATION

The organization is incorporated under the Manitoba Companies Act as a non-profit organization. As such, it is exempt from income taxes under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. The financial statements include the following significant accounting policies:

Cash and short term investments

The organization considers short term debt securities purchased with maturity of three months or less to be cash equivalents.

Fixed assets

The organization adopted the recommendations of the CICA HB 4431, "tangible capital assets held by not-for-profit organizations" which allows the organization to expense the costs of fixed assets procurements.

The organization's fixed assets consist of computer hardware and software, office furniture and equipment, and art works.

During the year, \$nil (2012 - \$nil) was incurred to purchase various office furniture and equipment.

Revenue Recognition

Operating fund - revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements which relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt.

Investment fund - the investment fund reports restricted resources that are to be used for assistance to small businesses 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 Western Economic Diversification Canada.

Other revenues, including NACCA and Community Futures Manitoba are recognized when received or become receivable.

Fund accounting

The organization follows the deferral method of accounting for revenues and contributions and maintains the following two separate funds:

- Operating fund reports on the general activities of the organization's administration.
- Investment fund reports on the activities of the loans of the organization which include the business fund and disabled fund.

(continues)

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

Notes to Financial Statements

Year Ended March 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, accounts receivable, loans receivable, restricted cash, bank indebtedness, accounts payable and accrued liabilities, long term debt, Western Economic Diversification Canada and Manitoba Community Futures Payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

Notes to Financial Statements

Year Ended March 31, 2014

4. LOANS RECEIVABLE

	2014	2013
Business investment fund	\$ 1,540,906	\$ 1,459,908
Disabled investment fund	109,563	91,035
	<u>1,650,469</u>	<u>1,550,943</u>
Amounts receivable within one year	(150,000)	(150,000)
Allowance for impaired loans	(300,479)	(290,354)
	<u>\$ 1,199,990</u>	<u>\$ 1,110,589</u>

Principal repayment terms are approximately:

2015	\$ 150,000
2016	150,000
2017	150,000
2018	150,000
2019	150,000
Thereafter	<u>900,469</u>
	<u>\$ 1,650,469</u>

Loans receivable bear an average interest rate of 7% due from various businesses and individuals carrying on active businesses in Northern Manitoba. If the business becomes inactive or has ceased operations, the individual loan is assessed its relative collectibility and an allowance for impairment of the bad debt is estimated. There are 94 secured loans (2013 - 55) with approximately \$1,943,060 (2013 - \$1,217,012) in total security; there are 10 (2013 - 10) unsecured loans.

The business investment fund is a repayable fund to Western Economic Diversification Canada.

5. RESTRICTED CASH

	2014	2013
Business fund	\$ 33,454	\$ 51,986
Disabled investment fund	6,955	17,049
	<u>\$ 40,409</u>	<u>\$ 69,035</u>

The organization, under the direction of Western Economic Diversification Canada, must hold cash from the collection of loans and respective interest and charges in a separate investment fund to provide access to capital for further funding of small and medium sized businesses. All amounts are held in general savings accounts bearing interest from 0.00% to 0.60% (2013 - 0.00% to 0.60%).

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

Notes to Financial Statements

Year Ended March 31, 2014

6. BANK INDEBTEDNESS

The organization has a line of credit available to them of \$30,000, bearing interest at prime plus 2.0% (2013 - 2.0%), secured by a general security agreement. As of year end, the organization utilized \$16,207 (2013 - \$nil) of the line of credit.

7. DEFERRED INCOME

Deferred income consists of subsequent funding for the 2014/2015 fiscal year received at the end of March 2014.

8. INTERFUND BALANCES

	2014	2013
Interfund balances	\$ 81,287	\$ 99,287
Amounts payable within one year	(24,000)	(23,000)
	<u>\$ 57,287</u>	<u>\$ 76,287</u>

Management determined certain accounts in the operating and investing funds had been misappropriated in past years. As a result, Western Economic Diversification Canada required the organization to reimburse the investment fund \$122,287 from operating funds.

The repayments commenced April 2012 for \$1,500 per month of Operating funds to the Investment funds. In addition, the organization must agree to transfer a minimum of \$6,000 annually from other income to the Investment fund.

Principal repayment terms are approximately:

2015	\$ 24,000
2016	24,000
2017	24,000
2018	9,287
	<u>\$ 81,287</u>

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

Notes to Financial Statements

Year Ended March 31, 2014

9. COMMUNITY FUTURES MANITOBA LOAN

	2014	2013
Loan bearing interest at 3.5% payable in interest only on the debt for the first twelve months following the loan advance (February 1, 2013); principal repayment shall take place over the remaining amortization period for 12 months commencing February 2014 at \$30,420 per month, secured by a general security agreement creating a first charge on the loan assets.	\$ 357,906	\$ 365,000
Amounts payable within one year	(86,776)	(60,840)
	<u>\$ 271,130</u>	<u>\$ 304,160</u>

Principal repayment terms are approximately:

2015	\$ 86,776
2016	89,862
2017	93,058
2018	<u>88,210</u>
	<u>\$ 357,906</u>

10. ECONOMIC DEPENDENCE

The organization receives a major portion of its revenues pursuant to a funding arrangement with Western Economic Diversification Canada. The ability of the organization to continue operations is dependent upon the Western Economic Diversification Canada's continued commitments as guaranteed by certain agreements.

11. LEASE COMMITMENTS

The organization has certain long term leases with respect to equipment. Under the leases, the organization is required to pay a quarterly fee of \$866 (2013 - \$866).

The organization has a long term lease with respect to its premises. The lease contains renewal options and provides for payment of property taxes and maintenance costs. Future minimum lease payments as at year end are as follows:

2015	\$ 33,572
2016	<u>11,354</u>
	<u>\$ 44,926</u>

12. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

KITAYAN COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

Notes to Financial Statements

Year Ended March 31, 2014

13. SUPPLEMENTARY INFORMATION

Under the terms with Western Economic Diversification Canada, if certain conditions with respect to the Investment fund are not met, the Minister can terminate the Agreement and upon 30 days written notice, liquidate the assets of the organization. As at March 31, 2014, it was management's opinion that all terms of the agreement have been satisfied. The organization has a pending agreement with Western Economic Diversification Canada for a potential 3 year funding contract, currently there is a one year agreement in place.