WHITE HORSE PLAINS COMMUNITY FUTURES
DEVELOPMENT CORPORATION

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS
MARCH 31, 2018

Draft

WHITE HORSE PLAINS COMMUNITY FUTURES DEVELOPMENT CORPORATION

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MARCH 31, 2018

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GEORGE & ASSOCIATES
CHARTERED PROFESSIONAL ACCOUNTANTS INC.

113 SECOND STREET S.W.
BOX 567, CARMAN, MB.
R0G 0J0
204-745-3380
office@dfgeorge.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
White Horse Plains Community Futures Development Corporation

We have audited the accompanying financial statements of White Horse Plains Community Futures Development Corporation, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in fund balances and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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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 judgement, 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 the 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 White Horse Plains Community Futures Development Corporation as at March 31, 2018 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.

Carman, Manitoba

George & Associates
Chartered Professional Accountants Inc.

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WHITE HORSE PLAINS COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2018

ASSETS

	General Fund	Loan Investment Funds Repayable	Loan Investment Funds Disabled	2018 Total	2017 Total
CURRENT ASSETS					
Cash and bank (note 2)	$ 17,262	$ 91,341	$ 217,129	$ 325,732	$ 385,099
GST receivable (note 3)	1,760	-	-	1,760	2,596
Accounts receivable (note 5)	1,800	-	-	1,800	6,350
Accrued interest receivable	-	2,189	-	2,189	1,279
Prepaid expense	14,531	-	-	14,531	12,288
Inter-fund receivable	-	2,317	-	2,317	-
Current portion of long-term investment	-	65,431	-	65,431	105,151
	35,353	161,278	217,129	413,760	512,763
CAPITAL ASSETS (notes 2 and 4)	3,469	-	-	3,469	4,625
INVESTMENT FUNDS					
Investment loans receivable net of allowance for credit loss (notes 2, 6-10)	-	372,384	-	372,384	300,134
Less: current portion	-	(65,431)	-	(65,431)	(105,151)
	-	306,953	-	306,953	194,983
TOTAL ASSETS	$ 38,822	$ 468,231	$ 217,129	$ 724,182	$ 712,371

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WHITE HORSE PLAINS COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2018

LIABILITIES AND FUND BALANCES

	General Fund	Loan Investment Funds Repayable	Loan Investment Funds Disabled	2018 Total	2017 Total
CURRENT LIABILITIES					
Accrued liabilities	$ 6,583	$ -	$ -	$ 6,583	$ 13,337
Inter-fund payable	1,578	-	739	2,317	-
	8,161	-	739	8,900	13,337
LONG TERM LIABILITIES					
Investment funds repayable (note 12)	-	532,364	200,000	732,364	732,364
FUND BALANCES					
Invested in capital assets	3,469	-	-	3,469	4,625
Unrestricted	27,192	-	-	27,192	29,483
Non repayable grant	-	-	-	-	-
Externally restricted	-	(64,133)	16,390	(47,743)	(67,438)
	30,661	(64,133)	16,390	(17,082)	(33,330)
	$ 38,822	$ 468,231	$ 217,129	$ 724,182	$ 712,371

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Approved on Behalf of the Board

Director _____

Director _____

WHITE HORSE PLAINS COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN GENERAL FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2018

	General Fund	2018 Total	2017 Total
REVENUE			
WD contributions	$ 267,513	$ 267,513	$ 291,832
Other government contracts	2,500	2,500	-
Bank interest	1	1	21
Other	400	400	12,199
	270,414	270,414	304,052
EXPENSES			
Salaries and benefits	-	-	133,422
Professional expenses			
Accounting and audit	8,207	8,207	18,108
Credit reports	-	-	-
Legal	-	-	-
Management fee	153,000	153,000	-
Other	4,145	4,145	5,000
Administration			
Advertising and promotion	16,172	16,172	25,935
Board member expenses	501	501	5,979
Books, publications and subscriptions	75	75	419
Casual labour	400	400	2,069
Computers and equipment--capital	-	-	1,100

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WHITE HORSE PLAINS COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN GENERAL FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2018

	General Fund	2018 Total	2017 Total
Administration--Continued			
Insurance	108	108	-
Non-refundable GST	1,760	1,760	-
Office rent	23,907	23,907	18,930
Office supplies	5,884	5,884	21,479
Photocopying and printing	3,901	3,901	5,350
Postage and delivery	306	306	235
Special projects	38,036	38,036	-
Staff expenses	10,811	10,811	4,764
Telephone	5,492	5,492	4,194
Utilities	-	-	6,030
	272,705	272,705	253,014
Income (loss) before the following items	(2,291)	(2,291)	51,038
Add back: Computers and equipment capitalized	-	-	1,100
Less: Amortization	(1,156)	(1,156)	(2,887)
Net income (loss) for the year	(3,447)	(3,447)	49,251
Transfer (to) from invested in capital assets	1,156	1,156	1,787
Interfund transfer			2,447
General Fund balance, beginning of year	29,483	29,483	(24,002)
General Fund balance, end of year	$ 27,192	$ 27,192	$ 29,483

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WHITE HORSE PLAINS COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN RESTRICTED FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2018

	Loan Investment Funds		2018	2017
	Repayable	Disabled	Total	Total
REVENUE				
Bank interest	$ 412	$ 1,054	$ 1,466	$ 1,132
Investment interest	18,219	215	18,434	15,340
	18,631	1,269	19,900	16,472
EXPENSES				
Bank charges	-	-	-	211
Provision (recovery) for investment losses	205	-	205	35
Net income (loss) for the year	18,426	1,269	19,695	16,226
Interfund transfer				(2,447)
Fund balances, beginning of year	(82,559)	15,121	(67,438)	(81,217)
Fund balances, end of year	$ (64,133)	$ 16,390	$ (47,743)	$ (67,438)

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WHITE HORSE PLAINS COMMUNITY FUTURES DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2018

	Operating Activities	Financing and Investing Activities			
	General SEA Fund	Repayable	Disabled	2018 Total	2017 Total
Sources of Cash					
WD contribution	$ 267,513	$ -	$ -	$ 267,513	note 18
Investment income	-	17,713	1,274	18,987	
Other contributions	2,500	-	-	2,500	
Other	400	-	-	400	
Investment loan repayments	-	83,542	21,613	105,155	
Bad debt recovery	-	-	-	-	
	270,413	101,255	22,887	394,555	
Uses of Cash					
Management fees	153,000	-	-	153,000	
Materials and services	119,705	-	-	119,705	
Purchase of capital assets	-	-	-	-	
Investment loan advances	-	177,607	-	177,607	
	272,705	177,607	-	450,312	
Net increase (decrease) in cash	(2,292)	(76,352)	22,887	(55,757)	
Cash, beginning	22,814	167,850	194,435	385,099	
Change in payables	(6,403)	-	-	(6,403)	
Change in receivables and prepaids	3,143	(157)	(193)	2,793	
Cash, end of year	$ 17,262	$ 91,341	$ 217,129	$ 325,732	

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WHITE HORSE PLAINS COMMUNITY FUTURES DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

1 Purpose of the Corporation

The corporate body has been constituted under White Horse Plains Community Futures Development Corporation, and its objective is to stimulate employment in the community by providing funds to small businesses in the form of loans, loan guarantees and share capital. The organization is incorporated under the Manitoba Companies Act as a not-for-profit organization. It is exempt from tax under the Income Tax Act as a not-for-profit organization.

2 Significant Accounting Policies

Basis of Presentation
These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. Outlined below are those policies considered particularly significant for the organization.

Revenue Recognition
The Corporation follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue in the general fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions and interest are recognized as revenue in the investment funds when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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Fund Accounting
White Horse Plains Community Futures Development Corporation follows the restricted method of accounting for contributions. The General Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants. The Loan Investment Funds report restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Loan Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

Cash and Bank
Cash and bank are made up of cash on hand and bank account balances.

2 Significant Accounting Policies cont.

Allowances for Losses on Loans
Allowances are established on a specific case analysis basis.

Capital Assets
Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which varies from 2 to 10 years. Amortization expense is reported in the General Fund.

Use of Estimates
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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Differences in actual results from prior estimates are taken into account at the time the differences are determined.

Significant items subject to such estimates and assumptions include the valuation of investment loans receivable and the estimated useful life of capital assets. Actual results could differ from those estimates.

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Financial Instruments
The organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash, investments and accounts receivable. The financial liabilities measured at amortized cost consist of payables and long-term debt.

Impairment of Long-lived Assets
A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

3 Processing of the Goods and Service Tax

The organization claimed a 50% refund of the input tax credits. An amount of $1,760 remains included in the expenses.

4 Capital Assets

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value	Rate
Computers	$ 18,493	$18,493	$ -	$ -	50%
Leaseholds	43,000	43,000	-	-	10%
Software	5,781	2,312	3,469	4,625	20%
	$ 67,274	$63,805	$ 3,469	$ 4,625	

5 Accounts Receivable

	2018	2017
Accounts receivable consists of the following:		
Trade receivable	$ 1,800	$ 6,350
	$ 1,800	$ 6,350

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6 Allowance for Credit Loss

An allowance for losses on investment loans is made based on expected loan default rates, potential loss ratios and review of loans portfolio, as determined by management, as follows:

	2017 Ending Balance	Provision for Credit Losses	2018 Ending Balance
Loan Investment Fund-Repayable	$ 16,742	$ 205	$ 16,947
-Disabled	-	-	-
	$ 16,742	$ 205	$ 16,947

Actual write-offs, net of recoveries, will be deducted from the allowance for credit losses. The provision for credit losses in the statement of operations and changes in fund balances is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses.

6 Repayable Investments

	2018	2017
Loans granted, guaranteed by mortgages, pledge or personal endorsement, between 5.7% and 7% falling due between 2019 and 2027.	$ 389,331	$ 295,266
Subtract: allowance losses on loans	16,947	16,742
	$ 372,384	$ 278,524

Redeemable amounts from investments for the next five years are as follows:

2019	$ 65,431
2020	69,689
2021	74,223
2022	79,052
2023	84,195

7 Changes in Repayable Investments

	2018
Starting balance	$ 295,266
Disbursed loans	177,607
Capitalized interest	17,301
Collected reimbursements	(100,843)
Written-off loans	-
Ending balance	$ 389,331

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8 Disabled Investments

	2018	2017
Loans granted, guaranteed by mortgages, pledge or personal endorsement, between 4% and 7.4%.	$ -	$ 21,610
Subtract: allowance losses on loans		
	$ -	$ 21,610

9 Changes in Disabled Investments

	2018
Starting balance	$ 21,610
Disbursed loans	-
Capitalized interest	226
Collected reimbursements	(21,836)
Written-off loan	-
	$ -

10 Investment Loans Receivable

Outstanding loans to entrepreneurs are interest bearing at varying rates between 5.7% and 7% with monthly blended principal and interest repayments amortized for terms of 60 months and 120 months. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on land and buildings. At the year end, the organization had not approved any additional loans pending certain conditions.

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11 Bank Indebtedness

The organization has available an operating line of credit amounting to $24,000 bearing interest at prime plus 1.5% (5.2% at March 31, 2018). The line of credit is secured by a General Security Agreement in first position on all assets of the organization.

12 Long Term Debt

	2018	2017
Investment funds repayable	$ 732,364	$ 732,364

The loan from Western Economic Diversification is due as follows:
In the event that the organization is not in compliance with the agreement, dated April 1, 2015 or the project is not approved by the minister, the minister is entitled to take steps described in sections 2, 3 or 4 of the agreement. The agreement terminates March 31, 2018.

13 Economic Dependence

The organization received 99% of its operating revenues from the federal government and is economically dependent upon it.

14 Externally Restricted Fund Balances

Major categories of externally imposed restrictions on net assets are as follows:

Restricted Funds	
Repayable fund (actual contribution to date)	$ 532,364
Disabled fund (actual contribution to date)	200,000

The Department of Western Economic Diversification has set the terms and conditions of its contribution with the Organization in the April 1, 2015 agreement. Under the terms and conditions the Conditionally Repayable Loan Funds are repayable if any of the following conditions occur:

i. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in this Agreement; or

ii. Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund of the Organization, the Conditionally Repayable Investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of Community-owned or controlled businesses and strengthening of the western Canadian economy; or

iii. In the opinion of the Minister, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the western Canadian economy; or

iv. The agreement is terminated as described in Section 7; or

v. An event of default occurs, as described in Section 7 of the Agreement; or

vi. The Minister does not approve terms and conditions to extend the project beyond March 31, 2018.

A new agreement commencing April 1, 2018 and ending on March 31, 2021 has been signed.

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15 Financial Instruments

Risks and Concentrations
The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the statement of financial position dated, March 31, 2018.

Liquidity risk
Liquidity risk is the risk that an organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivables and investment loans receivable. The organization provides loans to its clients in the normal course of its operations.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is not exposed to these risks.

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16 Lease Commitments

The organization's total obligations for various lease agreements is:

2019	$ 28,141

17 Retirement Benefits

The majority of the employees of the organization were members of the Municipal Employees' Pension Plan (MEPP), which is a multi-employer defined benefit pension plan. MEPP members will receive benefits based on 1.5% of their final average yearly Canada Pension Plan (CPP) earnings times years of service, plus 2% of their final average yearly non-CPP earnings times years of service. The costs of the retirement plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Chartered Professional Accountants of Canada Handbook section PS3250.

17 Retirement Benefits cont.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by MEPP by placing plan assets in trust and through MEPP investment policy. The pension expense is based on the contribution rate. The MEPP requires that employees contribute 8.3% of basic annual earnings up to the CPP ceiling plus 9.5% of basic annual earnings in excess of the CPP ceiling, plus an additional 0.1% of earnings below and in excess of the CPP ceiling from employees that are not members of the Municipal Disability Income Plan. The employers are required to match the employee contributions to the MEPP. Actual contributions made in 2017 by the organization on behalf of its employees amounted to $8,634 and were included in the statement of operations.

Subject to the following paragraph, any unfunded liabilities are to be funded by the participating employers. The most recent actuarial valuation as of December 31, 2015 indicated the plan was 96.1% funded on a going concern basis and had an unfunded solvency liability of $251.7 million. The solvency position of the plan is determined by comparing the plan assets to the actuarial present value of the benefits accrued in respect of credited service up to the valuation date, calculated as if the plan were wound up on December 31, 2015.

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In 2010, the Government of Manitoba enacted regulation which permits sponsors of public sector pension plans, included MEPP, to elect permanent exemption from solvency funding requirements subject to certain conditions stated in the regulation. MEPP has elected permanent exemption from solvency funding requirements. As a result, solvency funding is no longer required by MEPP.

18 Comparative Financial Statements

The comparative figures for March 31, 2017 were audited by Reid & Associates Chartered Professional Accountants Inc. Certain items of these statements have been reclassified to conform to the current year presentation.

The cash flow figures for 2017 were not prepared in the format required by Western Economic Diversification Canada. As it would take a considerable amount of time to compile those figures, management had decided to forego showing the comparative amounts.

19 Management Fee

For the 2018 operations the corporation retained Community Futures Heartland Inc. to provide administrative services. There is an agreement in place for 2019 in the amount of $168,000.

GEORGE & ASSOCIATES
CHARTERED PROFESSIONAL ACCOUNTANTS INC.

113 SECOND STREET S.W.
BOX 567, CARMAN, MB.
R0G 0J0
204-745-3380
office@dfgeorge.ca

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH AGREEMENT

To Western Economic Diversification

We have audited the White Horse Plains Community Futures Development Corporation's compliance as at March 31, 2018 with the criteria established in the Contribution Agreement between Western Economic Diversification and White Horse Plains Community Futures Development Corporation dated April 1, 2015. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of White Horse Plains Community Futures Development Corporation. Our responsibility is to express an opinion on this compliance based on our audit.

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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 White Horse Plains Community Futures Development Corporation has 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, as at March 31, 2018 White Horse Plains Community Futures Development Corporation is in compliance, in all material respects with the criteria established by the Contribution Agreement.

Carman, Manitoba

George & Associates
Chartered Professional Accountants Inc.