

**COMMUNITY FUTURES WINNIPEG RIVER**  
**Financial Statements**  
**Year Ended March 31, 2017**

# COMMUNITY FUTURES WINNIPEG RIVER

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Year Ended March 31, 2017

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STEFANSON LEE ROMANIUK  
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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To the Members of Community Futures Winnipeg River Corp.

We have audited the accompanying financial statements of Community Futures Winnipeg River Corp., which comprise the balance sheet as at March 31, 2017 and the statements of operations and fund balances 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 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.

*(continues)*

Independent Auditor's Report to the Members of Community Futures Winnipeg River Corp. *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Winnipeg River Corp. as at March 31, 2017 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.



Chartered Professional Accountants

Winnipeg, Manitoba  
June 7, 2017

**COMMUNITY FUTURES WINNIPEG RIVER**

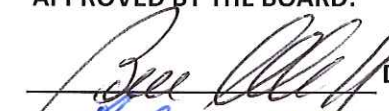
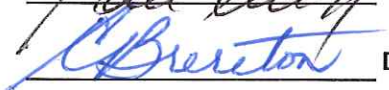
Balance Sheet - Combined

March 31, 2017

	March 31 2017	March 31 2016
<b>Assets</b>		
<b>Current</b>		
Cash and short-term deposits	\$ 962,339	1,043,204
Accounts receivable	1,982	3,496
Prepays	3,052	1,077
Deposit, Community Futures Investment Fund (Note 3)	-	-
	216,343	212,292
	1,183,716	1,260,069
Capital assets (Note 4)	102,068	108,620
Client loans (Note 5)	1,315,163	1,151,704
<b>Total assets</b>	<b>\$ 2,600,947</b>	<b>2,520,393</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	\$ 14,274	18,759
Deferred contributions (Note 6)	24,712	24,582
	38,986	43,341
Fund balances	2,561,961	2,477,052
<b>Total liabilities and fund balances</b>	<b>\$ 2,600,947</b>	<b>2,520,393</b>

Contingency (Note 9)

APPROVED BY THE BOARD:

 DIRECTOR  
 DIRECTOR

**COMMUNITY FUTURES WINNIPEG RIVER**  
Statement of Operations and Fund Balances - Combined  
Year Ended March 31, 2017

	2017	2016
<b>Revenue</b>		
Western Economic Diversification Canada - core funding	\$ 294,983	294,983
Project revenue	11,950	1,480
Fees for service	4,135	7,696
Self-Employment Assistance Program	12,650	15,652
Rental income	7,200	7,200
Interest - loans	85,561	104,176
Interest - credit union	10,449	12,315
Interest - Community Futures Investment Fund	4,051	4,260
	430,979	447,762
<b>Expenses</b>		
Amortization	6,552	7,548
Bad debts	19,594	79,621
Community economic development - projects	4,355	5,948
Conferences and training	4,456	10,188
Directors' expenses	7,351	8,099
Equipment and computer upgrades/maintenance	7,958	16,262
Insurance	2,151	2,121
Maintenance and repairs	14,706	3,123
Marketing, advertising and promotion	2,808	4,259
Meetings	2,059	2,525
Memberships and subscriptions	1,439	1,073
Non-refundable GST	1,519	1,742
Office	16,283	17,725
Postage	406	343
Professional fees	6,368	6,574
Property taxes	6,584	6,069
Salaries and benefits	226,262	220,130
Telephone, facsimile and internet	5,144	5,397
Travel and automobile	4,611	2,298
Utilities	5,464	4,548
	346,070	405,593
<b>Excess revenue (expense)</b>	84,909	42,169
Fund balance, beginning of year	2,477,052	2,434,883
<b>Fund balance, end of year</b>	\$ 2,561,961	2,477,052

**COMMUNITY FUTURES WINNIPEG RIVER**

## Balance Sheet - General Fund

March 31, 2017

	March 31 2017	March 31 2016
<b>Assets</b>		
<b>Current</b>		
Cash and short-term deposits	\$ 158,640	151,650
Accounts receivable	1,982	3,496
Prepays	3,052	1,077
	163,674	156,223
Capital assets (Note 4)	102,068	108,620
<b>Total assets</b>	<b>\$ 265,742</b>	<b>264,843</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	\$ 14,274	18,759
Deferred contributions (Note 6)	24,712	24,582
	38,986	43,341
Fund balances	226,756	221,502
<b>Total liabilities and fund balances</b>	<b>\$ 265,742</b>	<b>264,843</b>

**COMMUNITY FUTURES WINNIPEG RIVER**Statement of Operations and Fund Balances - General Fund  
Year Ended March 31, 2017

	2017	2016
<b>Revenue</b>		
Western Economic Diversification Canada - core funding	\$ 294,983	294,983
Project revenue	11,950	1,480
Fees for service	4,135	7,696
Self-Employment Assistance Program	12,650	15,652
Rental income	7,200	7,200
Interest	449	449
	<b>331,367</b>	<b>327,460</b>
<b>Expenses</b>		
Amortization	6,552	7,548
Community economic development - projects	4,355	5,948
Conferences and training	4,456	10,188
Directors' expenses	7,351	8,099
Equipment and Computer upgrades/maintenance	7,958	16,262
Insurance	2,151	2,121
Maintenance and repairs	14,706	3,123
Marketing, advertising and promotion	2,808	4,259
Meetings	2,059	2,525
Memberships and subscriptions	1,439	1,073
Non-refundable GST	1,519	1,742
Office	16,240	17,627
Postage	406	343
Professional fees	6,048	5,940
Property taxes	6,584	6,069
Salaries and benefits	226,262	220,130
Telephone, facsimile and internet	5,144	5,397
Travel and automobile	4,611	2,298
Utilities	5,464	4,548
	<b>326,113</b>	<b>325,240</b>
<b>Excess revenue (expense)</b>	<b>5,254</b>	<b>2,220</b>
Fund balance, beginning of year	221,502	219,282
<b>Fund balance, end of year</b>	<b>\$ 226,756</b>	<b>221,502</b>



**COMMUNITY FUTURES WINNIPEG RIVER**

Balance Sheet - Investment Funds

March 31, 2017

	Conditionally Repayable	Regular	Disabled	2017	2016
<b>Assets</b>					
<b>Current</b>					
Cash and short-term deposits	\$ 108,115	656,716	38,868	803,699	891,554
Due from Disabled Fund	-	150,000	-	-	891,554
Deposit, Community Futures Investment Fund (Note 3)	-	216,343	-	216,343	212,292
	108,115	1,023,059	38,868	1,020,042	1,103,846
<b>Client loans (Note 5)</b>	-	1,157,662	157,501	1,315,163	1,151,704
<b>Total assets</b>	\$ 108,115	2,180,721	196,369	2,335,205	2,255,550
<b>Liabilities</b>					
<b>Current</b>					
Due to Regular Fund	\$ -	-	150,000	150,000	-
	-	-	150,000	150,000	-
<b>Fund balances</b>	108,115	2,180,721	46,369	2,335,205	2,255,550
<b>Total liabilities and fund balances</b>	\$ 108,115	2,180,721	196,369	2,485,205	2,255,550

Contingency (Note 9)

**COMMUNITY FUTURES WINNIPEG RIVER**Statement of Operations and Fund Balances - Investment Funds  
Year Ended March 31, 2017

	Conditionally Repayable	Regular	Disabled	2017	2016
<b>Revenue</b>					
Interest - loans	\$ -	77,153	8,408	85,561	104,176
Interest - credit union	-	9,921	79	10,000	11,866
Interest - Community Futures Investment Fund	-	4,051	-	4,051	4,260
		91,125	8,487	99,612	120,302
<b>Expense</b>					
Bad debts	-	19,594	-	19,594	79,621
Bank charges	-	25	18	43	98
Professional fees	-	320	-	320	634
	-	19,939	18	19,957	80,353
<b>Excess revenue</b>	-	71,186	8,469	79,655	39,949
Fund balances, beginning of year	108,115	2,109,535	37,900	2,255,550	2,215,601
<b>Fund balances, end of year</b>	\$ 108,115	2,180,721	46,369	2,335,205	2,255,550

## Statement of Cash Flow - Combined

Year Ended March 31, 2017

	2016	2015
<b>Sources of cash</b>		
Western Economic Diversification Canada - core funding	\$ 294,983	319,565
Self-Employment Assistance Program	13,271	15,452
Interest received on loans and funds on deposit	97,272	121,564
Client Loans - principal repayment	173,202	227,001
Other	24,308	15,867
	603,036	699,449
<b>Uses of cash</b>		
Payments to suppliers	326,384	311,741
Client loans - new loan additions	312,309	82,027
Client loans - additions to existing loans	45,208	6,154
	683,901	399,922
<b>Change in cash</b>	(80,865)	299,527
Cash and short-term deposits, beginning of year	1,043,204	743,677
<b>Cash and short-term deposits, end of year</b>	\$ 962,339	1,043,204

**1 Nature of Operations:**

Community Futures Winnipeg River (CFWR) is a non-profit community based organization funded by Western Economic Diversification Canada (WD). The Organization provides loans and financial services to small businesses in order to achieve sustained growth in employment opportunities within in the Winnipeg River Brokenhead area of Eastern Manitoba pursuant to a contribution agreement with WD. Community Futures Winnipeg River recognizes its commitment for repayment investment funds back to WD as per the contribution agreement.

**2 Summary of Significant Accounting Policies:**Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Client loans

Interest income is recorded on an accrual basis. The Organization ceases to accrue interest on doubtful loans.

An allowance for doubtful loans is determined in the following manner:

- |                      |                                                                                                                                                                                                        |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Loans in default     | - If there is a significant doubt as to the ultimate collection of principal, a specific provision is established at a level sufficient to provide for the estimated impairment of the loan principal. |
| Loans not in default | - No provision has been established.                                                                                                                                                                   |

The establishment of the allowance for doubtful loans relies on the judgement of management, on historical precedent and expectations as to the future collections. It is reasonably possible that changes in future conditions could require a material change in the recognized amount of the allowance for doubtful loans.

Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful life of the capital assets using the following rates and methods:

- |                    |                                      |
|--------------------|--------------------------------------|
| Buildings          | - straight-line method over 40 years |
| Office furniture   | - straight-line method over 5 years  |
| Computer Equipment | - straight-line method over 5 years  |

*(continues)*

**2 Summary of Significant Accounting Policies: (Continued)**Fund Accounting

The Organization follows the restricted fund 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 Restricted Investment Fund report the assets, liabilities, revenues and expenses related to the activities of the respective funds as follows:

- Regular Investment Fund - Was established to provide loans to small business.
- Disabled Entrepreneur Fund - Was established to assist the disabled in overcoming barriers to self-employment and entrepreneurship.

The assistance must be used for the purpose of local investment in the community including development and diversification of the local economy, creating and maintaining employment, or to help entrepreneurs to create new local business.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenues earned from the Investment Funds are recognized as revenue of the respective Investment Fund on an accrual basis.

Measurement Uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the Organization's best information and judgement. Actual results could differ from these estimates. Examples of significant estimates include:

- providing for amortization policy of capital assets
- the estimated useful lives of assets
- the allowance for doubtful loans

**3 Deposit, Community Futures Investment Fund (CFIF):**

CFIF was created by Community Futures Manitoba (CFM) to take advantage of surplus investment funds within the system in Manitoba Community Futures (CF) organizations. CFIF serves as an investment vehicle for CFs with surplus investment funds whereas CFs with shortages of investment funds may borrow from CFIF. CFIF pays interest on deposits at competitive rates. Deposits are payable on demand. Borrowers pay interest at RBC prime rate plus 1/4%. Participation in CFIF is voluntary.

**4 Capital assets:**

	Cost	Accum. Amort.	2017 Net	2016 Net
Land	\$ 30,000	-	30,000	30,000
Buildings	218,103	146,035	72,068	78,620
Office furniture and computer equipment	121,066	121,066	-	-
	<u>\$ 369,169</u>	<u>267,101</u>	<u>102,068</u>	<u>108,620</u>

**5 Client loans:**

General security agreements and personal guarantees secure client loans. Loans are repayable over terms up to five years at an interest rate of a minimum of prime plus 3%.

	2017	2016
Client loans including interest due and accrued	\$ 1,617,879	1,726,197
Allowance for doubtful loans	(302,716)	(574,493)
	<u>\$ 1,315,163</u>	<u>1,151,704</u>

**6 Deferred contributions:**

	2017	2016
Western Economic Diversification Canada - core funding, fiscal 2014/2015	\$ 24,712	\$ 24,582

**7 Fair value of financial instruments:**

Cash and short-term deposits and accounts payable and accruals:

Carrying amounts approximate fair value because of their short-term maturities.

Client loans:

Carrying amounts approximate fair values because interest rates on these instruments approximate current market rates.

**8 Economic dependence:**

Western Diversification has agreed to fund the Corporation through March 31, 2018.

**9 Contingency for Conditionally Repayable Investment Fund:**

Certain contributions advanced by Western Economic Diversification for purposes of establishing Investment Funds are conditionally repayable. At March 31, 2017 the conditionally repayable amount is \$507,364. If need be the conditionally repayable amount would be funded by the Regular Investment Fund operating bank account. The Investment Fund is subject to the following conditions:

1. In the event that any of the following conditions occur, the Minister is entitled to take any or all of the steps described in the sections 2, 3 or 4 until the debt owing as a result of the Conditionally Repayable Investment Funds is fully repaid as outlined in the section 5 below:
  - a. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the agreement with WD; or
  - b. Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund of the Corporation, 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
  - c. 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
  - d. The Agreement with WD is terminated as described in Section 12 of the agreement; or
  - e. The Minister does not approve terms and conditions to extend the Community Futures Program beyond the Completion Date of March 31, 2018.
2. Upon 30 days written notice by the Minister, the Corporation agrees to immediately repay the lesser of:
  - a. The uncommitted cash balance of the Conditionally Repayable Investment Fund, or
  - b. The total amount paid by WD to the Corporation for the establishment and maintenance of the Conditionally Repayable Investment Fund.

*(continues)*

**9 Contingency for Conditionally Repayable Investment Fund: (continued)**

3. Upon 30 days written notice by the Minister, the Corporation agrees to immediately give possession to the Minister all documentation evidencing investments made by the Corporation with the Conditionally Repayable Investment Fund and take immediate steps to assign all of its interests in all debts owing to the Minister.
4. Upon 30 days written notice by the Minister, the Corporation agrees to liquidate all debts owing to it as a result of the Conditionally Repayable Investment Fund via sale to a third party satisfactory to the Minister, or via other means satisfactory to the Minister, and to remit the proceeds of liquidation to the Minister.
5. The debt owing as a result of the Conditionally Repayable Investment Fund will be deemed to have been fully repaid once the Corporation has repaid to the Minister the lesser of:
  - a. The assets of the conditionally Repayable Investment Fund, or
  - b. The amount of the Conditionally Repayable Contribution paid by WD to the Corporation.

**10 Financial instruments:**Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from clients. In order to reduce its credit risk, the Corporation reviews a new client's credit history before extending credit and conducts regular reviews of its existing clients' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Corporation has a significant number of customers which minimizes concentration of credit risk.