

**COMMUNITY FUTURES WINNIPEG RIVER**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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STEFANSON LEE ROMANIUK  
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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To the Directors of Community Futures Winnipeg River

We have audited the accompanying financial statements of Community Futures Winnipeg River, which comprise the Balance Sheet as at March 31, 2014 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 Directors of Community Futures Winnipeg River (continued)**

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Winnipeg River 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.

*Stefanson Lee Romaniuk*

Chartered Accountants

Winnipeg, Manitoba  
June 13, 2014

**COMMUNITY FUTURES WINNIPEG RIVER**


Balance Sheet - Combined

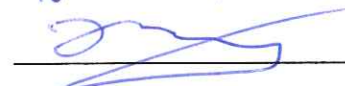
March 31, 2014

	General Fund	Investment Funds	March 31 2014	March 31 2013
<b>Assets</b>				
<b>Current</b>				
Cash and short-term deposits	\$ 108,314	455,500	563,814	473,099
Accounts receivable	5,756	-	5,756	7,968
Prepays	3,187	-	3,187	5,560
Deposit, Community Futures Investment Fund (Note 3)	-	209,494	209,494	205,743
	117,257	664,994	782,251	692,370
Capital assets (Note 4)	124,713	-	124,713	133,258
Client loans (Note 5)	-	1,508,524	1,508,524	1,628,273
<b>Total assets</b>	<b>\$ 241,970</b>	<b>2,173,518</b>	<b>2,415,488</b>	<b>2,453,901</b>
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accruals	\$ 9,885	-	9,885	7,098
Deferred contributions (Note 6)	24,582	-	24,582	24,582
	34,467	-	34,467	31,680
<b>Fund balances</b>	<b>207,503</b>	<b>2,173,518</b>	<b>2,381,021</b>	<b>2,422,221</b>
<b>Total liabilities and fund balances</b>	<b>\$ 241,970</b>	<b>2,173,518</b>	<b>2,415,488</b>	<b>2,453,901</b>

Contingency (Note 9)

APPROVED BY THE BOARD:

 DIRECTOR

 DIRECTOR

**COMMUNITY FUTURES WINNIPEG RIVER**  
GENERAL FUND - Statement of Operations and Fund Balances  
March 31, 2014

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	2014	2013
<b>Revenue</b>		
Western Economic Diversification Canada - core funding	\$ 294,983	294,983
Fees for service	56,384	45,256
Employees with disabilities project	1,578	-
Self-Employment Assistance Program	20,918	9,256
Rental income	9,025	9,600
Interest	470	366
	<b>383,358</b>	<b>359,461</b>
<b>Expenses</b>		
Amortization	8,545	8,545
Community economic development - projects	33,040	15,219
Computer upgrades/maintenance	6,230	3,917
Conferences and training	3,981	6,357
Directors' expenses	7,580	9,956
Employees with disabilities project	1,343	-
Insurance	1,999	1,740
Maintenance and repairs	2,375	9,720
Marketing, advertising and promotion	2,084	1,387
Meetings	3,788	3,568
Memberships and subscriptions	1,216	1,376
Non-refundable GST	2,074	1,654
Office	16,946	15,384
Postage	2,167	2,204
Professional fees	7,770	5,671
Property taxes	6,199	6,144
Salaries and benefits	240,045	277,327
Telephone, facsimile and internet	6,380	6,658
Travel and automobile	4,693	4,475
Utilities	5,691	4,248
	<b>364,146</b>	<b>385,550</b>
<b>Excess revenue (expense)</b>	<b>19,212</b>	<b>(26,089)</b>
Fund balance, beginning of year	188,291	214,380
<b>Fund balance, end of year</b>	<b>\$ 207,503</b>	<b>188,291</b>

**COMMUNITY FUTURES WINNIPEG RIVER**  
**INVESTMENT FUNDS - Balance Sheet**  
 March 31, 2014

	Conditionally Repayable	Regular	Disabled	2014	2013
<b>Assets</b>					
<b>Current</b>					
Cash and short-term deposits \$	108,115	325,334	22,051	455,500	399,914
Deposit, Community Futures Investment Fund (Note 3)	-	209,494	-	209,494	205,743
	108,115	534,828	22,051	664,994	605,657
<b>Client loans (Note 6)</b>	-	1,497,623	10,901	1,508,524	1,628,273
<b>Total assets</b>	\$ 108,115	2,032,451	32,952	2,173,518	2,233,930
<b>Liabilities</b>					
<b>Current</b>					
Accounts payable and accruals \$	-	-	-	-	-
	-	-	-	-	-
<b>Fund balances</b>	108,115	2,032,451	32,952	2,173,518	2,233,930
<b>Total liabilities and fund balances</b>	\$ 108,115	2,032,451	32,952	2,173,518	2,233,930

Contingency (Note 9)

APPROVED BY THE BOARD:

  
 \_\_\_\_\_ DIRECTOR

  
 \_\_\_\_\_ DIRECTOR

**COMMUNITY FUTURES WINNIPEG RIVER**

INVESTMENT FUNDS - Statement of Operations and Fund Balances

March 31, 2014

	Conditionally Repayable	Regular	Disabled	2014	2013
<b>Revenue</b>					
Interest - loans	\$ -	91,065	336	91,401	94,487
Interest - credit union	-	(4,891)	66	(4,825)	2,997
Interest - Community Futures Investment Fund	-	3,751	-	3,751	4,477
Other income	-	583		583	-
Credit recoveries	-	-		-	3,344
		90,508	402	90,910	105,305
<b>Expense</b>					
Bad debts	-	43,133	107,611	150,744	87,670
Bank charges	-	48	-	48	-
Professional fees	-	530	-	530	620
	-	43,711	107,611	151,322	88,290
<b>Excess revenue</b>	-	46,797	107,209	(60,412)	23,456
Fund balances, beginning of year	108,115	1,985,654	140,161	2,233,930	2,216,915
<b>Fund balances, end of year</b>	\$ 108,115	2,032,451	32,952	2,173,518	2,240,371

## Cash Flow Statement

March 31, 2014

	2014	2013
<b>Sources of cash</b>		
Western Economic Diversification Canada - core funding	\$ 294,983	319,565
Self-Employment Assistance Program	18,768	11,194
Interest received on loans and funds on deposit	92,984	101,810
Other	71,932	48,422
	478,667	480,991
<b>Uses of cash</b>		
Payments to suppliers	351,019	376,618
Client loans net of repayments	33,182	(4,187)
Community Futures Investment Fund	3,751	4,477
	387,952	376,908
<b>Change in cash</b>	90,715	104,083
Cash and short-term deposits, beginning of year	473,099	369,016
<b>Cash and short-term deposits, end of year</b>	\$ 563,814	473,099



**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 (ASNFPPO).

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.	2014 Net	2013 Net
Land	\$ 30,000	-	30,000	30,000
Buildings	218,103	126,379	91,724	98,276
Office furniture and computer equipment	121,066	118,077	2,989	4,982
	<u>\$ 369,169</u>	<u>244,456</u>	<u>124,713</u>	<u>133,258</u>

**5 Client loans:**

General security agreements and personal guarantees secure client loans. Loans are payable over up to five years at interest rates from 6.75% to 9.50%.

	2014	2013
Client loans including interest due and accrued	\$ 1,986,275	1,984,664
Allowance for doubtful loans	(477,751)	(356,391)
	<u>\$ 1,508,524</u>	<u>1,628,273</u>

**6 Deferred contributions:**

Western Economic Diversification Canada - core funding, fiscal 2014/2015	\$ 24,582	\$ 24,582
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**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, 2015.

**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, 2014 the conditionally repayable amount is \$108,115. 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, 2015.
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.