

COMMUNITY FUTURES WINNIPEG RIVER

Financial Statements

Year Ended March 31, 2018

INDEPENDENT AUDITOR'S REPORT

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 statement of financial position as at March 31, 2018 and the statements of revenues and expenditures, 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 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.

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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, 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.

Winnipeg, Manitoba
June 8, 2018

KJL & Associates

Chartered Professional Accountants

COMMUNITY FUTURES WINNIPEG RIVER

Index to Financial Statements

Year Ended March 31, 2018

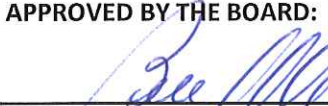

	Page
INDEPENDENT AUDITORS REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position - Combined	3
Statement of Revenues and Expenditures and Changes in Net Assets - Combined	4
Statement of Financial Position - General Fund	5
Statement of Revenues and Expenditures and Changes in Net Assets - General Fund	6
Statement of Financial Position - Investment Funds	7
Statement of Revenues and Expenditures and Changes in Net Assets - Investment Funds	8
Statement of Cash Flows - Combined	9
Notes to Financial Statements	10-14

COMMUNITY FUTURES WINNIPEG RIVER
Statement of Financial Position - Combined
March 31, 2018

	March 31 2018	March 31 2017
Assets		
Current		
Cash and short-term deposits	\$ 986,936	962,339
Accounts receivable	4,317	1,982
Prepays	3,249	3,052
Deposit, Community Futures Investment Fund (Note 3)	220,765	216,343
	1,215,267	1,183,716
Capital assets (Note 4)	96,615	102,068
Client loans (Note 5)	1,270,877	1,315,163
Total assets	\$ 2,582,759	2,600,947
Liabilities		
Current		
Accounts payable and accruals	\$ 11,722	14,274
Deferred contributions- Western Economic Diversification Canada	-	24,712
	11,722	38,986
Net assets	2,571,037	2,561,961
Total liabilities and net assets	\$ 2,582,759	2,600,947

Contingency (Note 8)

APPROVED BY THE BOARD:

 DIRECTOR
 DIRECTOR

Statement of Revenues and Expenditures and Changes in Net Assets - Combined
Year Ended March 31, 2018

	2018	2017
Revenues		
Community Futures Conference (Note 10)	\$ 13,929	-
Western Economic Diversification Canada - core funding	294,983	294,983
Project revenue	18,148	11,950
Fees for service	449	4,135
Self-Employment Assistance Program	8,989	12,650
Rental income	7,200	7,200
Interest - loans	74,498	85,561
Interest - credit union	13,342	10,449
Interest - Community Futures Investment Fund	4,422	4,051
	435,960	430,979
Expenditures		
Amortization	5,453	6,552
Bad debts	96,830	19,594
Community economic development - projects	11,047	4,355
Conferences and training	8,525	4,456
Directors' expenses	8,357	7,351
Equipment and computer upgrades/maintenance	9,908	7,958
Insurance	2,252	2,151
Maintenance and repairs	3,019	14,706
Marketing, advertising and promotion	3,592	2,808
Meetings	2,696	2,059
Memberships and subscriptions	1,345	1,439
Non-refundable GST	1,832	1,519
Office	14,518	16,283
Postage	259	406
Professional fees	7,391	6,368
Property taxes	6,378	6,584
Salaries and benefits	230,117	226,262
Telephone, facsimile and internet	5,301	5,144
Travel and automobile	2,813	4,611
Utilities	5,251	5,464
	426,884	346,070
Excess revenue	9,076	84,909
Net Assets, beginning of year	2,561,961	2,477,052
Net assets, end of year	\$ 2,571,037	2,561,961

COMMUNITY FUTURES WINNIPEG RIVER
Statement of Financial Position - General Fund
March 31, 2018

	March 31 2018	March 31 2017
Assets		
Current		
Cash and short-term deposits	\$ 150,521	158,640
Accounts receivable	4,317	1,982
Prepays	3,249	3,052
	158,087	163,674
Capital assets (Note 4)	96,615	102,068
Total assets	\$ 254,702	265,742
Liabilities		
Current		
Accounts payable and accruals	\$ 11,722	14,274
Deferred contributions- Western Economic Diversification Canada	-	24,712
	11,722	38,986
Net assets	242,980	226,756
Total liabilities and net assets	\$ 254,702	265,742

COMMUNITY FUTURES WINNIPEG RIVER

Statement of Revenues and Expenditures and Changes in Net Assets - General Fund
Year Ended March 31, 2018

	2018	2017
Revenues		
Community Futures Conference (Note 10)	\$ 13,929	-
Western Economic Diversification Canada - core funding	294,983	294,983
Project revenue	18,148	11,950
Fees for service	449	4,135
Self-Employment Assistance Program	8,989	12,650
Rental income	7,200	7,200
Interest	1,237	449
	344,935	331,367
Expenditures		
Amortization	5,453	6,552
Community economic development - projects	11,047	4,355
Conferences and training	8,525	4,456
Directors' expenses	8,357	7,351
Equipment and Computer upgrades/maintenance	9,908	7,958
Insurance	2,252	2,151
Maintenance and repairs	3,019	14,706
Marketing, advertising and promotion	3,592	2,808
Meetings	2,696	2,059
Memberships and subscriptions	1,345	1,439
Non-refundable GST	1,832	1,519
Office	14,518	16,240
Postage	259	406
Professional fees	6,048	6,048
Property taxes	6,378	6,584
Salaries and benefits	230,117	226,262
Telephone, facsimile and internet	5,301	5,144
Travel and automobile	2,813	4,611
Utilities	5,251	5,464
	328,711	326,113
Excess revenue	16,224	5,254
Net assets, beginning of year	226,756	221,502
Net assets, end of year	\$ 242,980	226,756

COMMUNITY FUTURES WINNIPEG RIVER
Statement of Financial Position - Investment Funds
March 31, 2018

	Conditionally Repayable	Regular	Disabled	2018	2017
Assets					
Current					
Cash and short-term deposits \$	114,363	659,117	62,935	836,415	803,699
Due from Disabled Fund	-	150,000	-	150,000	150,000
Deposit, Community Futures Investment Fund (Note 3)	-	220,765	-	220,765	216,343
	114,363	1,029,882	62,935	1,207,180	1,170,042
Client loans (Note 5)	-	1,125,697	145,180	1,270,877	1,315,163
Total assets	\$ 114,363	2,155,579	208,115	2,478,057	2,485,205
Liabilities					
Current					
Due to Regular Fund \$	-	-	150,000	150,000	150,000
	-	-	150,000	150,000	150,000
Net assets	114,363	2,155,579	58,115	2,328,057	2,335,205
Total liabilities and net assets	\$ 114,363	2,155,579	208,115	2,478,057	2,485,205

Contingency (Note 9)

COMMUNITY FUTURES WINNIPEG RIVER

Statement of Revenues and Expenditures and Changes in Net Assets - Investment Funds
Year Ended March 31, 2018

	Conditionally Repayable	Regular	Disabled	2018	2017
Revenues					
Interest - loans	\$ -	62,836	11,662	74,498	85,561
Interest - credit union	6,248	5,773	84	12,105	10,000
Interest - Community	-	-	-	-	-
Futures Investment Fund	-	4,422	-	4,422	4,051
	6,248	73,031	11,746	91,025	99,612
Expenditures					
Bad debts	-	96,830	-	96,830	19,594
Bank charges	-	-	-	-	43
Professional fees	-	1,343	-	1,343	320
	-	98,173	-	98,173	19,957
Excess revenue	6,248	(25,142)	11,746	(7,148)	79,655
Net assets, beginning of year	108,115	2,180,721	46,369	2,335,205	2,255,550
Net assets, end of year	\$ 114,363	2,155,579	58,115	2,328,057	2,335,205

Statement of Cash Flows - Combined

Year Ended March 31, 2018

	2018	2017
Sources of cash		
Western Economic Diversification Canada - core funding	\$ 270,271	294,983
Self-Employment Assistance Program	10,006	13,271
Interest received on loans and funds on deposit	87,840	97,272
Client Loans - principal repayment	232,738	173,202
Other	24,502	24,308
Community Futures Conference	38,332	-
	663,689	603,036
Uses of cash		
Payments to suppliers	329,407	326,384
Client loans - new loan additions	228,358	312,309
Client loans - additions to existing loans	56,924	45,208
Community Futures Conference	24,403	-
	639,092	683,901
Change in cash	24,597	(80,865)
Cash and short-term deposits, beginning of year	962,339	1,043,204
Cash and short-term deposits, end of year	\$ 986,936	962,339

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:

	<u>Cost</u>	<u>Accum. Amort.</u>	<u>2018 Net</u>	<u>2017 Net</u>
Land	\$ 30,000	-	30,000	30,000
Buildings	218,103	151,488	66,615	72,068
Office furniture and computer equipment	121,066	121,066	-	-
	<u>\$ 369,169</u>	<u>272,554</u>	<u>96,615</u>	<u>102,068</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%. Amortization of loans may be extended to a maximum of 10 years. The interest rate for terms over 5 years will be prime plus 4%.

	<u>2018</u>	<u>2017</u>
Client loans including interest due and accrued	\$ 1,562,212	1,617,879
Allowance for doubtful loans	(291,335)	(302,716)
	<u>\$ 1,270,877</u>	<u>1,315,163</u>

6 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.

7 Economic dependence:

Western Diversification has agreed to fund the Corporation in accordance with a signed Contribution Agreement commencing April 1, 2018 and ending on March 31, 2021.

8 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, 2018 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 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 7 of the agreement commencing April 1, 2018.
 - e. The Minister does not approve terms and conditions to extend the Community Futures Program beyond the Completion Date.
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)

8 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.

9 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.

10 Community Futures Manitoba Conference:

Winnipeg River hosted the annual Community Futures Manitoba Conference.

Conference Revenues	\$	38,332
Conference Expenses		<u>24,403</u>
Net profit	\$	<u><u>13,929</u></u>