

COMMUNITY FUTURES WINNIPEG RIVER

Financial Statements

Year Ended March 31, 2016

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 balance sheet as at March 31, 2016 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.

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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, 2016 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 Romouink

Chartered Accountants

Winnipeg, Manitoba
June 9, 2016

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COMMUNITY FUTURES WINNIPEG RIVER

Balance Sheet - Combined

March 31, 2016

	March 31 2016	March 31 2015
Assets		
Current		
Cash and short-term deposits	\$ 1,043,204	743,677
Accounts receivable	3,496	2,787
Prepays	1,077	3,324
Deposit, Community Futures	-	-
Investment Fund (Note 3)	212,292	208,031
	1,260,069	957,819
Capital assets (Note 4)	108,620	116,168
Client loans (Note 5)	1,151,704	1,375,219
Total assets	\$ 2,520,393	2,449,206
Liabilities		
Current		
Accounts payable and accruals	\$ 18,759	14,323
Deferred contributions (Note 6)	24,582	-
	43,341	14,323
Fund balances	2,477,052	2,434,883
Total liabilities and fund balances	\$ 2,520,393	2,449,206

Contingency (Note 9)

APPROVED BY THE BOARD:

_____ DIRECTOR

_____ DIRECTOR

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Statement of Operations and Fund Balances - Combined
Year Ended March 31, 2016

	2016	2015
Revenue		
Western Economic Diversification Canada - core funding	\$ 294,983	294,983
Project revenue	1,480	-
Fees for service	7,696	4,931
Self-Employment Assistance Program	15,652	10,316
Rental income	7,200	6,250
Interest - loans	104,176	119,185
Interest - credit union	12,315	2,923
Interest - Community Futures Investment Fund	4,260	5,184
Other income	-	-
	447,762	443,772
Expenses		
Amortization	7,548	8,545
Bad debts	79,621	82,350
Community economic development - projects	5,948	6,625
Computer upgrades/maintenance	16,262	16,240
Conferences and training	10,188	7,951
Directors' expenses	8,099	5,629
Insurance	2,121	2,051
Maintenance and repairs	3,123	1,937
Marketing, advertising and promotion	4,259	3,651
Meetings	2,525	2,611
Memberships and subscriptions	1,073	1,689
Non-refundable GST	1,742	1,797
Office	17,725	19,253
Postage	343	1,864
Professional fees	6,574	7,624
Property taxes	6,069	6,208
Salaries and benefits	220,130	198,773
Telephone, facsimile and internet	5,397	5,948
Travel and automobile	2,298	3,478
Utilities	4,548	5,686
	405,593	389,910
Excess revenue (expense)	42,169	53,862
Fund balance, beginning of year	2,434,883	2,381,021
Fund balance, end of year	\$ 2,477,052	2,434,883

COMMUNITY FUTURES WINNIPEG RIVER

Balance Sheet - General Fund

March 31, 2016

	March 31 2016	March 31 2015
Assets		
Current		
Cash and short-term deposits	\$ 151,650	111,326
Accounts receivable	3,496	2,787
Prepays	1,077	3,324
	156,223	117,437
Capital assets (Note 4)	108,620	116,168
Total assets	\$ 264,843	233,605
Liabilities		
Current		
Accounts payable and accruals	\$ 18,759	14,323
Deferred contributions (Note 6)	24,582	-
	43,341	14,323
Fund balances	221,502	219,282
Total liabilities and fund balances	\$ 264,843	233,605

COMMUNITY FUTURES WINNIPEG RIVER

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Statement of Operations and Fund Balances - General Fund
Year Ended March 31, 2016

	2016	2015
Revenue		
Western Economic Diversification Canada - core funding	\$ 294,983	294,983
Project revenue	1,480	-
Fees for service	7,696	4,931
Self-Employment Assistance Program	15,652	10,316
Rental income	7,200	6,250
Interest	449	427
	327,460	316,907
Expenses		
Amortization	7,548	8,545
Community economic development - projects	5,948	6,625
Computer upgrades/maintenance	16,262	16,240
Conferences and training	10,188	7,951
Directors' expenses	8,099	5,629
Insurance	2,121	2,051
Maintenance and repairs	3,123	1,937
Marketing, advertising and promotion	4,259	3,651
Meetings	2,525	2,611
Memberships and subscriptions	1,073	1,689
Non-refundable GST	1,742	1,797
Office	17,627	18,505
Postage	343	1,864
Professional fees	5,940	5,940
Property taxes	6,069	6,208
Salaries and benefits	220,130	198,773
Telephone, facsimile and internet	5,397	5,948
Travel and automobile	2,298	3,478
Utilities	4,548	5,686
	325,240	305,128
Excess revenue (expense)	2,220	11,779
Fund balance, beginning of year	219,282	207,503
Fund balance, end of year	\$ 221,502	219,282

COMMUNITY FUTURES WINNIPEG RIVER

Balance Sheet - Investment Funds

March 31, 2016

	Conditionally Repayable	Regular	Disabled	2016	2015
Assets					
Current					
Cash and short-term deposits \$	108,115	755,539	27,900	891,554	632,351
Deposit, Community Futures Investment Fund (Note 3)	-	212,292	-	212,292	208,031
	108,115	967,831	27,900	1,103,846	840,382
Client loans (Note 5)	-	1,141,704	10,000	1,151,704	1,375,219
Total assets	\$ 108,115	2,109,535	37,900	2,255,550	2,215,601
Liabilities					
Current					
Accounts payable and accruals \$	-	-	-	-	-
	-	-	-	-	-
Fund balances	108,115	2,109,535	37,900	2,255,550	2,215,601
Total liabilities and fund balances	\$ 108,115	2,109,535	37,900	2,255,550	2,215,601

Contingency (Note 9)

COMMUNITY FUTURES WINNIPEG RIVER

Statement of Operations and Fund Balances - Investment Funds

Year Ended March 31, 2016

	Conditionally Repayable	Regular	Disabled	2016	2015
Revenue					
Interest - loans	\$ -	101,689	2,487	104,176	119,185
Interest - credit union	-	11,787	79	11,866	2,496
Interest - Community Futures Investment Fund	-	4,260	-	4,260	5,184
Other income	-	-	-	-	-
Credit recoveries	-	-	-	-	-
		117,736	2,566	120,302	126,865
Expense					
Bad debts	-	79,621	-	79,621	82,350
Bank charges	-	98	-	98	-
Other expense	-	-	-	-	748
Professional fees	-	634	-	634	1,684
	-	80,353	-	80,353	84,782
Excess revenue	-	37,383	2,566	39,949	42,083
Fund balances, beginning of year	108,115	2,072,152	35,334	2,215,601	2,173,518
Fund balances, end of year	\$ 108,115	2,109,535	37,900	2,255,550	2,215,601

Statement of Cash Flow - Combined

Year Ended March 31, 2016

	2016	2015
Sources of cash		
Western Economic Diversification Canada - core funding	\$ 319,565	270,401
Self-Employment Assistance Program	15,452	11,766
Interest received on loans and funds on deposit	121,564	118,979
Client Loans - principal repayment	227,001	177,104
Other	15,867	12,700
	699,449	590,950
Uses of cash		
Payments to suppliers	311,741	294,714
Client loans - new loan additions	82,027	101,000
Client loans - additions to existing loans	6,154	15,373
	399,922	411,087
Change in cash	299,527	179,863
Cash and short-term deposits, beginning of year	743,677	563,814
Cash and short-term deposits, end of year	\$ 1,043,204	743,677

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.	2016 Net	2015 Net
Land	\$ 30,000	-	30,000	30,000
Buildings	218,103	139,483	78,620	85,172
Office furniture and computer equipment	121,066	121,066	-	996
	<u>\$ 369,169</u>	<u>260,549</u>	<u>108,620</u>	<u>116,168</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%.

	2016	2015
Client loans including interest due and accrued	\$ 1,726,197	1,869,989
Allowance for doubtful loans	(574,493)	(494,770)
	<u>\$ 1,151,704</u>	<u>1,375,219</u>

6 Deferred contributions:

	2016	2015
Western Economic Diversification Canada - core funding, fiscal 2014/2015	\$ 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, 2016 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.