
NORTHWEST MANITOBA COMMUNITY FUTURES
DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS

MARCH 31, 2023

NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION

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MARCH 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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To the Members
Northwest Manitoba Community Futures Development Corporation

Opinion

We have audited the accompanying financial statements of Northwest Manitoba Community Futures Development Corporation, which comprise the statement of financial position as at March 31, 2023, and the statements of revenue, expenditures and net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northwest Manitoba Community Futures Development Corporation as at March 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Northwest Manitoba Community Futures Development Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing Northwest Manitoba Community Futures Development Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Northwest Manitoba Community Futures Development Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Northwest Manitoba Community Futures Development Corporation's financial reporting process.

(continued.....)

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Northwest Manitoba Community Futures Development Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Northwest Manitoba Community Futures Development Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Northwest Manitoba Community Futures Development Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Flin Flon, Manitoba
July 20, 2023

Baker Tilly HMA LLP

Chartered Professional Accountants

NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 2

STATEMENT OF REVENUE, EXPENDITURES AND NET ASSETS

YEAR ENDED MARCH 31

GENERAL ADMINISTRATION FUND

	2023	2022
REVENUE		
Prairies Economic Development Canada	\$ 344,871	\$ 344,871
Province of Manitoba	45,086	44,704
Other income	<u>1,331</u>	<u>6,545</u>
	<u>391,288</u>	<u>396,120</u>
EXPENDITURES		
Advertising and promotion	820	1,893
Bank charges and interest	616	483
Insurance	695	678
Meetings	889	1,035
Membership dues	6,223	6,646
Miscellaneous projects	416	400
Office	4,784	7,192
Personal protective equipment	368	2,476
Professional fees	4,100	2,000
Property taxes	4,275	3,183
Regional tourism strategy	10,023	6,368
Repairs and maintenance	6,051	9,956
Supplies	7,388	4,876
Telecommunication project	2,283	2,289
Telephone	20,778	20,926
Training - staff and board	935	969
Travel - board	2,910	1,633
Travel - staff	18,815	20,352
Utilities	14,163	13,535
Vehicle	386	697
Wages and benefits	<u>289,105</u>	<u>291,645</u>
	<u>396,023</u>	<u>399,232</u>
EXCESS OF EXPENDITURES OVER REVENUE	(4,735)	(3,112)
EARNED SURPLUS, <i>beginning of year</i>	<u>2,218</u>	<u>5,330</u>
EARNED SURPLUS (DEFICIT), <i>end of year</i>	\$(<u>2,517</u>)	\$ <u>2,218</u>

NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT 3

STATEMENT OF REVENUES, EXPENDITURES AND NET ASSETS

INVESTMENT FUND	YEAR ENDED MARCH 31					
	General	Disabled	Youth	RRRF	2023	2022
REVENUE						
Interest income	\$ 6,819	\$ -	\$ -	\$ -	\$ 6,819	\$ 6,551
	<u>6,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,819</u>	<u>6,551</u>
EXPENDITURES						
Bad debts	122,717				122,717	10,000
Bank charges and interest	74				74	79
General	482				482	479
Professional fees	<u>2,000</u>				<u>2,000</u>	<u>-</u>
	<u>125,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,273</u>	<u>10,558</u>
EXCESS OF EXPENDITURES OVER REVENUE	(118,454)	-	-	-	(118,454)	(4,007)
EARNED DEFICIT, beginning of year	(177,249)				(177,249)	(173,242)
EARNED DEFICIT, end of year	(295,703)				(295,703)	(177,249)
FUNDED SURPLUS	<u>107,364</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>507,364</u>	<u>507,364</u>
TOTAL SURPLUS (DEFICIT), end of year	\$(188,339)	\$ 200,000	\$ 200,000	\$ -	\$ 211,661	\$ 330,115



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STATEMENT 4

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

ALL FUNDS	2023	2022
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Cash received from funding sources and clients	\$ 395,542	\$ 405,177
Cash paid to suppliers and employees	(407,973)	(407,613)
Other cash received	(3,387)	3,387
Cash received from (paid to) related parties	<u>-</u>	<u>20,485</u>
	<u>(15,818)</u>	<u>21,436</u>
<i>INVESTING ACTIVITY</i>		
Repayment from (issuance of) loans	<u>31,821</u>	<u>(2,524)</u>
NET INCREASE IN CASH DURING YEAR	16,003	18,912
CASH, <i>beginning of year</i>	<u>113,697</u>	<u>94,785</u>
CASH, <i>end of year</i>	<u>\$ 129,700</u>	<u>\$ 113,697</u>

NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

1. PURPOSE OF ORGANIZATION

Northwest Manitoba Community Futures Development Corporation is a community based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The organization was formed by amalgamation of two non-profit organizations incorporated without share capital, and accordingly is non-taxable under Sec. 149 (1) (e) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies adopted by Northwest Manitoba Community Futures Development Corporation include:

- a) Northwest Manitoba Community Futures Development Corporation follows the restricted fund method of accounting for contributions.

The General Administration Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Investment Fund reports restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. The organization is restricted in the types of loans that can be made according to its agreement with the federal government. When all loans are collected, the remaining assets of the investment fund may be returned by Northwest Manitoba Community Futures Development Corporation, at the discretion of the Minister for Prairies Economic Development Canada.

i) General Investment Fund

A repayable contribution of \$107,364 by Prairies Economic Development Canada to be used for loans, loan guarantees and equity investment in a new business or expansion of an existing business. There is no specific date for repayment and repayment will not include interest.

ii) Disability and Youth Investment Fund

A repayable contribution of \$200,000 by Prairies Economic Development Canada was advanced to both the Investment Disability Fund and the Investment Youth Fund to be used for loans, loan guarantees and equity investment in businesses owned and operated by disabled persons and youth entrepreneurs respectively. There is no specific date for repayment and repayment will not include interest.

REVENUE RECOGNITION

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or become receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenues other than contributions are recognized when they are earned. Funding recoveries are accounted for at the time they become known.

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NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION

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NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CONTRIBUTED MATERIALS AND SERVICES

Contributed materials and services are recorded at fair value when fair value can be reasonably estimated and when the materials and services are normally purchased by the organization and would be paid for if not donated. Board members and volunteers make a significant contribution to the organization however because of the difficulty in determining fair value, these contributed services are not recognized in the financial statements.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates include the impairment allowance for doubtful loans and investments.

CAPITAL ASSETS

Capital assets are expensed at the time of acquisition. Capital assets held include furniture, fixtures and equipment for their office. During the year capital assets valued at \$780 for office furniture and equipment (2022 - \$1,397) were expensed.

FINANCIAL INSTRUMENTS

The organization initially measures its financial assets and financial liabilities originated or exchanged in arm's length transactions at fair value. Transaction costs related to financial assets that will be subsequently measured at fair value are recognized in the statement of operations in the year in which they are incurred.

Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms.

The organization subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial instruments measured at amortized cost include cash, short term investments, accounts receivable and accounts payable and accrued liabilities.

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NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

3. LOANS AND INVESTMENTS

	General	Equity	RRRF Loans	TOTAL	
				2023	2022
Loans and investments	\$ 835,435	\$ 134,769	\$ 180,000	\$ 1,150,204	\$ 1,172,025
Provision for doubtful amounts	(711,276)	(122,621)	-	(833,897)	(711,180)
	<u>\$ 124,159</u>	<u>\$ 12,148</u>	<u>\$ 180,000</u>	<u>\$ 316,307</u>	<u>\$ 460,845</u>

During the year, there were the following changes in the allowance for doubtful accounts:

	Beginning Balance	Provisions	Write-offs	Reversals	2023	2022
General investment fund	\$ <u>711,180</u>	\$ <u>122,717</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>833,897</u>	\$ <u>711,180</u>

The majority of loans are currently non-performing loans. Management has taken a number of steps to collect on outstanding accounts.

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 6% to 12% with monthly blended principal and interest repayments amortized for terms up to 60 months. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general and specific security agreements covering business assets and mortgages on land and building.

There were no loans over \$150,000 with the total outstanding balance of such loans being NIL. (2021 - None / NIL)

4. LONG TERM DEBT

	2023	2022
Loan payable - Regional Relief and Recovery Fund, non-interest bearing.		

Initial repayment term is December 31, 2023 with 25% of the amount contingently forgivable based on the payment performance of related RRRF loans to loan clients.

Extended repayment terms to December 31, 2025 with interest to accrue on loan funds and a fixed repayment schedule.

Less: Current portion

	\$ 226,480	\$ 226,480
	<u>226,480</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 226,480</u>

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5. ECONOMIC DEPENDENCE

The organization derives 97.95% of its revenues from the Western Economic Diversification and Province of Manitoba Training Program (2022 - 96.75).

6. FINANCIAL INSTRUMENTS

In the normal course of business, Northwest Manitoba Community Futures Development Corporation is exposed to credit risk, liquidity risk and market risk. Northwest Manitoba Community Futures Development Corporation does not undertake hedging transactions to manage risk. As part of its overall risk assessment process, management takes steps to identify and mitigate undue concentrations of risk.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Financial instruments that subject Northwest Manitoba Community Futures Development Corporation to concentrations of credit risk consist of cash, accounts receivable and loans receivable. The maximum exposure to credit risk at the balance sheet date is the fair value of these instruments.

Northwest Manitoba Community Futures Development Corporation's primary exposure to credit risk arises from its lending activities. To reduce its exposure to credit risk on lending activities Northwest Manitoba Community Futures Development Corporation:

- Adheres to internal policies and procedures related to credit risk management
- Obtains promissory notes, security agreements and life insurance coverage from borrowers
- Has implemented prescribed maximum loan amounts for individual borrowers
- Conducts and documents on-going monitoring and review procedures

Northwest Manitoba Community Futures Development Corporation has a concentration of credit risk in the Northwestern Manitoba region. A general decline in regional economic conditions would increase overall credit risk exposure.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Northwest Manitoba Community Futures Development Corporation's loans receivable bear interest at fixed rates and all other financial assets and liabilities are non-interest bearing. Consequently, management does not believe that the near term cash flow impact of interest rate fluctuations will be significant. Assuming all other factors hold constant if an immediate and sustained increase or decrease in interest rates were to occur the loan portfolio would be subject to a corresponding increase or decrease in fair value based on the magnitude of the interest rate change and weighted average duration of the loan portfolio at that time.

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DEVELOPMENT CORPORATION**

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NOTES TO FINANCIAL STATEMENTS

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7. COMPARATIVE FIGURES FOR THE PRIOR YEAR

Certain comparative figures for the prior year have been reclassified in order to conform with the financial statement presentation adopted for the current year.