

**NORTHWEST MANITOBA COMMUNITY FUTURES  
DEVELOPMENT CORPORATION  
FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2016**

**NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT  
CORPORATION INC.**

**YEAR ENDED MARCH 31, 2016**

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# KENDALL & PANDYA

## Chartered Accountants

300-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957  
118 Cree Road, Thompson, MB R8N 0C1 (204) 778-7312 Fax 778-7919

Partners.... David Kendall, FCA \*  
Manisha Pandya, CA \*

\* Operating as professional corporations

## INDEPENDENT AUDITOR'S REPORT

To the Directors of Northwest Manitoba Community Futures Development Corporation Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Manitoba Community Futures Development Corporation Inc., which comprise the balance sheets as at March 31, 2016 and 2015, and the statements of operations, changes in net assets and cash flows for the years 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.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northwest Manitoba Community Futures Development Corporation Inc. as at March 31, 2016 and 2015 and its operations and cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Flin Flon, Manitoba  
June 28, 2016

*Kendall & Pandya*  
CHARTERED ACCOUNTANTS

# KENDALL & PANDYA

## Chartered Accountants

300-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957  
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## AUDITOR'S REPORT ON COMPLIANCE WITH AGREEMENT

### To Western Economic Diversification

We have audited the Northwest Manitoba Community Futures Development Corporation Inc. compliance as at March 31, 2016 with the criteria established in the Contribution Agreement between Western Economic Diversification and the CFDC. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of the CFDC. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with General Auditing Standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the CFDC complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, the CFDC is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

Flin Flon, MB  
June 28, 2016

*Kendall & Pandya*  
Chartered Accountants

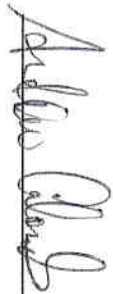
NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2016

	ASSETS				2016 Total	2015 Total
	General Admin Fund	General Investment Fund	Disabled Investment	Youth Funds		
Current assets						
Bank	262	62,956	-	-	63,218	71,942
Accounts receivable	20,598	-	-	-	20,598	17,237
Interfund receivable	-	7,860	169,251	282,214	459,325	520,305
Prepaid expenses	-	-	-	-	-	2,833
Inventory	-	-	-	-	-	-
Capital assets (Note 3)	20,860	70,816	169,251	282,214	543,141	612,317
Investment loans (Note 6)	262,031	-	-	-	262,031	262,031
	-	998,855	-	-	998,855	1,032,609
	282,891	1,069,671	169,251	282,214	1,804,027	1,906,957
<b>LIABILITIES AND FUND BALANCES</b>						
Current Liabilities						
Accounts payable	13,533	997	-	-	14,530	13,532
Deferred Revenue	-	451,465	-	-	459,325	520,305
Interfund payable	7,860	49,047	-	-	49,047	47,350
Current Portion Of Debt	21,393	501,509	-	-	522,902	581,187
Long term debt (Note 4)	-	12,516	-	-	12,516	61,564
	21,393	514,025	-	-	535,418	642,751
Fund Balances						
Capital Assets	262,031	-	-	-	262,031	262,031
Restricted Funds	-	900,717	200,000	200,000	1,300,717	1,300,717
Unrestricted Funds	(533)	(345,071)	(30,749)	82,214	(294,139)	(298,542)
	(533)	555,646	169,251	282,214	1,006,578	1,002,175
	282,891	1,069,671	169,251	282,214	1,804,027	1,906,957

Approved by the Board:



Director



Director

See accompanying notes.

**NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT  
CORPORATION INC.**

**STATEMENT OF OPERATIONS  
IN GENERAL ADMINISTRATION FUND BALANCE  
YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>INCOME</b> (Note 5)	<b>\$ <u>387,513</u></b>	<b>\$ <u>384,979</u></b>
<b>OPERATING EXPENSES</b>		
Advertising and promotion	593	1,705
Bank charges and interest	580	418
Urban Partnership - Youth	2,676	5,000
Miscellaneous Projects	655	846
Insurance	4,434	930
Meetings	5,005	7,711
Membership dues	3,160	3,416
Office	4,864	5,847
Professional fees	2,500	6,836
Property taxes	3,542	3,565
Regional tourism strategy	4,112	3,917
Repairs and maintenance	5,999	1,813
Telecommunications Project	1,784	1,907
Telephone	13,966	11,198
Travel - board	9,768	10,987
- staff	14,898	23,156
Utilities	11,821	9,740
Vehicle	403	453
Wages and benefits	236,825	209,707
Supplies	<u>235</u>	<u>106</u>
	<u>327,820</u>	<u>309,258</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<b>\$ <u>59,693</u></b>	<b>\$ <u>75,721</u></b>

See accompanying notes.

**NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT  
CORPORATION INC**

**STATEMENT OF OPERATIONS  
INVESTMENT FUND  
YEAR ENDED MARCH 31, 2016**

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	<u>2016</u>	<u>2015</u>
<b>INCOME</b>		
Interest	\$ <u>7,095</u>	\$ <u>-</u>
<b>OPERATING EXPENSES</b>		
Bad debts (Note 1)	57,523	57,000
Bank charges and interest	72	72
Administration - Tea Training	470	446
Interest on long-term debt	5,299	6,916
Professional fees	<u>1,262</u>	<u>3,000</u>
	<u>64,626</u>	<u>67,434</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<u>\$ (57,531)</u>	<u>\$ (67,434)</u>

See accompanying notes.

**NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT  
CORPORATION INC.**

**STATEMENT OF CHANGES IN NET ASSETS  
IN GENERAL ADMINISTRATION FUND BALANCE  
YEAR ENDED MARCH 31, 2016**

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	<u>2016</u>	<u>2015</u>
Unrestricted net assets at beginning of year	\$ (60,226)	\$ (135,947)
Add: Excess of revenue over expenses for the year	<u>59,693</u>	<u>75,721</u>
Deduct: Prior years capital asset purchases	<u>-</u>	<u>-</u>
<b>UNRESTRICTED NET ASSETS AT END OF YEAR</b>	<b>\$ <u>(533)</u></b>	<b>\$ <u>(60,226)</u></b>

See accompanying notes.



**NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT  
CORPORATION INC**

**STATEMENT OF CHANGES IN NET ASSETS  
INVESTMENT FUND  
YEAR ENDED MARCH 31, 2016**

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	<u>2016</u>	<u>2015</u>
Surplus assets at beginning of year - general	\$ 538,176	\$ 605,610
- youth	280,813	279,417
- disabled	243,412	242,575
Add: Excess of revenue over expenses		
for the year - general	(57,531)	(67,434)
- youth	1,402	1,396
- disabled	<u>841</u>	<u>837</u>
<b>UNRESTRICTED NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,007,113</u></b>	<b><u>\$ 1,062,401</u></b>

See accompanying notes.

**NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT  
CORPORATION INC.**

**STATEMENT OF CASH FLOW**

**YEAR ENDED MARCH 31, 2016**

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	<u>2016</u>	<u>2015</u>
<b>FUNDS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 320,933	\$ 303,246
Cash paid to suppliers and employees	(323,866)	(322,272)
Other cash received (paid)	<u>-</u>	<u>(28,739)</u>
Funds used in operating activities	<u>(2,933)</u>	<u>(47,765)</u>
<b>DECREASE IN FUNDS</b>	<b>(2,933)</b>	<b>(47,765)</b>
Cash and cash equivalents at beginning of year	<u>3,195</u>	<u>50,960</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 262</u></b>	<b><u>\$ 3,195</u></b>

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash	\$ <u>262</u>	\$ <u>3,195</u>
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See accompanying notes.

# NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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### 1. PURPOSE OF THE 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. SIGNIFICANT ACCOUNTING POLICIES

#### FUND ACCOUNTING

Northwest Manitoba Community Futures Development Corporation follows the restricted 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 Investment Funds report restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Loan Investment Fund for the Disabled and the Loan Investment Fund for Youth are limited to businesses owned and operated by disabled and youth entrepreneurs respectively. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

#### PLANT AND EQUIPMENT

The organization capitalizes capital assets as acquired in the Capital Fund. Capital assets are expensed in the Administration Fund when the payment is made for the asset or when the capital asset loan principal repayments are made. The total expense in 2016 was \$nil (2015 - \$nil) for assets acquired. As amortization is not an allowable expense by the funding agency, no provision for amortization has been provided in these financial statements.

#### REVENUE RECOGNITION

The organization recognizes its receipts of revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income is recognized as revenue when earned.

#### FINANCIAL INSTRUMENTS

i. The organization initially measures its financial assets and liabilities at fair value adjusted by, in the use of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures all its financial assets and liabilities at 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 statements of operations in the period incurred.

Financial assets measured at amortized cost include cash and term deposits.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

# NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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### ii. Impairment

At the end of each reporting period Northwest Manitoba Community Futures Development Corporation Inc. assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that come to the attention of the organization, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract such as a default or delinquency in interest or principal payments or bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the organization determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the organization identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following:

- i) the present value of the cash flow expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset,
- ii) the amount that could be realized by selling the asset at the statement of financial position date and
- iii) the amount the organization expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all necessary to exercise those rights.

The carrying amount of the asset is reduced directly or through the use of an allowance amount. The amount of the reduction is recognized as an impairment loss in the statement of operations.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement directly or by adjusting the allowance account. The amount of the reversal is recognized in the statements of operations in the period the reversal occurs.

### MANAGEMENT ESTIMATES

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

### DEFERRED CONTRIBUTIONS

The organization uses the deferral method of accounting whereby restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Contributions received pertaining to depreciable assets are recorded on the balance sheet as "Deferred contributions" and are amortized using the same method and rate as the plant or equipment funded by the contribution.

**NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT  
CORPORATION INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2016**

<b>3. PLANT AND EQUIPMENT</b>	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 116,640	\$ 116,640
Computer hardware	88,397	88,397
Land and building	<u>56,994</u>	<u>56,994</u>
	<u>\$ 262,031</u>	<u>\$ 262,031</u>
<b>4. LONG-TERM DEBT</b>		
	<u>2016</u>	<u>2015</u>
Loan payable - Community Futures Investment Fund, monthly installments of \$4,201 including interest at prime plus 3.500%. Due 2018.	\$ <u>61,563</u>	\$ <u>108,913</u>
Less portion due within one year	<u>49,047</u>	<u>47,350</u>
	<u>\$ 12,516</u>	<u>\$ 61,563</u>
Portion amounts are due \$49,047 in 2017 and \$12,516 in 2018.		
<b>5. INCOME</b>		
	<u>2016</u>	<u>2015</u>
Grant - Western Economic Diversification		
CF Program	\$ 344,871	\$ 344,871
Manitoba Education and Training	41,897	40,108
Other	<u>745</u>	<u>-</u>
	<u>\$ 387,513</u>	<u>\$ 384,979</u>
<b>6. INVESTMENT LOANS</b>		
	<u>2016</u>	<u>2015</u>
- principal	\$ 880,776	\$ 1,129,180
- equity	<u>134,769</u>	<u>209,769</u>
	<u>1,015,545</u>	<u>1,338,949</u>
Less doubtful investments	<u>16,690</u>	<u>306,340</u>
	<u>\$ 998,855</u>	<u>\$ 1,032,609</u>

The majority of loans are currently non-performing loans, \$16,690 has been set-up as an allowance for uncollectibles. Management feels that the remaining loans will be collectible, as collection proceedings have commenced.

# NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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### 7. ECONOMIC DEPENDENCE

The organization derives 99.81% of its revenues from the Western Economic Diversification and Province of Manitoba Training Program (2014 - 100.00%).

### 8. OPERATING AND FUNDING

To March 31, 2010, Western Economic Diversification has provided repayable funding as follows:

Youth Investment Fund	200,000
Disabled Investment Fund	200,000
Investment Fund	107,363

These amounts have no specific date for repayment and repayment will not include interest.

\$7,860 (2015 - \$71,081) is payable to the Investment Fund from the General Administration fund. Monthly installments of \$5,100 will be made to the Investment Fund until the balance is paid in full.

### 9. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, term deposits and accrued liabilities.

#### **Fair value of financial instruments**

The fair value of cash, term deposits and accrued liabilities approximate their carrying value due to their nature or capacity for prompt liquidation.

#### **Currency, interest rate and market risk**

An organization is potentially exposed to currency risk, interest rate risk, and market risk. The organization is not exposed to currency risk (the risk the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates) as it does not conduct in or hold foreign currency. Interest rate risk is the risk the fair value of a financial instrument will fluctuate due to changes in market interest rates. The organization does not hold any interest bearing liabilities. Market risk is the risk the fair value of a financial instrument will fluctuate because of changes in market prices caused by factors specific to the instrument or its issuer or factors affecting all instruments traded in the market. The organization is not exposed to market risk because the term deposits held are guaranteed.

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss or if there is a concentration of transactions carried out with the same party. The organization is not involved in instances exposing itself to credit risk.

#### **Liquidity risk**

Liquidity risk is the risk an entity will encounter difficulty in meeting a demand for cash or to fund its obligations as they come due or to liquidate assets in a timely manner at a reasonable price. Since the organization has more than adequate current assets to cover current liabilities, liquidity risk is minimal.

#### **Other price risk**

Other price risk includes the risk future cash flows associated with a monetary financial instrument will fluctuate in amount. Since the financial instruments are primarily short term, other price risk is low.