NORTHWEST MANITOBA COMMUNITY FUTURES

DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

YEAR ENDED MARCH 31, 2017

CONTENTS

KENDALL & PANDYA
Chartered Professional Accountants

Partners: David Kendall, FCPA, FCA*
Manisha Pandya, CPA, CA*
** Operating as professional corporations*

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, 2017 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 13, 2017

Kendall & Pandya
Chartered Professional Accountants

Flin Flon & Thompson, MB

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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 statement of financial position as at March 31, 2017, and the statements of operation, changes in net assets and cash flow 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.

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 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 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, 2017 and its operations, chamges in net assets and cash flow for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Flin Flon, Manitoba
June 13, 2017

Kendall & Pandya
CHARTERED PROFESSIONAL ACCOUNTANTS

Flin Flon & Thompson, MB

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NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2017

ASSETS

	General Admin Fund	General Investment Fund	Disabled Investment	Youth Funds	2016 Total	2015 Total
Current assets						
Bank	(2,864)	19,138	-	-	16,274	71,942
Accounts receivable	20,622	-	-	-	20,622	17,237
Interfund receivable	-	-	170,092	283,616	453,708	520,305
Prepaid expenses	143	-	-	-	143	2,833
Inventory	-	-	-	-	-	-
	17,901	19,138	170,092	283,616	490,747	612,317
Capital assets (Note 3)	262,031	-	-	-	262,031	262,031
Investment loans (Note 6)	-	996,418	-	-	996,418	1,032,609
	279,932	1,015,556	170,092	283,616	1,749,196	1,906,957

LIABILITIES AND FUND BALANCES

	General Admin Fund	General Investment Fund	Disabled Investment	Youth Funds	2016 Total	2015 Total
Current Liabilites						
Accounts payable	11,613	996	-	-	12,609	13,532
Deferred Revenue	-				-	-
Interfund payable	-	453,708	-	-	453,708	520,305
Current Portion Of Debt	-	12,529			12,529	47,350
	11,613	467,233	-	-	478,846	581,187
Long term debt (Note 4)	-	-	-	-	-	61,564
	11,613	467,233	-	-	478,846	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	6,288	(352,394)	(29,908)	83,616	(292,398)	(298,542)
	6,288	548,323	170,092	283,616	1,008,319	1,002,175
	279,932	1,015,556	170,092	283,616	1,749,196	1,906,957

Approved by the Board:

See accompanying notes. _______________ Director _______________ Director

NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

STATEMENT OF OPERATIONS IN GENERAL ADMINISTRATION FUND BALANCE YEAR ENDED MARCH 31, 2017

	2017	2016
INCOME (Note 5)	**$ 380,834**	$ 387,513
OPERATING EXPENSES		
Advertising and promotion	**2,946**	593
Bank charges and interest	**621**	579
Urban Partnership - Youth	**10,063**	2,485
Miscellaneous Projects	**1,569**	846
Insurance	**1,407**	4,434
Meetings	**5,579**	5,005
Membership dues	**3,160**	3,160
Office	**14,755**	4,864
Professional fees	**5,123**	2,500
Property taxes	**3,303**	3,542
Regional tourism strategy	**26,672**	4,112
Repairs and maintenance	**4,386**	5,999
Telecommunications Project	**2,102**	1,784
Telephone	**14,820**	13,966
Travel - board	**6,502**	9,768
- staff	**24,104**	14,898
Utilities	**10,478**	11,821
Vehicle	**1,318**	403
Wages and benefits	**230,496**	236,825
Supplies	**4,610**	235
	374,014	327,819
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	**$ 6,820**	$ 59,694

See accompanying notes.

NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION INC

STATEMENT OF OPERATIONS
INVESTMENT FUND
YEAR ENDED MARCH 31, 2017

	2017	2016
INCOME		
Interest	$ 7,563	$ 7,095
OPERATING EXPENSES		
Bad debts (Note 1)	10,000	57,523
Bank charges and interest	72	72
Administration - Tea Training	199	470
Interest on long-term debt	3,615	5,299
Professional fees	1,000	1,262
	14,886	64,626
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	$ (7,323)	$ (57,531)

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, 2017

	2017	2016
Unrestricted net assets at beginning of year	$ **(532)**	$ (60,226)
Add: Excess of revenue over expenses for the year	**6,820**	59,694
UNRESTRICTED NET ASSETS AT END OF YEAR	$ **6,288**	$ (532)

See accompanying notes.

NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION INC

STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT FUND
YEAR ENDED MARCH 31, 2017

	2017	2016
Surplus assets at beginning of year - general	**$ 480,643**	$ 538,174
- youth	**282,215**	280,813
- disabled	**244,253**	243,412
Add: Excess of revenue over expenses		
for the year - general	**(7,323)**	(57,531)
- youth	**1,402**	1,402
- disabled	**841**	841
UNRESTRICTED NET ASSETS AT END OF YEAR	**$ 1,002,031**	$ 1,007,111

See accompanying notes.

NORTHWEST MANITOBA COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.

STATEMENT OF CASH FLOW

YEAR ENDED MARCH 31, 2017

	2017	2016
FUNDS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Cash receipts from customers	$ 372,951	$ 320,930
Cash paid to suppliers and employees	(376,077)	(323,863)
Funds used in operating activities	(3,126)	(2,933)
DECREASE IN FUNDS	(3,126)	(2,933)
Cash and cash equivalents at beginning of year	262	3,195
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ (2,864)	$ 262

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:

	2017	2016
Cash	$ -	$ 262
Bank indebtedness	(2,864)	-
	$ (2,864)	$ 262

See accompanying notes.

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 if 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.

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 pretaining 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.

3. PLANT AND EQUIPMENT

	2017	2016
Furniture and equipment	$ 116,640	$ 116,640
Computer hardware	88,397	88,397
Land and building	56,994	56,994
	$ 262,031	$ 262,031

4. LONG-TERM DEBT

	2017	2016
Loan payable - Community Futures Investment Fund, monthy installments of $4,201 including interest at prime plus 3.500%. Due 2018.	$ 12,529	$ 61,563
Less portion due within one year	12,529	49,047
	$ -	$ 12,516

5. INCOME

	2017	2016
Grant - Western Economic Diversification		
CF Program	$ 344,871	$ 344,871
Manitoba Education and Training	35,227	41,897
Other	736	745
	$ 380,834	$ 387,513

6. INVESTMENT LOANS

	2017	2016
- principal	$ 871,649	$ 880,776
- equity	134,769	134,769
	1,006,418	1,015,545
Less doubtful investments	10,000	16,690
	$ 996,418	$ 998,855

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.

7. ECONOMIC DEPENDENCE

The organization derives 99.81% of its revenues from the Western Economic Diversification and Province of Manitoba Training Program (2015 - 99.81%).

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.