

**WINNIPEG RIVER BROKENHEAD
COMMUNITY FUTURES DEVELOPMENT CORPORATION (CFDC)**

FINANCIAL STATEMENTS

MARCH 31, 2007

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AUDITORS' REPORT

To the Directors of Winnipeg River Brokenhead
Community Futures Development Corporation (CFDC)

We have audited the balance sheet of Winnipeg River Brokenhead Community Futures Development Corporation (CFDC) as at March 31, 2007 and the statements of operations and fund balances and cash flow statement for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
May 24, 2007


Chartered Accountants

**WINNIPEG RIVER BROKENHEAD
COMMUNITY FUTURES DEVELOPMENT CORPORATION (CFDC)**

Balance Sheet
March 31, 2007

	General Fund	Investment Funds			2007	2006
		Regular	Disabled	Youth		
Assets						
Current						
Cash and short-term deposits	\$ 60,167	536,715	130,132	165,647	892,661	918,381
Accounts receivable	31,923	-	-	-	31,923	29,299
Prepays	268	-	-	-	268	1,443
Deposit, Community Futures Investment Fund (note 3)	-	213,480	-	-	213,480	204,103
	92,358	750,195	130,132	165,647	1,138,332	1,153,226
Capital (note 4)	167,588	-	-	-	167,588	174,140
Client loans (note 5)	-	752,903	-	93,105	846,008	697,430
Total assets	\$ 259,946	1,503,098	130,132	258,752	2,151,928	2,024,796
Liabilities						
Current						
Accounts payable and accruals	\$ 5,155	-	-	-	5,155	7,487
Fund balances	254,791	1,503,098	130,132	258,752	2,146,773	2,017,309
Total liabilities and fund balances	\$ 259,946	1,503,098	130,132	258,752	2,151,928	2,024,796

Contingency (note 8)

APPROVED BY THE BOARD:

_____ DIRECTOR

_____ DIRECTOR

WINNIPEG RIVER BROKENHEAD COMMUNITY FUTURES DEVELOPMENT CORPORATION (CFDC)

GENERAL FUND - Statement of Operations and Fund Balance
for the year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
Revenue		
Western Economic Diversification	\$ 277,969	277,699
Fees for service	26,235	17,674
Self-Employment Assistance Program	17,635	23,839
Rental income	6,000	5,600
Interest	167	38
	<hr/> 328,006	<hr/> 324,850
Expenses		
Salaries and benefits	216,892	226,281
Office	13,345	10,595
Directors' expenses	9,925	7,887
Conferences and training	8,620	12,624
Telephone, facsimile and internet	7,125	6,290
Amortization	6,552	6,552
Property taxes	5,591	5,197
Computer upgrades/maintenance	5,003	24,340
Professional fees	4,815	4,815
Travel and automobile	3,658	3,978
Marketing, advertising and promotion	2,925	5,577
Utilities	2,917	3,682
Postage	2,812	2,382
Meetings	2,082	2,167
Non-refundable GST	1,869	2,971
Memberships and subscriptions	1,564	1,131
Insurance	1,499	1,412
Maintenance and repairs	1,020	14,793
Community economic development - projects	(2,108)	2,450
Bank charges and interest	-	32
	<hr/> 296,106	<hr/> 345,156
Excess revenue (expense)	31,900	(20,306)
Transfer from Investment Funds	-	21,300
Fund balance, beginning of year	222,891	221,897
	<hr/>	<hr/>
Fund balance, end of year	\$ 254,791	222,891

**WINNIPEG RIVER BROKENHEAD
COMMUNITY FUTURES DEVELOPMENT CORPORATION (CFDC)**

INVESTMENT FUNDS - Statements of Operations and Fund Balances
for the year ended March 31, 2007

	<u>Investment Funds</u>			<u>2007</u>	<u>2006</u>
	<u>Regular</u>	<u>Disabled</u>	<u>Youth</u>		
Revenue					
Interest - loans	\$ 49,912	823	6,439	57,174	55,972
Interest - credit union	17,849	4,100	8,753	30,702	22,967
Interest - Community Futures Investment Fund	9,376	-	-	9,376	4,103
Credit recoveries	1,343	-	35	1,378	20,227
	78,480	4,923	15,227	98,630	103,269
Expense					
Professional fees	1,066	-	-	1,066	962
	1,066	-	-	1,066	962
Excess revenue	77,414	4,923	15,227	97,564	102,307
Transfer to General Fund	-	-	-	-	(21,300)
Fund balances, beginning of year	1,425,684	125,209	243,525	1,794,418	1,713,411
Fund balances, end of year	\$ 1,503,098	130,132	258,752	1,891,982	1,794,418

**WINNIPEG RIVER BROKENHEAD
COMMUNITY FUTURES DEVELOPMENT CORPORATION (CFDC)**

Cash Flow Statement
for the year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
Sources of cash		
Western Economic Diversification	\$ 277,969	279,199
Self-Employment Assistance Program	17,686	23,511
Interest received on loans and funds on deposit	95,794	83,269
Client loans net of advances	-	52,926
Other	31,668	5,212
	<hr/> 423,117	<hr/> 444,117
Uses of cash		
Payments to suppliers and employees	293,885	338,131
Client loans net of repayments	145,575	-
Community Futures Investment Fund	9,377	4,103
	<hr/> 448,837	<hr/> 342,234
Change in cash	(25,720)	101,883
Cash and short-term deposits, beginning of year	918,381	816,498
Cash and short-term deposits, end of year	<hr/> <hr/> \$ 892,661	<hr/> <hr/> 918,381

WINNIPEG RIVER BROKENHEAD COMMUNITY FUTURES DEVELOPMENT CORPORATION (CFDC)

Notes to Financial Statements
March 31, 2007

1. Purpose and funding:

Winnipeg River Brokenhead Community Futures Development Corporation is a non-profit community based organization funded by Western Economic Diversification Canada (WD). The Corporation provides loans and financial services to small businesses in order to achieve sustained growth in employment opportunities within the Winnipeg River Brokenhead area of Eastern Manitoba pursuant to a contribution agreement with WD. Winnipeg River Brokenhead CFDC recognizes its commitment for repayment of investment funds back to WD as per the contribution agreement.

The Corporation is exempt from income tax under section 149(1)(l) of the Income Tax Act.

2. Summary of accounting policies:

The Corporation follows the restricted fund method of accounting for contributions.

General Fund

WD contributions are recognized as revenue when program delivery and administrative expenses are incurred. Excess contributions, if any, are deferred until subsequent accounting periods.

Unrestricted resources are recognized as revenue when received or become receivable.

Investment Funds

WD contributions are recognized as revenue when received.

Interest income is recorded on the accrual basis.

3. Deposit, Community Futures Investment Fund (CFIF):

CFIF was created by Community Futures Partners of Manitoba Inc. (CFPM) to take advantage of surplus investment funds within the system of Manitoba CFDCs. CFIF serves as an investment vehicle for CFDCs with surplus investment funds whereas CFDCs 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>Accumulated Amortization</u>	<u>2007 Net</u>	<u>2006 Net</u>
Land	\$ 30,000	-	30,000	30,000
Building	218,103	80,515	137,588	144,140
Office furniture and computer equipment	111,102	111,102	-	-
	\$ <u>359,205</u>	<u>191,617</u>	<u>167,588</u>	<u>174,140</u>

Amortization policy

Building - straight-line method over 40 years

Office furniture and computer equipment - straight-line method over 5 years

WINNIPEG RIVER BROKENHEAD COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 2007

5. Client loans:

General security agreements and personal guarantees secure client loans. Loans are payable over terms up to five years at interest rates ranging from 6.75% to 9.50%.

	<u>2007</u>	<u>2006</u>
Client loans including interest due and accrued	\$ 1,146,948	1,190,320
Allowance for doubtful loans	<u>300,940</u>	<u>492,890</u>
	<u>\$ 846,008</u>	<u>697,430</u>

Loans in the amount of \$40,000 have been approved but not disbursed as of March 31, 2007.

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.

Loans receivable

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 through March 31, 2010.

8. Contingency:

Certain contributions advanced by Western Economic Diversification for purposes of establishing Investment Funds are conditionally repayable should the funding agreement not be extended beyond March 31, 2010. At March 31, 2007 conditionally repayable amounts are as follows:

Regular Investment Fund	\$ 107,363
Disabled Investment Fund	130,132
Youth Investment Fund	165,647

9. Regional economic development strategy:

In 2005 the Corporation began to implement a multi-year economic development strategy in the North Eastman region of the province. The strategy was developed in conjunction with various Municipalities, Chambers of Commerce, CDC's and the Eastman Regional Development Corporation. These financial statements do not include the accounts of the regional economic development strategy.

WINNIPEG RIVER BROKENHEAD COMMUNITY FUTURES DEVELOPMENT CORPORATION (CFDC)

Notes to Financial Statements
March 31, 2007

10. Controlled entities:

The Whiteshell Community Adjustment Program, funded by Western Economic Diversification was created to assist communities affected by the closure of AECL's Whiteshell Laboratories. The Program is intended to provide support to business development but not to directly profit private enterprise. A steering committee comprised of certain directors of the Corporation and others has been established to manage the fund. As a result of an agreement signed March 31, 1999, \$3,750,000 may be made available under the Program.

A summary (unaudited) of the activities of the Program is as follows:

	2000	2001	2002	2003	2004	2005	2006	2007	Total
Revenue									
Western Economic Diversification	\$ 1,250,000	-	-	1,106,312	-	333,688	-	166,836	2,856,836
Interest earned	51,860	44,789	18,153	17,383	26,939	13,409	15,790	8,972	197,295
	\$ 1,301,860	44,789	18,153	1,123,695	26,939	347,097	15,790	175,808	3,054,131
Expense									
Projects funded									
Beausejour Development Corporation	\$ 50,121	64,582	-	-	-	-	-	-	114,703
Lac du Bonnet Community Centre	27,709	65,487	-	-	-	-	-	-	93,196
La Verendrye Trail Association	36,388	106,284	89,323	57,870	11,165	3,911	714	-	305,655
Pinawa Heritage Sundial	-	15,168	-	-	-	-	-	-	15,168
W.B. Lewis Business Centre	-	165,000	79,797	180,000	-	-	-	-	424,797
Deep River Science Academy	-	29,741	30,050	17,971	22,163	11,939	5,068	-	116,932
Lac du Bonnet Airport	-	-	-	102,668	6,158	-	-	-	108,826
Pinawa Economic Development Strategy	-	-	-	64,926	87,660	27,914	-	-	180,500
Beausejour Sports Plex	-	-	-	250,000	-	-	-	-	250,000
Regional Marketing Project	-	-	-	11,284	2,116	-	-	-	13,400
Town & RM of Lac du Bonnet	-	-	-	-	49,247	4,521	-	-	53,768
Mrs. Lucci's Resource Centre	-	-	-	-	41,191	208,809	-	-	250,000
Garson Arena	-	-	-	-	-	-	66,303	24,855	91,158
Regional Economic Development Strategy	-	-	-	-	-	-	21,655	59,480	81,135
Regional Broadband Initiative	-	-	-	-	-	-	111,064	46,936	158,000
Pinawa Hydro Infrastructure	-	-	-	-	-	7,349	-	-	7,349
Pinawa Business Attraction Strategy	-	-	-	-	-	129,666	77,739	37,409	244,814
North Eastern Regional Recycling Facility	-	-	-	-	-	56,328	25,613	-	81,941
Seven Sisters Sewer/Lagoon	-	-	-	-	-	-	-	153,854	153,854
Manitoba Science Academy	-	-	-	-	-	-	-	33,490	33,490
Eastman Ethanol Cooperative	-	-	-	-	-	9,625	-	-	9,625
Tourism study	-	-	30,635	-	-	-	-	-	30,635
Administrative expenses	12,124	17,447	20,411	18,917	5,548	8,956	7,905	15,106	106,414
	\$ 126,342	463,709	250,216	703,636	225,248	469,018	316,061	371,130	2,925,360
Excess revenue and surplus, March 31, 2007								\$	128,771