

**COMMUNITY FUTURES WINNIPEG RIVER**

FINANCIAL STATEMENTS

MARCH 31, 2011

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## INDEPENDENT AUDITORS' REPORT

To the Directors of Community Futures Winnipeg River

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Community Futures Winnipeg River, which comprise the balance sheet as at March 31, 2011, and the statements of operations and fund balances 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 generally accepted accounting principles, 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.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Winnipeg River as at March 31, 2011 and its financial performance and its cash flow or the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba  
June 23, 2011

  
Chartered Accountants

**COMMUNITY FUTURES WINNIPEG RIVER**

Balance Sheet - Combined

March 31, 2011

	General Fund	Investment Funds	2011	2010
<b>Assets</b>				
<b>Current</b>				
Cash and short-term deposits	\$ 76,640	275,510	352,150	458,730
Accounts receivable	4,010	-	4,010	8,454
Due from Regular Fund	-	241,089	-	161,089
Prepays	9,856	-	9,856	3,659
Deposit, Community Futures Investment Fund (Note 3)	-	396,397	396,397	238,147
	90,506	912,996	762,413	870,079
<b>Capital assets (Note 4)</b>	150,348	-	150,348	147,932
<b>Client loans (Note 5)</b>	-	1,521,552	1,521,552	1,502,837
<b>Total assets</b>	\$ 240,854	2,434,548	2,434,313	2,520,848
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accruals	\$ 5,994	-	5,994	8,210
Due to Disabled Fund	-	91,014	91,014	91,014
Due to Youth Fund	-	150,075	150,075	70,075
	5,994	241,089	247,083	169,299
<b>Fund balances</b>	234,860	2,193,459	2,428,319	2,351,549
<b>Total liabilities and fund balances</b>	\$ 240,854	2,434,548	2,675,402	2,520,848

**Contingency (Note 8)****APPROVED BY THE BOARD:**\_\_\_\_\_  
DIRECTOR\_\_\_\_\_  
DIRECTOR

**COMMUNITY FUTURES WINNIPEG RIVER**

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## GENERAL FUND - Statement of Operations and Fund Balances

March 31, 2011

	<b>2011</b>	<b>2010</b>
<b>Revenue</b>		
Western Economic Diversification - core funding	\$ 294,983	294,983
Community Futures Partners of Manitoba	-	3,532
Fees for service	11,248	23,317
Self-Employment Assistance Program	31,329	24,490
Rental income	9,000	9,000
Interest	63	432
	<b>346,623</b>	<b>355,754</b>
<b>Expenses</b>		
Amortization	7,548	6,552
Community economic development - projects	2,194	5,288
Computer upgrades/maintenance	5,271	4,806
Conferences and training	7,248	8,825
Directors' expenses	9,281	15,556
Insurance	1,721	1,761
Maintenance and repairs	966	29,014
Marketing, advertising and promotion	1,250	1,476
Meetings	4,024	5,781
Memberships and subscriptions	871	1,623
Non-refundable GST	1,356	2,020
Office	16,127	14,484
Postage	2,321	2,344
Professional fees	5,671	5,243
Property taxes	5,836	6,270
Salaries and benefits	259,328	239,038
Telephone, facsimile and internet	6,229	6,835
Travel and automobile	5,029	6,298
Utilities	4,179	5,035
	<b>346,450</b>	<b>368,249</b>
<b>Excess revenue (expense)</b>	173	(12,495)
Fund balance, beginning of year	234,687	247,182
<b>Fund balance, end of year</b>	<b>\$ 234,860</b>	<b>234,687</b>

**COMMUNITY FUTURES WINNIPEG RIVER**

## INVESTMENT FUNDS - Balance Sheet

March 31, 2011

	Conditionally Repayable	Regular	Disabled	Youth	2011	2010
<b>Assets</b>						
<b>Current</b>						
Cash and short-term deposits	\$ 108,115	91,811	22,083	53,501	275,510	377,663
Due from Regular Fund	-	-	91,014	150,075	241,089	161,089
Deposit, Community Futures Investment Fund (Note 3)	-	396,397	-	-	396,397	238,147
	108,115	488,208	113,097	203,576	912,996	776,899
<b>Client loans (Note 5)</b>	-	1,422,042	15,021	84,489	1,521,552	1,502,837
<b>Total assets</b>	\$ 108,115	1,910,250	128,118	288,065	2,434,548	2,279,736
<b>Liabilities</b>						
<b>Current</b>						
Accounts payable and accruals	\$ -	-	-	-	-	1,785
Due to Disabled Fund	-	91,014	-	-	91,014	91,014
Due to Youth Fund	-	150,075	-	-	150,075	70,075
	-	241,089	-	-	241,089	162,874
<b>Fund balances</b>	108,115	1,669,161	128,118	288,065	2,193,459	2,116,862
<b>Total liabilities and fund balances</b>	\$ 108,115	1,910,250	128,118	288,065	2,434,548	2,279,736

**Contingency (Note 8)****APPROVED BY THE BOARD:**

\_\_\_\_\_ DIRECTOR

\_\_\_\_\_ DIRECTOR

**COMMUNITY FUTURES WINNIPEG RIVER**

## INVESTMENT FUNDS - Statement of Operations and Fund Balances

March 31, 2011

	Conditionally Repayable	Regular	Disabled	Youth	2011	2010
<b>Revenue</b>						
Interest - loans	\$ -	78,218	624	8,322	87,164	84,993
Interest - credit union	-	1,863	75	1,455	3,393	3,125
Interest - Community					-	
Futures Investment Fund	-	8,250	-	-	8,250	7,633
Credit recoveries	-	3,022	-	-	3,022	-
		91,353	699	9,777	101,829	95,751
<b>Expense</b>						
Bad debts	-	-	2,239	22,579	24,818	150,744
Bank charges	-	-	-	-	-	-
Professional fees	-	414	-	-	414	850
	-	414	2,239	22,579	25,232	151,594
<b>Excess revenue</b>	-	90,939	(1,540)	(12,802)	76,597	(55,843)
Fund balances, beginning of year	108,115	1,578,222	129,658	300,867	2,116,862	2,172,705
<b>Fund balances, end of year</b>	\$ 108,115	1,669,161	128,118	288,065	2,193,459	2,116,862

## Cash Flow Statement

March 31, 2011

	2011	2010
<b>Sources of cash</b>		
Western Economic Diversification - core funding	\$ 294,983	294,983
Western Economic Diversification - project funding		
Self-Employment Assistance Program	32,837	23,491
Interest received on loans and funds on deposit	96,969	100,905
Other	23,184	40,134
	447,973	459,513
<b>Uses of cash</b>		
Payments to suppliers	347,729	369,581
Purchase of capital assets	9,964	-
Client loans net of repayments	38,610	246,125
Community Futures Investment Fund	158,250	7,634
	554,553	623,340
<b>Change in cash</b>	(106,580)	(163,827)
Cash and short-term deposits, beginning of year	458,730	622,557
<b>Cash and short-term deposits, end of year</b>	\$ 352,150	458,730

**1 Purpose and funding:**

Community Futures Winnipeg River (CFWR) 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 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 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 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:**

	<u>Cost</u>	<u>Accum. Amort.</u>	<u>2011 Net</u>	<u>2010 Net</u>
Land	\$ 30,000	-	30,000	30,000
Buildings	218,103	106,723	111,380	117,932
Office furniture and computer equipment	121,066	112,098	8,968	-
	<u>\$ 369,169</u>	<u>218,821</u>	<u>150,348</u>	<u>147,932</u>

Amortization policy

Building - straight-line method over 40 years

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

**5 Client loans:**

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

	<u>2011</u>	<u>200</u>
Client loans including interest due and accrued	1,858,131	1,916,150
Allowance for doubtful loans	(336,579)	(413,313)
	<u>1,521,552</u>	<u>1,502,837</u>

**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.

Client loans:

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, 2012.

**8 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, 2011 the conditionally repayable amount is \$108,115. 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, 2012.
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)*

**8 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.

**9 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.

Fair Value

The Corporation's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term of these instruments.

**10 Comparative figures:**

Some of the comparative figures have been reclassified to conform to the current year's presentation.