

**NORTH CENTRAL COMMUNITY  
FUTURES DEVELOPMENT  
CORPORATION INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2012**

**NORTH CENTRAL COMMUNITY FUTURES DEVELOPMENT CORPORATION**

**YEAR ENDED MARCH 31, 2012**

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# KENDALL & PANDYA

Chartered Accountants

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\* Operating as professional corporations

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of North Central Community Futures  
Development Corporation Inc.:**

### **Report on the Financial Statements**

We have audited the statement of financial position of NORTH CENTRAL COMMUNITY FUTURES DEVELOPMENT CORPORATION INC. as at March 31, 2012 and 2011 and the statements of operations, changes in net assets and cash flows 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 controls 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 audit. We conducted our audit 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 judgement, including 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 the North Central Community Futures Development Corporation Inc., as at March 31, 2012 and 2011 and its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thompson, Manitoba  
June 8, 2012

  
CHARTERED ACCOUNTANTS

**NORTH CENTRAL COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.**  
(Incorporated under the laws of Manitoba )  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2012**

	Investment Fund	Administrative Fund	Capital Fund	2012 Total	2011 Total
<b>ASSETS</b>					
Current Assets					
Cash	\$ -	\$ 200	\$ -	\$ 200	\$ 200
Bank – Youth Fund	1	-	-	1	1
– Disabled Entrepreneur Fund	203,108	-	-	203,108	131,306
– Investment Fund	185,481	-	-	185,481	359,375
– Peer Credit Fund	32,160	-	-	32,160	31,782
– Skate Park	-	7,612	-	7,612	7,543
Loans receivables (Note 3)	908,890	-	-	908,890	820,614
Accounts receivable	-	3,144	-	3,144	7,403
GST receivable	-	5,374	-	5,374	3,367
Grants receivable (Note 5)	-	28,512	-	28,512	60,882
Prepaid expenses	-	9,190	-	9,190	9,482
Capital assets (Note 4)	-	-	192,728	192,728	194,457
Interfund receivable	46,472	26,505	-	72,977	57,330
<b>TOTAL ASSETS</b>	<b>\$1,376,112</b>	<b>\$80,537</b>	<b>\$192,728</b>	<b>\$1,649,377</b>	<b>\$1,683,742</b>

**NORTH CENTRAL COMMUNITY FUTURES DEVELOPMENT CORPORATION INC.**  
(Incorporated under the laws of Manitoba)  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2012**

	Investment Fund	Administrative Fund	Capital Fund	2012 Total	2011 Total
<b>LIABILITIES AND FUND BALANCES</b>					
Current Liabilities					
Bank advances	\$ -	\$ 88,136	\$ -	\$ 88,136	\$ 49,712
Accounts payables and accrued liabilities	-	19,400	-	19,400	48,187
Deferred income	-	9,463	-	9,463	12,635
Deferred contributions	-	-	1,396	1,396	2,271
Interfund payable	-	46,472	26,505	72,977	57,330
Current portion of long term debt	50,842	-	-	50,842	49,096
	50,842	163,471	27,901	242,214	219,231
Long Term Debt (Note 8)	52,652	-	-	52,652	103,494
<b>TOTAL LIABILITIES</b>	103,494	163,471	27,901	294,866	322,725
<b>FUND BALANCES</b>					
Invested in capital assets	-	-	164,827	164,827	167,430
Unrestricted	232,618	(82,934)	-	149,684	153,587
Restricted	1,040,000	-	-	1,040,000	1,040,000
Total Fund Balances	1,272,618	(82,934)	164,827	1,354,511	1,361,017
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 1,376,112	\$ 80,537	\$ 192,728	\$ 1,649,377	\$ 1,683,742

Approved by the Board: \_\_\_\_\_

**NORTH CENTRAL COMMUNITY FUTURES DEVELOPMENT CORPORATION**

**STATEMENT OF CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED MARCH 31, 2012**

	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Balances, beginning of year	\$ 167,430	153,587	1,040,000	1,361,017	1,319,021
Excess (deficiency) of revenues over expenses for the year	(4,593)	(1,913)	-	(6,506)	41,996
Add: Purchases during year	1,990	(1,990)	-	-	-
Interfund transfers (Note 1)	-	-	-	-	-
Balances, end of year	\$ 164,827	149,684	1,040,000	<b>1,354,511</b>	<b>1,361,017</b>

*Note 1:*

\$11,250 was an approved transfer from the Investment fund to the Administration fund during the 2012 fiscal year (\$12,000 – 2011)

**NORTH CENTRAL COMMUNITY FUTURES  
DEVELOPMENT CORPORATION INC.**

**STATEMENT OF OPERATIONS  
YEAR ENDED MARCH 31, 2012**

	<u>Repayable</u>	<u>Investment Fund</u> <u>EDP</u>	<u>Peer</u>	<u>Investment Fund</u> <u>Total</u>	<u>Administration</u> <u>Fund</u>	<u>Total</u> <u>2012</u>	<u>Total</u> <u>2011</u>
<b>REVENUE</b>							
Grants (Note 6)	\$ -	\$ -	\$ -	\$ -	\$340,892	\$340,892	\$340,892
Other (Note 7)	-	-	-	-	<u>479,145</u>	<u>479,145</u>	<u>510,012</u>
	\$ -	\$ -	\$ -	\$ -	\$820,037	\$820,037	\$850,904
<b>EXPENSES</b>							
Advertising	\$ -	\$ -	\$ -	\$ -	\$ 15,121	\$ 15,121	\$ 9,527
Amortization	-	-	-	-	3,719	3,719	6,445
Bad Debts	(332)	(2,800)	-	(3,132)	-	(3,132)	1,444
Bank and service charges	745	-	72	817	3,493	4,310	4,815
Computer repair and Maintenance	-	-	-	-	3,452	3,452	1,844
Contract expenses	-	-	-	-	6,017	6,017	12,408
Equipment repair & maintenance	-	-	-	-	-	-	-
Group Insurance	-	-	-	-	48,121	48,121	48,282
Insurance	-	-	-	-	4,860	4,860	3,187
Interest on long term debt	7,776	-	-	7,776	-	7,776	6,375
Internet	-	-	-	-	-	-	-
Meetings	-	-	-	-	2,840	2,840	10,508
Membership fees	-	-	-	-	3,324	3,324	3,971
Miscellaneous	-	-	-	-	5,674	5,674	7,649
Office	-	-	-	-	14,127	14,127	12,850

**NORTH CENTRAL COMMUNITY FUTURES  
DEVELOPMENT CORPORATION INC.**

**STATEMENT OF OPERATIONS con't**

**YEAR ENDED MARCH 31, 2012**

	<u>Repayable</u>	<u>Investment Fund EDP</u>	<u>Peer</u>	<u>Investment Fund Total</u>	<u>Administration Fund</u>	<u>Total 2012</u>	<u>Total 2011</u>
<b>EXPENSES</b>							
Other programs and conferences	\$ -	\$ -	\$ -	\$ -	\$ 83,231	\$ 83,231	\$ 62,524
Professional fees	-	-	-	-	16,041	16,041	17,241
Rent	-	-	-	-	44,883	44,883	45,887
Telephone	-	-	-	-	21,187	21,187	22,019
Training	-	-	-	-	4,925	4,925	5,320
Travel – board	-	-	-	-	24,418	24,418	23,602
- Staff and other	-	-	-	-	73,470	73,470	78,315
Vehicle	-	-	-	-	16,527	16,527	10,434
Wages and benefits	-	-	-	-	498,083	498,083	491,494
	<u>8,189</u>	<u>(2,800)</u>	<u>72</u>	<u>5,461</u>	<u>893,513</u>	<u>898,974</u>	<u>886,141</u>
Income (Loss) from operations	(8,189)	2,800	(72)	(5,461)	(73,476)	(78,937)	(35,237)
Interest income	<u>64,574</u>	<u>7,795</u>	<u>31</u>	<u>72,400</u>	<u>31</u>	<u>72,431</u>	<u>77,233</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 56,385</u>	<u>\$ 10,595</u>	<u>\$ (41)</u>	<u>\$ 66,939</u>	<u>\$ (73,445)</u>	<u>\$ (6,506)</u>	<u>\$ 41,996</u>



**NORTH CENTRAL COMMUNITY FUTURES  
DEVELOPMENT CORPORATION INC.**

**STATEMENT OF CASH FLOW  
INVESTMENT, CAPITAL AND ADMINISTRATION FUNDS**

**YEAR ENDED MARCH 31, 2012**

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	<u>2012</u>	<u>2011</u>
<b>FUNDS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Cash receipts from clients, programs and grants	\$ 811,815	\$1,127,313
Cash paid to suppliers, programs and employees	(977,038)	(915,265)
Cash received on taxes	3,809	494
Interest received	<u>72,431</u>	<u>77,233</u>
Funds provided by/used in operating activities	\$ (88,983)	\$ 289,775
<b>FUNDS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Purchase of capital assets	<u>(1,990)</u>	<u>(2,303)</u>
Funds used in investing activities	(1,990)	(2,303)
<b>FUNDS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Issuance of long-term debt	\$ -	\$ -
Repayment of long-term debt	<u>(49,096)</u>	<u>(70,049)</u>
Funds provided by (used in) financing activities	\$ (49,096)	\$ (70,049)
<b>INCREASE (DECREASE) IN FUNDS</b>	(140,069)	217,423
Cash and cash equivalents at beginning of year	<u>480,495</u>	<u>263,072</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 340,426</u>	<u>\$ 480,495</u>

Cash and cash equivalents, consist of cash on hand and balances with banks.

See accompanying notes.

**NORTH CENTRAL COMMUNITY FUTURES  
DEVELOPMENT CORPORATION INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2012**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

**CAPITAL ASSETS AND AMORTIZATION**

Commencing in the year March 31, 2003, the organization began amortizing capital assets based on the following policy:

**AMORTIZATION**

**Capital Assets**

Amortization has been calculated using the declining balance method at the following rates:

Furniture and Equipment	20%
Computer hardware	30%
Leasehold Improvements	5 years

In the year of acquisition, assets are amortized at half the corresponding rate.

Prior to the organization followed the policy of capitalizing assets in the Capital Fund and expensing them in the Administration Fund. The total purchases in 2012 were \$2,304 (2011-\$1,394).

**REVENUE RECOGNITION**

Revenue is measured at the fair value of consideration received or receivable. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**FINANCIAL INSTRUMENTS**

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The organization has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in net earnings.

Accounts receivable, grants receivable and loan receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

**NORTH CENTRAL COMMUNITY FUTURES  
DEVELOPMENT CORPORATION INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2012**

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The organization has continued to apply Section 3861 – *Financial Instruments – Disclosure and Presentation* in place of Section 3862 and 3963.

The fair value of cash, accounts receivable, grants receivable, loan receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

#### FINANCIAL RISK MANAGEMENT

The organization's activities are exposed to a variety of financial risks, which include:

- a) Interest Rate Risk- The Organization does not have a significant concentration of interest rate risk.
- b) Credit Risk – Credit risk arises from non-performance by counterparties of contractual financial obligations and is managed on a group basis. Credit risk arises from cash and deposits with banks, as well as credit exposures to customers for committed transactions. The Organization does not have a significant concentration of credit risk with any one group.
- c) Liquidity Risk – As at March 31, 2012, the Organization had \$465,592 in cash and amounts receivable and \$19,400 in accounts payable. Prudent liquidity management implies maintaining sufficient cash through available funding via an adequate amount of committed credit facilities and the ability to close out financing positions. The Organization manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.
- d) Concentration of credit risk – exposure to credit risk arises through the failure of a customer or third party to meet its contractual obligations to the Company. The Company's maximum exposure to credit risk as at March 31, 2012 is its loans receivable.

#### CAPITAL RISK MANAGEMENT

The organization's objective when managing capital is to maintain significant capital to cover its cost of operations. The organization's capital consists of net assets.

There were no changes to the organization's approach to capital management during the period.

## 2. INCORPORATION AND INCOME TAXES

The organization was incorporated without share capital, and accordingly is non-taxable under Sec. 149 (1) (e) of the Income Tax Act.

**NORTH CENTRAL COMMUNITY FUTURES  
DEVELOPMENT CORPORATION INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2012**

<b>3. LOANS RECEIVABLE</b>	<u><b>2012</b></u>	<u><b>2011</b></u>
Regular	\$ 859,556	\$ 681,307
Disability	61,503	151,058
Peer Credit	<u>331</u>	<u>2,983</u>
	<b>\$ 921,390</b>	<b>\$ 835,348</b>
Less: Allowance for doubtful accounts	<u>(12,500)</u>	<u>(14,734)</u>
	<u><b>\$ 908,890</b></u>	<u><b>\$ 820,614</b></u>

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 6.25 % to 10.50% with monthly blended principal and interest repayments amortized from terms between 36 and 60 months. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on land and building.

**4. CAPITAL ASSETS**

	Cost	Accumulated Amortization	2012 Net Book Value
Furniture & Equipment	\$ 55,920	\$ 12,148	\$ 43,772
Computer Equipment	189,000	52,243	136,757
Vehicles	15,983	14,864	1,119
Leasehold Improvements	20,488	9,408	11,080
	<u>\$ 281,391</u>	<u>\$ 88,663</u>	<u>\$ 192,728</u>

	Cost	Accumulated Amortization	2011 Net Book Value
Furniture & Equipment	\$ 55,920	\$ 10,896	\$ 45,024
Computer Equipment	187,010	50,255	136,755
Vehicles	15,983	14,385	1,598
Leasehold Improvements	20,488	9,408	11,080
	<u>\$ 279,401</u>	<u>\$ 84,944</u>	<u>\$ 194,457</u>

**NORTH CENTRAL COMMUNITY FUTURES  
DEVELOPMENT CORPORATION INC.**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2012**

<b>5. GRANTS RECEIVABLE</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Aboriginal Business Canada	\$ 14,854	\$ 29,776
C.F.P.M.	-	2,500
Manitoba Education & Training	2,606	10,120
NACCA	6,299	5,989
Province of Manitoba	3,668	1,076
Tourism North	-	6,391
T.U.A.S.	-	5,030
Northern Manitoba Sector Council	<u>1,085</u>	<u>-</u>
	<b><u>\$ 28,512</u></b>	<b><u>\$ 60,882</u></b>
<b>6. GRANTS - WESTERN ECONOMIC DIVERSIFICATION CANADA</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Operating Grant	<b><u>\$340,892</u></b>	<b><u>\$340,892</u></b>
<b>7. OTHER REVENUE</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Grants:		
Indian and Northern Affairs	\$ -	\$ 48,991
Western Diversification	875	1,476
Aboriginal Business Canada	240,618	238,007
Province of Manitoba – MCTT	44,844	55,203
Province of Manitoba – Other	78,890	62,912
Other – CFPM	-	6,182
NAACA	<u>1,950</u>	<u>509</u>
	<b><u>367,177</u></b>	<b><u>413,280</u></b>
Earned Revenues	45,970	68,264
Administrative Revenues	<u>65,998</u>	<u>28,468</u>
	<b><u>\$ 479,145</u></b>	<b><u>\$510,012</u></b>

**NORTH CENTRAL COMMUNITY FUTURES  
DEVELOPMENT CORPORATION INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2012**

<b>8. LONG TERM DEBT</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Loan Payable – Community Futures Investment Funds, Monthly installments of \$4,471 including interest at 3.50%, secured by a general security agreement. Due March 1, 2014.	<b>\$ 103,494</b>	\$152,590
Less portion due within one year	<b><u>(50,842)</u></b>	<u>(49,096)</u>
	<b><u>\$ 52,652</u></b>	<b><u>\$103,494</u></b>

Amount due in next 5 years:

2013	\$ 50,842
2014	52,652
2015	-
2016	-
	<u>\$103,494</u>

**9. RESTRICTED FUNDS**

These funds were provided by repayable contributions from Western Economic Diversification Canada. There is no specific date for repayment. Repayment will not include interest.

**10. ECONOMIC DEPENDENCE**

North Central Community Futures Development Corporation Inc. is dependent on ongoing funding from Western Economic Diversification Canada.

**11. ASSET / LIABILITY MANAGEMENT**

The Development Corporation has established policies and related reporting to manage its exposure to fluctuating interest rates (referred to as interest rate risk). In the absence of these policies, the Development Corporation earnings would be impacted, either positively or negatively, as interest rates change. Additionally, the Development Corporation is potentially exposed to financial loss from the failure of a party to fully honor its financial or contractual obligations (referred to as credit risk).

**12. OTHER COMPREHENSIVE INCOME**

All gains and losses, including those arising from all financial instruments, have been recognized in net income for the period. There are no items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income.