



2010 ANNUAL REPORT : INVESTING IN THE NORTH

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TRANSMITTAL



The Honourable Eric Robinson
Minister Responsible for the
Communities Economic Development Fund Act
Province of Manitoba
Room 344 Legislative Building
Winnipeg MB R3C 0V8

Dear Sir:

As provided under Section 22(1) of the Communities Economic Development Fund Act, it is my pleasure to forward to you CEDF's Annual Report for the year ended March 31st, 2010.

Respectfully submitted,

A handwritten signature in blue ink that reads "H. Westdal".

Harold Westdal
Chairperson

CORPORATE

DIRECTORS AND OFFICERS

Minister Responsible: The Honourable Eric Robinson

Board of Directors:

Chairperson:	Harold Westdal	Winnipeg
Directors:	Linda Ballantyne	Grand Rapids
	Rob Barbe	Winnipegosis
	Darlene Beck	Cross Lake
	Bill Cordell	Pikwitonei
	Gavin Lawrie	Churchill
	Bob Veito	The Pas
	John R. Yellowback	God's River

OFFICERS:

General Manager & CEO:	R. Gordon Wakeling
CFO & Manager of Fisheries Loans Program:	Oswald Sawh

HEAD OFFICE

15 Moak Crescent
Thompson, Manitoba R8N 2B8
Telephone: (204) 778-4138
Fax: (204) 778-4313
Toll Free: 1-800-561-4315 (In Manitoba only)

FIELD OFFICES:

BUSINESS LOANS:

3 – 1000 Main Street, Swan River, MB R0L 1Z0

FISHERIES LOANS:

Box 1277, Hwy 9 & Colville Drive, Gimli, MB R0C 1B0
Box 10548, Opaskwayak, MB R0B 2J0
Bay 8, 1680 Ellice Avenue, Winnipeg, MB R3H 0Z2



The Communities Economic Development Fund is a Manitoba Crown Corporation, incorporated under the Communities Economic Development Fund Act (C155 of the Consolidated Statutes of Manitoba).

LEGISLATED MANDATE:

The object of the Fund, as stated in section 3(1) of the Act is as follows:

“The object of the fund is to encourage economic development

- (a) In Northern Manitoba, as defined by the Lieutenant Governor in Council by regulation;*
- (b) subject to the approval of the Lieutenant Governor in Council, in the fishing industry in the province, by acting as a lending authority and administering a loan program with respect thereto; and*
- (c) in conjunction with financial assistance provided by the Government of Canada under any economic development program to assist aboriginal people in the province outside The City of Winnipeg; with particular emphasis on the needs of small business enterprises and community development corporations.”*

Section 3(2) of the Act states it shall do so through the provision of “financial and other forms of assistance”:

“The fund may provide financial assistance and other assistance, as set out in subsection (3), to assist in the establishment of new economic enterprises and the development of existing economic enterprises.”

The Act defines financial assistance as:

““financial assistance” includes a loan or guarantee, a lease of personal property or real property, the purchase or sale of shares, assets or securities of a corporation, and the underwriting of the securities of a corporation;”

Other forms of assistance are defined in section 3(3) of the Act:

“The fund may provide, with or without charge,

- (a) information and advice respecting the techniques, methods and practices required for the successful administration of economic enterprises;*
- b) training for individuals, including employees, managers and directors, in an economic enterprise; and*
- (c) conferences, seminars and other meetings for the promotion of good management practices in economic enterprises.”*

PROGRAMS:

In carrying out its mandate, CEDF provides loans and guarantees to small to medium enterprises through its *Business Loan Program* and to the commercial fishery through its *Fisheries Loan Program*. It also provides support for community economic development through its *Community Economic Development* programming which includes the delivery of Rural Economic Development Initiative (REDI) programs. REDI programs are delivered under a Memo of Understanding (MOU) with Manitoba Agriculture, Food, and Rural Initiatives.



During 2010, CEDF business loans showed slight improvements in lending levels (though conditions in several key industry sectors in the North continue to be of concern) while fisheries declined. Overall levels were up marginally. CEDF also achieved its operating budget for the tenth consecutive year, and is able to report an unqualified audit opinion.

Economic conditions continue to present concern for CEDF in achieving its loan volume and portfolio targets as well as in creating difficulties for CEDF clients. The northern economy is represented in all industry categories, but the sectors which lead tend to be resource based industries as well as tourism, transportation, and the service sector. The resource sector has had mixed results and the forestry sector continues to have difficulties, most recently with the closure of the Tembec mill at Pine Falls. Fisheries have continued strong though challenged by reduced price to harvesters following successive months of the Canadian dollar being strong. Tourism has also struggled with currency, compounded by a weakened US economy (resulting in fewer people travelling to the North). The impact of these issues is discussed in program areas following.

CEDF's strategic business units remain unchanged for the past year.

- **Administration** - accounting, finance, management information services, and treasury management.
- **Business Loan Program** - providing loans and guarantees to economic enterprises.
- **Fisheries Loan Program** - providing loans to the commercial fishing industry.
- **Community Economic Development Programs** - community level programming to assist northern communities in expanding economic opportunities.

Each business unit is measured on key objectives, which are noted below with outcomes:

ADMINISTRATION

The unit has 1.5 staff years in addition to the CFO (who also has responsibility for the Fisheries Loan Program), and as noted, is responsible for providing accounting and administrative support to the organization. The accounting department handles in excess of \$14 million in transactions annually including loan disbursements, payments from clients, and operating expenditures. In addition, the unit manages CEDF's Treasury supply.

Accounting Objectives:

- Budget management – *CEDF achieved budget for the tenth consecutive year.*
- Timely reporting of performance and regulatory reporting - *CEDF has met its filing objectives throughout the year and has provided regular (monthly) reporting to Board and Management. In addition, the department made upgrades to loan database programs.*
- Treasury management refers to the management of capital funds used by CEDF in its loan programs. Funds are borrowed from the Province of Manitoba. Treasury is responsible for ensuring an adequate supply of capital to meet needs as well as to arrange CEDF's corporate borrowing at competitive rates allowing it to manage margin and the cost to clients.

The key objectives and outcomes of Treasury Management are:

- Obtain capital at rates enabling the Fund to offer stable rates at market levels – *the Fund routinely confirms its rates in the market place and offers loans at competitive rates.*
- Loan margin budget target – *Loan margin, as calculated by dividing Gross Margin by Gross Portfolio, was 2.24% (2009 – 2.42%, 2008 – 2.74% restated from 2.74% and 3.08% respectively). A change has been made in the computation of this margin to reflect the cost of life insurance premiums on the fisheries portfolio which were not included in prior calculations.**

* Fisheries clients are assessed a life insurance premium based on the value of their outstanding loan. The premium paid is recorded under interest income while the premium remitted is shown under interest costs. In past years, this number was incorrectly calculated. The restatement is not material to the accuracy of any financial statements, but is more accurately reflective of return on portfolio.

Margins are affected by a CEDF self-imposed limit on margin when its cost of interest exceeds the base rate for calculation. This situation is caused by rapidly declining interest costs in 2009 and 2010 and is expected to correct in 2011.

BUSINESS LOAN PROGRAM:

Business loans are repayable and are offered at market rates. Loans can be for business starts, expansions, or acquisitions. CEDF is an asset backed lender and takes security using standard financial instruments. The program accepts higher risk than conventional lenders and is therefore a critical source of financing in many markets in the region.

The Business Loan Program activity has been reduced in recent years due to low investment rates in key industry sectors due to a variety of economic issues:

- Forestry has been affected first by softwood lumber issues and more recently by the recession and its impact on housing markets – particularly in the USA where the industry is further affected by rising dollar rates. Recent developments at Pine Falls are indicative of the condition of the pulp and paper sector.
- Tourism has been affected by recessionary forces as well as the high dollar. Destination tourism and lodges are particularly affected by recession. The higher dollar has the double effect of discouraging American tourists from coming to Canada while also encouraging Canadians to travel south of the border.
- Transportation is reliant on both tourism and goods movements such as lumber.

The service sector is not immune to decline. CEDF continues to monitor industry issues and to assist its clients facing difficulties as a result of these global conditions.

Program Objectives:

- \$5 million in annual loan activity – *during fiscal 2010, the Fund approved \$3.21 million in new loans, an increase in activity from the previous year (2009-\$2.59 million), but continuing at lower than projected levels. There is an upward trend in activity level. CEDF is confident of continued growth towards its volume target as industries recover and as CEDF examines new products.*
- Account management to reduce loan losses – *during fiscal year 2009/10, CEDF's loan loss provision was \$199,854 or 6.23% of loan activity, down from the previous year. CEDF continues to value its portfolios aggressively, adopting the approach of conservatism in valuation. Loan loss provisions for the year for both programs remain within budget.*
- Examine new financial products – *CEDF had no new product offerings developed in 2010.*

At year end, the Business Loan portfolio was at \$12.81 up from \$11.98 million in 2009 due to increased demand as noted.

FISHERIES LOAN PROGRAM:

The Fisheries Loan Program provides capital to commercial fish harvesters for the purchase or repair of assets used in the harvest of fish in Manitoba. It is an essential source of capital to the industry, servicing many areas where no conventional financial service providers are located, as well as addressing the issue of financing a seasonal industry. Loans are provided at competitive rates, are secured by assets, and are fully repayable. The majority of payments are received by a "Check-off" arrangement through FFMC and its agents who deduct payments at time of delivery. There is, therefore, a very strong relationship between the availability of capital to support the fishing industry and the surety of payment offered by FFMC's check-off. As various agencies review FFMC, so too CEDF must consider the risk associated with alternative delivery mechanisms and the threat to its ability to provide credit.

The fishing industry in Manitoba remains relatively strong in 2010. CEDF identified the following as issues:

- There was a reduced harvest on Lake Winnipeg, primarily due to weather affecting the start of the season.
- Some smaller fisheries are facing economic issues as equipment prices continue to rise ahead of revenues.

CEDF continues to monitor conditions and work with fishers to address issues as part of its risk mitigation approach.

Program Objectives:

- \$4.5 million in annual loan activity – *New lending activity during 2009/2010 was \$3.76 million, down significantly from 2008/09(\$4.32 million). CEDF attributes the reduced level of borrowing to reduced activity due to weather related delays (less repairs needed) as well as a general conservatism by fishers as harvests declined.*
- Successful loan management practice – *Management made a loan loss provision of \$287,500 this year to reflect a decline in the overall value of the portfolio on an NPV basis due to the decline in payments received in the year. The Fund's provision for loan loss under both programs is within budget and remains at 7% of loan activity.*

At year end, the fisheries portfolio was at \$14.48 million, up from \$13.95 in 2009, due in part to reduced payment levels. CEDF is monitoring both payment levels and amortization terms to ensure that portfolio quality is accurately reported.

COMMUNITY ECONOMIC DEVELOPMENT PROGRAMS:

CEDF Community Economic Development Programs support and encourage community economic development in the north by assisting Community Development Corporations (CDC) and communities to identify opportunities and local priorities, while supporting various phases of the project's management through research, community facilitation, proposal development/writing, sourcing funding, and business planning.

CEDF community programs also deliver the Rural Economic Development Initiatives (REDI) programming in northern communities under contract to Manitoba's Agriculture, Food and Rural Initiatives (MAFRI). REDI programs include the Young Rural Aboriginal Entrepreneurship Program and Hometown Manitoba program which includes the popular Meeting Places, Main Street Enhancements, and Tree Planting programs.

Individual entrepreneurs and community enterprises often initiate contact with the CEDF through its Community Development Officer when in their community, and obtain technical assistance regarding opportunity identification and business planning. Entrepreneurs can then be referred to the CEDF Business Loan Program.

During the 2009/10 period, technical assistance was provided 77 times to northern communities and CDC's in the following areas: communication/request for information (16); community facilitation (12); proposal development (9); community planning (8); research (8); marketing (7); business planning (6); proposal writing (5); project management (5); and, budgeting (1).

Assistance was provided in Brochet, Churchill, Cross Lake, Gillam, Leaf Rapids, Lynn Lake, Nelson House, Norway House, Snow Lake, Thicket Portage, Thompson, and Wabowden. Assistance was also provided to several First Nation communities upon request during this period including: Bunibonibee Cree Nation, Mosakahiken Cree Nation, Nisichawayasihk Cree Nation, and Norway House Cree Nation.

Community program highlights for 2009/10 include:

- **West Lynn Lake Beach** – redeveloped in-town recreation amenity at the abandoned Lion's Beach. The first public event held at the new beach was a pow-wow hosted by the Marcel Colomb First Nation.
- **Leaf Rapids Freshwater Source Protection** – new docking facility located away from freshwater intake site.
- **Northern Commercial Greenhouse** – feasibility study for the development of a commercial greenhouse in Leaf Rapids.
- **Artists, Crafters, & Small Business Expo 2009** – CEDF, in partnership with other organizations, facilitated a successful arts and crafts show in Thompson.

Micro Enterprise development:

CEDF continues to work with all levels of entrepreneurs when requested.

As indicated in its prior year report, CEDF has been developing a plan to provide assistance to northern micro-entrepreneurs in developing their businesses with emphasis on the needs of the Non-Timber Forestry sector.

Currently, the project is in development with the expectation that a model will commence in 2011.



LOANS APPROVED

AMOUNT	NAME	BUSINESS	LOCATION	RATE	TERM
\$20,725	5624046 Manitoba Ltd. (Bracegirdle)	Logging	The Pas	7.61%	24
\$900,000	5994382 Manitoba Ltd. (Dauphin Inn)	Hotel	Dauphin	4.33%	180
\$40,010	Barbeau Gagne, Suzanne	Trucking Transport	The Pas	7.49%	36
\$50,000	Benson, Linda & Bruce	Commercial Fishing	Gimli	7.49%	60
\$50,000	Buehler, Monika/Jesso, Peter	Hauling	Pine River	7.06%	24
\$2,625	Chapman, Allan D.	Art Show	Thompson	7.95%	12
\$20,725	Head, Edward & Hazel	Taxi Service	Moose Lake	7.59%	36
\$145,137	Meikle, Robb Wilfred	Cottage Rentals	Norway House	7.48%	120
\$304,925	Molson Air Ltd.	Medevac Transport	Norway House	7.58%	60
\$8,482	Moose Lake Fisherman's Association	Commercial Fishing	Moose Lake	0.00%	36
\$50,000	Mud Lake Logging	Logging	Wabowden	7.48%	36
\$353,847	Mystery Lake Body Shop Ltd.	Auto Body Shop	Thompson	7.68%	180
\$403,000	Nelson River Logging Ltd.	Logging	Wabowden	7.58%	48
\$183,200	Northern Current Expeditors Inc.	Boat Charter	Thompson	7.48%	72
\$20,737	Northern Home & Health Care Supplies Inc.	Medical Supplies	Thompson	7.58%	36
\$23,770	Norway House Fisherman's Gas Bar	Gas Bar	Norway House	6.95%	36
\$4,400	Rock, Eileen	Dress Shop	The Pas	7.48%	24
\$102,585	Ross, Anthony Mervin	Logging	The Pas	7.48%	36
\$5,500	Rudrum, Linda	Book Store	Dauphin	7.49%	36
\$450,000	The Canadian Wild Rice Mercantile Ltd.	Wild Rice	The Pas	6.56%	180
\$3,139,668	Total Active Loan Approvals - 20 clients				
\$67,503	Loans Approved/Withdrawn (unlisted) - 3 clients				
\$3,207,171	Total Approvals - 23 clients				



HISTORICAL BUSINESS LOANS & JOBS CREATED

YEAR APPROVED	AMOUNT APPROVED	APPLICATIONS APPROVED	JOBS CREATED AND/OR RETAINED
1972 - 1981	\$8,764,660	327	1021
1982	2,800,140	46	176
1983	2,138,275	31	138
1984	2,080,595	49	144
1985	2,326,548	63	172
1986	2,909,735	43	159
1987	3,573,294	66	215
1988	3,550,050	70	210
1989	725,243	22	31
1990	1,681,090	38	136
1991	1,737,344	30	80
1992	1,183,686	19	102
1993	5,406,375	36	120
1994	1,427,220	21	88
1995	4,811,247	51	135
1996	6,134,635	64	252
1997	4,321,829	53	198
1998	4,387,457	45	230
1999	5,188,498	41	178
2000	2,062,664	36	165
2001	2,797,419	28	170
2002	2,787,386	28	166
2003	5,174,099	39	213
2004	4,721,154	41	267
2005	2,834,888	33	359
2006	4,961,588	35	155
2007	4,123,999	31	233
2008	1,687,381	27	242
2009	2,590,197	27	132
2010	3,207,171	23	167
	\$102,095,867	1463	6054



PERFORMANCE DATA

	2010	2009	2008	2007	2006
No. of Loans Approved - Business	23	27	27	31	35
Dollar Value - Business	3,207,171	2,590,197	1,687,381	4,123,999	4,961,588
No. of Loans Approved - TEAM	0	0	0	0	1
Dollar Value - TEAM	0	0	0	0	1,352
Dollar Value - Fish Approvals	3,760,207	4,268,577	4,290,014	4,447,258	3,587,401
No. of Active Loans - Business	128	135	141	128	125
No. of Active Loans - TEAM	0	0	0	3	18
No. of Active Loans - Fish	1,119	1,280	1,309	1,154	1,180
Portfolio Value - Total	27,296,850	25,938,282	26,306,974	26,272,414	24,042,119
Bad Debt Expense - Business	199,854	175,832	706,893	427,803	369,874
As a percentage of Approvals	6.23%	6.79%	41.89%	10.37%	7.45%
Bad Debt Expense - Fish	287,500	105,000	0	200,000	131,500
As a percentage of Approvals	7.65%	2.46%	0%	4.50%	3.66%
Total Subsidy	\$1,514,821	\$1,505,556	\$1,514,164	\$1,514,164	\$1,513,839
Subsidy as a percentage of Approvals	21.74%	21.95%	25.33%	17.67%	17.70%



ECONOMIC IMPACT

The Fund continues to face numerous challenges to maintain its primary function and at the same time deliver a professionally managed development agency for economic expansion including the number of jobs created and maintained.

We present the following data which reflects our impact on the regional economy within our mandated area.

JOBS

Number of persons directly employed in businesses supported by Fund loans: ¹	933
Number of fishers supported by Fund loans: ²	1,110
Total Employment:	2,043

REVENUES

Total revenue of Business Loan clients: ¹	\$50,334,854
Total revenues of Fisheries Loan clients (before final payments and transfer income): ²	13,004,584
Total Revenue	\$63,339,438
Direct Wages Paid ¹	\$16,180,196

¹ Data is drawn from financial statement provided by clients and from on-site observations by Fund staff during the annual account review.

² Data is drawn from payments provided to Fund and from active accounts within loan ledger.





Tel/Tél.: 204 956 7200
Fax/Télec.: 204 926 7201
Toll-free/
Sans frais: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

To the Directors of
COMMUNITIES ECONOMIC DEVELOPMENT FUND

We have audited the statement of financial position of COMMUNITIES ECONOMIC DEVELOPMENT FUND as at March 31, 2010 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund'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 Fund as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 20, 2010

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STATEMENT OF FINANCIAL POSITION

March 31	2010	2009
ASSETS		
Current Assets		
Cash	\$ 190,293	\$ 138,765
Trust deposits - Province of Manitoba	687,164	513,295
Due from the Province of Manitoba (Note 2)	2,331,109	2,350,535
Accounts receivable	88,938	124,393
Property held for resale	4,425	4,425
Prepaid expenses	6,478	4,361
	3,308,407	3,135,774
Loans receivable (Note 3)	21,768,639	20,755,975
Capital assets (Note 4)	1,032,241	1,088,355
	\$ 26,109,287	\$ 24,980,104

LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 497,559	\$ 487,631
Funds held in trust (Note 5)	479,588	-
Deferred contributions (Note 6)	200,000	-
Interest payable to the Province of Manitoba	475,855	525,352
	1,653,002	1,012,983
Commitments and contingencies (Note 7)		
Accrued pension liability (Note 2)	2,147,146	1,994,336
Advance by the Province of Manitoba (Note 8)	22,309,139	21,972,785
	\$ 26,109,287	\$ 24,980,104

APPROVED ON BEHALF OF THE BOARD:

Director: 

Director: 

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS

For the year ended March 31	2010	2009
Revenue		
Loan interest		
Business program	\$ 749,952	\$ 755,523
Fisheries program	963,340	1,097,595
Investment income	20,206	48,358
	1,733,498	1,901,476
Cost of Funds		
Interest paid to the Province of Manitoba		
Business program	514,610	573,726
Life insurance	82,927	79,933
Trust line of credit	30,986	68,817
Fisheries program	491,852	549,071
Other	213	-
	1,120,588	1,271,547
Gross margin	612,910	629,929
Operating expenditures (Page 25)	1,800,497	2,030,980
	(1,187,587)	(1,401,051)
Other income - administration fees	160,042	167,328
Deficiency of revenue over expenditures before provision for doubtful loans	(1,027,545)	(1,233,723)
Provision for doubtful loans - regular operations	487,276	280,832
Deficiency of revenue over expenditures before subsidy due from the Province of Manitoba	(1,514,821)	(1,514,555)
Subsidy due from the Province of Manitoba	1,514,821	1,514,555
Excess of revenue over expenditures for the year	\$ -	\$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended March 31

2010

2009

Cash Flows from Operating Activities

Deficiency before subsidy	\$ (1,514,821)	\$ (1,514,555)
Adjustments for		
Amortization of capital assets	66,299	8,316
Provision for doubtful loans	487,276	280,832
	(961,246)	(1,225,407)
Accounts receivable	35,455	(68,782)
Accrued interest receivable	(81,621)	(51,748)
Prepaid expenses	(2,117)	346
Accounts payable	9,928	(230,110)
Funds held in trust	479,588	-
Deferred contributions	200,000	-
Accrued interest payable	(49,497)	12,655
Accrued pension liability	152,810	98,916
	(216,700)	(1,464,130)

Cash Flows from Financing Activities

(Increase) decrease - Due from the Province of Manitoba	19,426	(380,184)
Increase - Advance by the Province of Manitoba	336,354	1,149,180
Subsidy - Province of Manitoba	1,514,821	1,514,555
	1,870,601	2,283,551

Cash Flows from Investing Activities

Loans receivable, net of repayments	(1,244,451)	549,599
Purchase/construction of capital assets	(10,185)	(1,032,189)
Property held for resale	-	88
Trust deposits	(173,868)	(232,098)
	(1,428,504)	(714,600)

Net increase in cash and cash equivalents	225,397	104,821
Cash and cash equivalents, beginning of year	652,060	547,239
Cash and cash equivalents, end of year	\$ 877,457	\$ 652,060

Represented by

Cash	\$ 190,293	\$ 138,765
Trust deposits - Province of Manitoba	687,164	513,295
	\$ 877,457	\$ 652,060

Supplementary Information

Interest paid	\$ (1,138,960)	\$ (1,197,282)
Interest received	1,649,453	1,800,738

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended March 31, 2010

FINANCIAL INSTRUMENTS

The Fund recognizes and measures financial assets and financial liabilities on the Statement of Financial Position when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, loans and receivables, held-to-maturity, available for sale or other financial liabilities.

Transaction costs for financial instruments are expensed as incurred.

The corporation classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

<u>Assets/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	Held for trading	Fair value
Trust deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Due from Province	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Funds held in trust	Other financial liabilities	Amortized cost
Deferred contributions	Other financial liabilities	Amortized cost
Interest payable to Province	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment. Loans considered uncollectible are written-off. Recoveries on loans previously written-off are taken into income. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

ALLOWANCE FOR DOUBTFUL LOANS

Business Loan Program - The loans are reviewed quarterly to assess potential impairment or loss of value. Impaired loans are defined as those which are greater than two payments in arrears and for which the value of realizable security is less than the value of the loan outstanding. In these cases, a "specific" allowance is accrued equal to the value of the potential security shortfall or impairment. In all other cases, including loans that are both current and for which there is excess security value, a "non specific" allowance equal to 5% of the outstanding loan balance is recorded.

Fisheries Loan Program - The allowance for doubtful loans on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value ("NPV") formula used for calculating the allowance for doubtful loans is recognized by the Canadian Institute of Chartered Accountants, however, it does not account for closure of a fishery or regulated reduction of production. In the event of the

closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful loans.

REVENUE RECOGNITION

Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

PENSION EXPENSE AND OBLIGATION

The employees of the Fund are not members of the Civil Service of the Province of Manitoba but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. The current pension expense consists of the Fund's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. The most recent actuarial valuation as at December 31, 2007 indicated the accrued liability is in line with the obligation forecast in the report.

In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year, the Fund has recorded a provision to fund current service obligations.

The total liability as at March 31, 2010 amounts to \$2,147,146 (2009 - \$1,994,336).

CAPITAL ASSETS

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated on a straight line basis as follows:

Building	2%
Office furniture and equipment	10 to 30%
Parking lot	50%

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Significant estimates are involved in the valuation of loans receivable. Actual results may differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS

Future for Not for Profit Organizations (NPO)

The Accounting Standards Board (AcSB) is currently developing new accounting standards for not-for-profit organizations (NPOs). Until such a time that the AcSB makes a final decision, all NPOs will continue to follow accounting standards currently in effect.

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2010

1. Nature of the Fund

The Communities Economic Development Fund was established in 1971 (Ch. C155) as a Crown Corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July 1991 the objective of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba and to provide financial assistance to Aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

2. Due from the Province of Manitoba

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of \$2,331,109 (2009 - \$2,350,535) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2010	2009
Department of Aboriginal and Northern Affairs		
Subsidy (refundable)	\$ 47,587	\$ 188,429
Order in Council pending	70,976	107,281
Pension (unfunded)	2,128,671	1,973,284
Pension (funded)	18,475	16,141
Severance accrual (unfunded)	65,400	65,400
	<u>\$ 2,331,109</u>	<u>\$ 2,350,535</u>

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Loans Receivable

	2010	2009
Business Loan Program		
Interest rates applied range from 4.25% to 9.88%		
Principal	\$ 11,973,837	\$ 11,189,982
Accrued interest	845,954	793,581
	12,819,791	11,983,563
Allowance for doubtful loans (Note 9)	2,167,479	2,050,981
	10,652,312	9,932,582
Fisheries Loan Program		
Interest rates applied range from 4.89% to 7.13%		
Principal	13,397,464	12,904,372
Accrued interest	1,079,595	1,050,348
	14,477,059	13,954,720
Allowance for doubtful loans (Note 9)	3,360,732	3,131,327
	11,116,327	10,823,393
	\$ 21,768,639	\$ 20,755,975

The following schedule provides the gross amount of loans together with the loan allowances:

	Gross Loan Balances	2010 Total Allowance	Gross Loan Balances	2009 Total Allowance
Business Loan Program				
Impaired	\$ 2,905,031	\$ 1,671,741	\$ 2,340,180	\$ 1,607,266
Performing	9,914,760	495,738	9,643,381	443,715
	\$ 12,819,791	\$ 2,167,479	\$ 11,983,561	\$ 2,050,981
Fisheries Loan Program				
Impaired	\$ 3,360,732	\$ 3,360,732	\$ 3,131,327	\$ 3,131,327
Performing	11,116,326	-	10,823,393	-
	\$ 14,477,058	\$ 3,360,732	\$ 13,954,720	\$ 3,131,327

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. Capital Assets

			2010	2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 92,482	\$ -	\$ 92,482	\$ 92,482
Office furniture and equipment	146,252	114,448	31,804	32,793
Building	931,236	23,281	907,955	926,580
Parking lot	73,000	73,000	-	36,500
Total	\$1,242,970	\$210,729	\$1,032,241	\$1,088,355

5. Funds Held in Trust

The Fund has received funds in trust from the Government of Manitoba to be administered as directed by the Government regarding the following:

Establishment of the Metis Economic Development Fund	\$ 358,388
Direct Food Buy Project for the Island Lake Area	121,200
	<u>\$ 479,588</u>

6. Deferred Contributions

The Government of Manitoba has contributed \$200,000 to the Fund to cost share on an equal basis with the Fund to establish the Non-Timber Forest Products Program.

7. Commitments and Contingencies

Loan Commitments

	2010	2009
Undisbursed balance of approved loans	\$ 645,377	\$1,578,621

Equipment Commitments

The Fund has entered into lease agreements for various office equipment. The minimum lease payments over the next three years are as follows:

2011	\$5,628
2012	\$2,350
2013	\$2,350

Contingencies

The Fund has been named as a defendant in a statement of claim. At the time of preparation of these financial statements, the outcome of this claim is not determinable and, accordingly, no provision for settlement (if any) has been recorded in these financial statements. Settlement amounts (if any) will be charged to operations in the year of settlement.

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. Advance by the Province of Manitoba

	2010	2009
Business Loan Program (Note 10)	\$ 12,536,774	\$ 11,261,380
Fisheries Loan Program (Note 10)	8,792,606	9,711,405
Building mortgage	979,759	1,000,000
	\$ 22,309,139	\$ 21,972,785

The Fund obtains capital for the purpose of carrying out its mandate of providing financial assistance in the form of loans and guarantees through loans provided by the Department of Finance. Term loans bear interest at the rates posted by the Department of Finance at time of issue. The Fund also has the option to draw funds on floating rates set periodically at the Royal Bank prime rate minus 3/4%. At year end, the Fund's instruments bore rates ranging from 2.38% to 5.38% with a weighted cost of capital of 3.75%.

9. Allowance for Doubtful Loans

The change in the allowance is accounted for as follows:

	2010		2009	
	Specific	Non-Specific	Total	Total
Business Loan Program				
Balance, beginning of year	\$ 1,607,266	\$ 443,715	\$ 2,050,981	\$ 2,019,245
Provision for the year	147,753	52,023	199,776	175,832
	1,755,019	495,738	2,250,757	2,195,077
Loans written-off	(83,278)	-	(83,278)	(144,096)
	\$ 1,671,741	\$ 495,738	\$ 2,167,479	\$ 2,050,981
Fisheries Loan Program				
Balance, beginning of year			\$ 3,131,327	\$ 3,026,327
Provision for the year			287,500	105,000
			3,418,827	3,131,327
Loans written-off			(58,095)	-
			\$ 3,360,732	\$ 3,131,327

The provision for fish loan losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2010 by \$301,970 (2009 - \$374,081).

	2010	2009
Loan Loss Provision		
Per accounts	\$ 3,360,732	\$ 3,131,327
Per net present value calculation	(3,058,762)	(2,757,246)
	\$ 301,970	\$ 374,081

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. Loan Programs

Business Loan Program

The Communities Economic Development Fund is included under the Province of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2009". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council.

Advances from the Business Loans Program are accounted for as follows:

	2010	2009
Advances, beginning of year	\$ 13,419,642	\$ 12,887,269
Loan advances	3,207,171	2,590,197
Loan advance repayments	(1,799,479)	(1,950,543)
Loan write-offs	(70,976)	(107,281)
	14,756,358	13,419,642
Unfunded allowance, beginning of year	2,158,262	2,181,847
Provision for doubtful loans	199,776	175,832
Write-offs (Order in Council approved)	(138,454)	(199,417)
	2,219,584	2,158,262
Net balance, end of year (Note 8)	\$ 12,536,774	\$ 11,261,380

Fisheries Loan Program

Advances to the Fisheries Loan Program are accounted for as follows:

	2010	2009
Advances, beginning of year	\$ 12,842,716	\$ 13,240,135
Loan advance repayments	(631,299)	(301,778)
Loan write-offs	(39,232)	(95,641)
	12,172,185	12,842,716
Unfunded allowance, beginning of year	3,131,311	3,121,952
Provision for doubtful loans	287,500	105,000
Write-offs (Order in Council approved)	(39,232)	(95,641)
	3,379,579	3,131,311
Net balance, end of year (Note 8)	\$ 8,792,606	\$ 9,711,405

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. Loan Act Authority

Amounts authorized for advances under "The Loan Act, 2009" are as follows:

	<u>2010</u>
Per Schedule A of "The Loan Act, 2009"	\$ 9,225,000
Per Schedule B of "The Loan Act, 2008"	<u>6,450,012</u>
Direct loans	15,675,012
Authority used	<u>6,800,000</u>
Unused Loan Act capital available	<u>\$ 8,875,012</u>

12. Economic Dependence

The ongoing operations of the Communities Economic Development Fund depend on obtaining adequate financing and funding. The Fund is dependent upon the Province of Manitoba for funding of operations.

13. Capital Management

The Fund considers its capital to be comprised of advances from the Province of Manitoba. There has been no change to what the Fund considers to be its capital since the prior period.

The Fund manages its capital to ensure it retains sufficient cash resources to enable it to carry out its strategic plan. The Fund endeavours to manage its subsidy from the Province of Manitoba within \$1,500,000 on an annual basis.

14. Financial Instrument Risk Management and Exposures

There have been no substantive changes in the Fund's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or methods used to measure them from previous periods.

The Board has overall responsibility for the determination of the Fund's risk management objectives and policies and has identified significant exposure to credit risk.

Credit Risk

Credit risk is the risk of loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations. The Fund has significant outstanding loans and is mainly exposed to credit risk through the credit quality of the individuals and businesses to whom the Fund has loaned funds.

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Fund takes into consideration the individual's ability to pay, and value of collateral available to secure the loan. The Fund's maximum exposure to credit risk, without taking into account any collateral or other credit enhancements is \$21,768,639 (\$20,755,975 in 2009).

NOTES TO FINANCIAL STATEMENTS

(Continued)

Interest Rate Risk

Interest rate risk is the impact that changes in market interest rates will have on the operations of the Fund. The Fund holds \$22,455,803 (\$21,269,270 in 2009) in interest bearing deposits and loans receivable at March 31, 2010. The Fund has mitigated this risk by adjusting interest rates for fish loans on a quarterly basis and interest rates for business loans on a monthly basis based on its weighted average cost of capital.

Fair Value

The carrying values of cash, trust deposits, amounts due from the Province of Manitoba, advances, accounts receivable and accounts payable and accrued liabilities and interest payable to the Province of Manitoba approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The fair value of loans receivable are not practical to determine due to the limited amount of comparable market information available and the uncertainty of the timing of cash flows of the loans. The carrying value of the accrued pension liability approximates the fair value as an annual calculation and update of the liability is done.

15. Comparative Figures

Comparative figures from the prior period have been reclassified to conform with the current year's presentation.

SCHEDULE OF OPERATING EXPENDITURES

For the year ended March 31	2010	2009
Amortization of capital assets	\$ 66,299	\$ 49,472
Building expenses	2,707	47,408
Collection costs	46,269	177,632
Communications	37,425	41,148
Credit reports	2,672	2,617
Directors' fees and expenses	59,321	60,023
Government vehicles	24,243	14,086
Insurance	4,659	4,529
Legal costs	40,070	151,563
MAFRI	97,834	58,336
Mortgage interest	52,060	41,856
NFDC	-	51,556
Office supplies and expenses	43,591	29,389
Pension	195,733	184,262
Professional fees	25,564	72,125
Rent and utilities	28,171	68,276
Repairs and maintenance	25,174	4,529
Salaries and benefits	986,167	872,958
Sundry	18,216	22,321
TEAM	142	23,815
Travel	44,180	53,079
	\$ 1,800,497	\$ 2,030,980



HEAD OFFICE: 15 Moak Crescent.,Thompson, Manitoba R8N 2B8 • Tel. 204-778-4138 • Fax. 204-778-4313

BUSINESS FIELD OFFICE:

3-1000 Main Street
Swan River, MB R0L 1Z0
Ph. 204-734-5025

FISHERIES FIELD OFFICES:

Box 1277
Hwy 9 & Colville Drive
Gimli, MB R0C 1B0
Ph. 204-642-6005

PO Box 10548
Opaskwayak, MB
R0B 2J0
Ph. 204-627-8370

Bay 8, 1680 Ellice Ave.
Winnipeg, MB R3H 0Z2
Ph. 204-945-2140