





## VISION STATEMENT

A Manitoba where all our communities can develop to their full economic potential.

## MISSION STATEMENT

Through strategic relationship building, expert business coaching, and client-centered lending, we support the economic development of Manitoba communities.

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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:

It is my pleasure to forward to you, the Communities Economic Development Fund's Annual Report for the year ended March 31<sup>st</sup>, 2014.

Respectfully submitted,

A handwritten signature in blue ink, reading 'Rosann Wowchuk', with a stylized, flowing script.

Rosann Wowchuk  
Chairperson



## DIRECTORS AND OFFICERS:

**MINISTER RESPONSIBLE:** The Honourable Eric Robinson

### BOARD OF DIRECTORS:

#### Chairperson:

Rosann Wowchuk      Cowan

#### Directors:

Chris Baker	South Indian Lake
Yvonne Ballantyne	Grand Rapids
Rob Barbe	Winnipegosis
Darlene Beck	Cross Lake
Lori Lathlin	The Pas
Reg Mead	Wabowden
Terence Stover	Churchill

#### Officers:

Chief Executive Officer: Oswald Sawh  
Manager of Finance &  
Fisheries Loans Program: Chris Thevenot

### 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:

P.O. Box 87, #16-120 6th Avenue N., Swan River, MB R0L 1Z0  
Bay 8, 1680 Ellice Avenue, Winnipeg, MB R3H 0Z2

#### 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 objects of the fund are to encourage the economic development of*  
*(a) northern Manitoba;*  
*(b) aboriginal people in the province outside of the City of Winnipeg; and*  
*(c) the fishing industry in Manitoba."*

Section 3(2) of the Act states the focus of the fund:

*"In carrying out its objects, the fund is to*  
*(a) give emphasis to the needs of small business, community development corporations and corporations without share capital; and*  
*(b) seek to provide its financial assistance in a way that encourages other lending and financial institutions to provide additional financing."*

Forms of financial assistance are described in Section 8(1) of the Act:

*"The fund may provide financial assistance in such forms as it may decide; including making loans to borrowers for the provision of fixed capital or working capital or for both."*

The activities of the fund are outlined in Section 6.1(1) of the Act:

*"For the purpose of achieving its objects, the fund may*  
*(a) provide financial assistance to persons or economic enterprises;*  
*(b) provide information, advice and training respecting the administration and operation of economic enterprises; and*  
*(c) promote good management practices in economic enterprises."*

### PROGRAMS:

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 provides support for community economic development through its Community Economic Development programming which includes the delivery of programs delivered under a Memo of Understanding (MOU) with Manitoba Agriculture, Food, and Rural Development.

## OVERVIEW:

CEDF continues to show strong growth in business loans in 2013/14 fiscal year with lending activity surpassing \$5.5 million. This marks the third highest annual business lending activity in its 42 year history and comes after CEDF's record year of \$6.5 million in 2012/13. Fisheries also showed a slight increase to \$ 3.14 million, the highest in three years. CEDF, for its 15th consecutive year, achieved its operating budget.

## CORPORATE REPORT

CEDF recently went through a strategic planning process aimed at filling gaps in economic development in its mandated areas with a focus on technical support for individuals looking at starting or expanding their business.

### Performance Measurement:

CEDF strategic business units remain unchanged.

- Administration - accounting, finance, management information services, and treasury management.
- Business Loans - providing loans and guarantees to economic enterprises.
- Fisheries Loans – providing loans to the commercial fishing industry.
- Community Economic Development - community level programming to assist Northern Manitoba communities in expanding economic opportunities.

Each unit is measured on key objectives which are noted below with outcomes.

## ADMINISTRATION:

The unit is headed by the Manager of Finance & Fisheries Loans Program, and has one staff. It is responsible for the production of financial reports, accurate recording of transactions, and managing budget. The accounting department handled in excess of \$13 million in transactions 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 15th consecutive year. For fiscal 2014, the CEDF budget remained unchanged from 2013.
- 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.

CEDF borrows its loan funds from the Department of Finance at Crown rates. It is important for CEDF to manage this supply

to ensure it can provide an efficient source of capital to its clients. Treasury is also responsible for ensuring an adequate supply of capital under the Loan Act. 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. As CEDF shifts from being a lender of last resort, its goal is to position its rates slightly higher than those available from conventional sources.
- Loan margin budget target is 2.25% (loan margin as calculated by dividing Gross Margin by Gross Portfolio) – the Fund achieved 2.55% during the year. Margins are affected by a CEDF self-imposed limit on margin when its cost of interest exceeds the base rate for calculation.

## BUSINESS LOAN PROGRAM:

The Business Loan Program had its third highest activity year with over \$5.5 million in lending. Some key industries such as Forestry and Transportation are still below historical levels but are showing signs of slow recovery. The hospitality and service industry continues to perform well for CEDF. The amendments to its programs and legislation, approved in 2011, continues to show benefits in increased lending levels as CEDF is able to better service some of its larger clients.

### Program Objectives:

- \$4.5 million in annual loan activity – during fiscal 2013, the Fund approved \$5.55 million in new lending. The result is a year over year decrease of \$1.02 million or 15.5% decrease from the previous year but is still significantly higher than the 5-year average of \$3.94 million. CEDF is monitoring demand factors such as the arrival of new capital in the market as well as industry conditions.
  - Account management to reduce loan losses – during fiscal year 2013, CEDF's loan loss provision was \$778,412 or approximately 14.04% of new activity. This is higher than CEDF's 5-year loan loss average of \$375,585 and is higher than the 5-year average of 9.53%. The high average is in part due to CEDF valuing its portfolios aggressively, adopting the approach of conservatism in valuation. Despite the variance, loan loss provisions for the year for both programs remain within budget.
- At year end, the Business Loan portfolio stood at \$16.67 million, up from \$14.53 million in 2013.

## FISHERIES LOANS PROGRAM:

CEDF continues to be a major source of financing to the industry where many participants do not have access to conventional financing. The loans are for “above water” assets such as boats, motors, ATVs, snowmobiles, and quotas. The Fund caters its loan payments to reflect the seasonality of the industry.

In recent years, FFMC’s “single-desk marketing” monopoly is being challenged. CEDF’s fisheries loan payments come by way of a 25% assignment of fish delivered to FFMC agents. There is a strong relationship between the availability of capital to support the fishing industry and the surety of payments offered by FFMC’s check-off.

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

## PROGRAM OBJECTIVES:

- Lending activity \$4.5 million annually – New lending activity during 2013/2014 was \$3.14 million.
- Successful loan management practice – Management lowered its loan loss provision in the amount of \$138,280 this year to reflect an increase in the overall value of the portfolio on an NPV basis due to the increase in payments received in the year. The Fund’s provision for loan loss under both programs is within budget.

At fiscal year end, the Fisheries portfolio stood at \$13.17 million, down from \$13.96 in 2013. CEDF is monitoring both payment levels and amortization terms to ensure that portfolio quality is accurately reported.

## COMMUNITY PROGRAMS:

CEDF’s Community Economic Development Officer (CEDO) provides community economic development technical assistance and consultative services to individuals in northern communities, community development corporations, and northern economic development practitioners.

The CEDO is under contract to Manitoba Agriculture, Food & Rural Development (MAFRD) to deliver department programming and provide access to northern entrepreneurs to various business support programs.

CEDF’s CEDO program recently changed its priority focus to technical support for individuals looking at starting or expanding their business. Primary activities during this period included: technical support to individuals and business planning with a secondary priority on community planning, community facilitation, and strategic planning.

## CLIENT TESTIMONIALS

### NORWAY HOUSE CREE NATION WATER AND SEWER TRUCKS

*"Sewer and water services are critical to every member of our community as it is with every community. Norway House Cree Nation has additional challenges when it comes to sewer and water because we are a remote and northern community. We appreciate the understanding and support of our partners like the Communities Economic Development Fund, as we work together to replace our aging fleet of 22 water and sewer trucks. Working together, we are able to ensure our community has these critical services."*

GERALD SLATER,  
Director of Economic Development  
Norway House Cree Nation



### AMIK AVIATION Little Grand Rapids

*"If the Fund wasn't there for aboriginal members like myself, who had a dream to own my own business, I wouldn't be where I am today. The Fund provided financial support to allow me to purchase the first of two aircraft. They believed in my vision to own an air service. Just recently, they provided financial assistance for the construction of a hangar/office for my staff of 17 and 4 airplanes. I really appreciate the support they have given me to realize my ambitions."*

OLIVER OWEN  
Owner/Operator





## **BENITO PREMIUM MEATS LTD.**

### **Swan River**

*"CEDF was there for our family when we relocated to open our business. Pat was willing to take the time to sit down, get to know us, listen to our dreams and plans, and make it a personalized comfortable meeting. Pat also took the time to help me put the finishing touches on my business plan. His expertise and experience let him see we are a viable asset for the Valley. CEDF has also helped us organize our start up costs at a better rate. Their dedication and commitment in helping small businesses succeed in the Valley is appreciated and reassuring. We look forward to dealing with them in the future."*

**DARYL & KIM PEARCE**  
Owner/Operator

## **NORWAY HOUSE COMMERCIAL FISHERMEN**

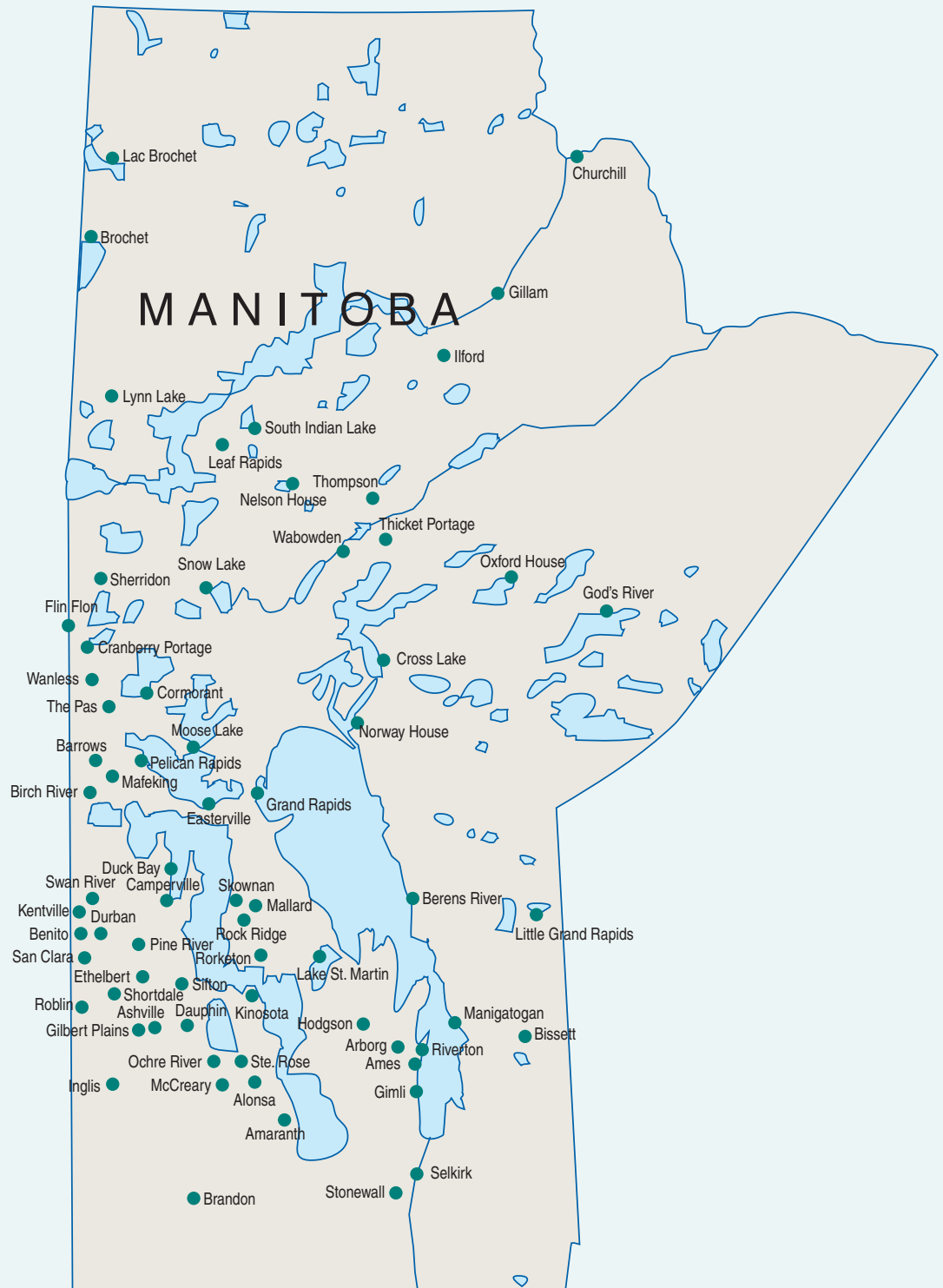
### **Norway House**

*"The Norway House Commercial Fishermen and Communities Economic Development Fund have had a strong relationship for many years. CEDF has been providing loans to our commercial fishers throughout the years which has given the fishers the opportunity to maximize on their businesses. Without the financial assistance from CEDF, many of our fishers would not have been able to purchase the equipment that is essential for their fishing operations. The fishers of the Norway House Fisherman's Co-op thank CEDF for their assistance throughout the years and look forward to a continued successful relationship."*

**BOARD OF DIRECTORS**  
Norway House Fisherman's Co-op



# LOANS BY COMMUNITY



# LOANS BY INDUSTRY 1993-2014

	\$0	\$100,000	\$1,000,000	\$2,000,000	\$3,000,000	\$4,000,000	\$5,000,000	OVER \$6,000,000
AGRICULTURE		\$197,715						
ART	\$14,340							
COMMERCIAL FISHING					\$3,750,289			
COMMERCIAL RENTALS			\$784,479					
CONSTRUCTION							\$5,133,676	
ENTERTAINMENT			\$582,576					
FARMING		\$71,939						
FOOD			\$584,109					
FORESTRY								\$22,195,044
HARVESTING				\$1,688,997				
HOTEL								\$14,883,705
LODGE					\$3,088,679			
MANUFACTURING			\$393,559					
MECHANIC			\$496,012					
MINING	\$32,000							
OFFICE SUPPLIES	\$25,800							
OTHER								\$7,452,075
PRINTING/PUBLISHING	\$38,475							
REAL ESTATE	\$37,980							
RESTAURANT				\$2,145,582				
RETAIL			\$1,666,061					
SERVICES								\$8,189,940
TOURISM					\$2,938,720			
TRANSPORTATION							\$5,474,795	
TRUCKING					\$3,174,091			
WHOLESALE		\$80,560						

## LOANS APPROVED

AMOUNT	NAME	BUSINESS	LOCATION	RATE	TERM
\$ 75,000.00	4011961 MB LTD (McBeth)	Fish packing station	Koostatak MB	6.00%	60
605,000.00	6734031 MB LTD (Aurora Inn)	Hotel	Churchill MB	5.75%	120
287,825.00	6755861 MB LTD (Provencher)	Accounting firm	Swan River MB	5.50%	180
695,000.00	6779329 MB LTD (Hrominchuk)	Motel and restaurant	Churchill MB	5.13%	180
10,000.00	David R. Albert	Sewer/water contractor	Norway House MB	5.25%	60
485,345.00	Almost Arctic Inn Inc.	Hotel	Leaf Rapids MB	5.38%	120
92,570.00	Burton Bee	Sewer/water contractor	Norway House MB	5.88%	60
63,681.00	Benito Premium Meats Ltd.	Retail meat sales	Benito MB	5.50%	93
507,892.66	Michael Boychuk	Holding company	Thompson MB	0.00%	0
142,137.00	M. Buehler & P. Jesso	Trucking	Pine River MB	5.50%	48
4,400.00	Allan Chapman	Artist	Thompson MB	6.00%	24
645,000.00	A. VanDinther & J. Loboy	Motel	Churchill MB	0.00%	0
63,383.00	Jeff Cromarty	Sewer/water contractor	Norway House MB	0.00%	0
748,560.00	DNR Redimix Concrete Ltd.	Concrete sales	Thompson MB	5.50%	180
13,690.00	William Fleming	Fish packing station	Winnipegosis MB	5.88%	12
112,060.00	Sterling Forbister	Sewer/water contractor	Norway House MB	5.75%	60
75,000.00	John Dean Friesen	Hardware store	Gillam MB	6.00%	60
24,785.00	Edward & Hazel Head	Taxi service	Moose Lake MB	5.50%	36
67,371.00	Maria Portage Fisheries Ltd.	Fish exporter	St. Theresa Point MB	5.50%	120
610,676.00	OVO Leasing Inc.	Air taxi service	Selkirk MB	5.58%	180
73,385.00	Kenneth D. Scott	Trucking	Cross Lake MB	5.36%	48
67,855.00	Teddy & Shanlee Stilborn	Trucking	Swan River MB	6.00%	60
75,000.00	Rajinder S. Thethy	Car wash	Thompson MB	5.63%	120
\$4,329,340	Total Active Loan Approval - 20 Clients				
\$1,216,276	Loans Approved / Withdrawn (listed) - 3 Clients				
\$5,545,616	Total Approvals - 23 Clients				



## SUMMARY OF BUSINESS LOANS/JOBS CREATED

Year Approved	Amount	Applications Approved	Jobs Created &/or Retained
1972-1985	\$18,110,218	516	1651
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
2011	1,238,133	15	20
2012	3,150,028	21	228
2013	6,562,214	24	236
2014	5,545,616	23	148
	\$118,591,858	1546	6686

## PERFORMANCE DATA

	2014	2013	2012	2011	2010	2009
No. of Loans Approved - Business	23	24	21	15	23	27
Dollar Value - Business	\$5,545,616	\$6,562,214	\$3,150,028	\$1,238,133	\$3,207,171	\$2,590,197
Dollar Value - Fisheries Approvals	\$3,139,601	\$2,853,817	\$2,922,493	\$3,201,487	\$3,760,207	\$4,268,577
No. of Active Loans - Business	114	108	109	116	128	135
No. of Active Loans - Fisheries	1072	1010	1189	1073	1119	1280
Portfolio Value - Total	\$29,831,813	\$28,491,599	\$25,929,394	\$26,483,870	\$27,296,850	\$25,938,282
Bad Debt Expense - Business	\$778,412	\$357,880	\$326,264	\$455,100	\$199,854	\$175,832
As a percentage of Approvals	14.04%	5.45%	10%	36.76%	6.23%	6.79%
Bad Debt Expense - Fisheries	\$(138,280)	\$187,500	\$207,402	\$100,000	\$287,500	\$105,000
As a percentage of Approvals	(4.4)%	6.57%	7.1%	3.12%	7.65%	2.46%
<b>Total Subsidy</b>	<b>\$1,469,450</b>	<b>\$1,469,451</b>	<b>\$1,469,454</b>	<b>\$1,469,208</b>	<b>\$1,514,900</b>	<b>\$1,505,556</b>
Subsidy as a percentage of Approvals	16.90%	15.61%	24.20%	33.09%	21.74%	21.95%

## ECONOMIC IMPACT

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

### JOBS

Number of persons directly employed in business supported by Fund loans	498
Number of Fishers supported by Fund loans	982
Total Employment	1480

### REVENUE

Total revenue of Business Loan clients:	\$ 53,111,166
Total revenues of Fisheries Loan clients (before final payment and transfer income)	12,062,316
Total Revenue	\$ 65,173,482
Direct Wages Paid	\$ 12,324,224

## SUMMARY OF FISH LOANS 1993-2014

Year	Loans Approved	Fishers Supported	Total Revenue of Fish Clients
1993	\$3,025,154.00	1300	not available
1994	\$2,249,264.00	1300	not available
1995	\$2,249,264.00	1160	not available
1996	\$3,160,518.00	1300	not available
1997	\$3,356,312.00	1100	not available
1998	\$2,529,516.00	1104	not available
1999	\$2,617,119.00	1104	\$17,292,000.00
2000	\$3,793,661.00	1106	\$18,994,000.00
2001	\$4,185,732.00	1110	\$19,670,000.00
2002	\$3,901,248.00	1119	\$18,730,000.00
2003	\$4,099,629.00	1153	\$18,533,000.00
2004	\$4,677,215.00	1191	\$20,144,000.00
2005	\$3,824,575.00	1207	\$12,459,561.00
2006	\$3,587,401.00	1180	\$12,802,111.00
2007	\$4,447,258.00	1154	\$14,421,448.00
2008	\$4,290,014.00	1309	\$18,765,092.00
2009	\$4,268,577.00	1280	\$16,310,856.00
2010	\$3,760,207.00	1119	\$13,004,584.00
2011	\$3,201,487.00	1073	\$12,716,280.00
2012	\$2,922,493.00	1189	\$13,490,940.00
2013	\$2,853,817.00	1010	\$13,363,454.00
2014	\$3,149,351.00	982	\$12,062,316.00
	\$76,149,812.00		\$252,759,642.00

## To the Directors of **COMMUNITIES ECONOMIC DEVELOPMENT FUND**

We have audited the accompanying financial statements of **COMMUNITIES ECONOMIC DEVELOPMENT FUND**, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and 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 public sector accounting standards, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

As discussed in Note 6 to the financial statements, the accrued pension liability recorded in the financial statements by management has been calculated by an actuary based on the solvency method rather than the going concern method. This constitutes a departure from Canadian public sector accounting standards. This is a result of a decision taken by management in prior years. Based on the going concern method of calculating the accrued pension liability, the accrued pension liability and due from the Province of Manitoba should be decreased by \$779,331 at March 31, 2014 and \$612,636 at March 31, 2013, and the pension expense and subsidy due from the Province of Manitoba should be decreased by \$156,568 for the year ended March 31, 2014 and \$167,887 for the year ended March 31, 2013.

### **Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **COMMUNITIES ECONOMIC DEVELOPMENT FUND** as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.


*BDO Canada LLP*  
Chartered Accountants  
Winnipeg, Manitoba  
June 10, 2014




# STATEMENT OF FINANCIAL POSITION

March 31	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and bank	\$ 203,529	\$ 119,212
Trust deposits - Province of Manitoba	1,946,993	519,746
Due from the Province of Manitoba (Note 2)	2,945,044	3,694,188
Accounts receivable	68,868	71,970
Property held for resale	4,425	4,425
Prepaid expenses	5,287	3,034
	5,174,146	4,412,575
<b>Loans receivable</b> (Note 3)	23,939,385	22,987,053
<b>Capital assets</b> (Note 4)	943,281	965,209
	\$ 30,056,812	\$ 28,364,837
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 504,286	\$ 1,454,271
Deferred contributions (Note 5)	189,046	199,672
Interest payable to the Province of Manitoba	259,250	296,467
	952,582	1,950,410
<b>Accrued pension liability</b> (Note 6)	2,794,331	2,627,636
<b>Advances by the Province of Manitoba</b> (Note 7)	26,309,899	23,786,791
	30,056,812	28,364,837
<b>Commitments</b> (Note 8)		
<b>Net assets</b>	-	-
	\$ 30,056,812	\$ 28,364,837

Approved on behalf of the Board of Directors:

  
 Director

  
 Director

The accompanying notes are an integral part of these financial statements.

# STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended March 31	2014	2013
<b>Revenue</b>		
Loan interest		
Business program	\$ 792,324	\$ 732,324
Fisheries program	734,379	742,093
Investment income	46,222	30,017
	1,572,925	1,504,434
<b>Cost of Funds</b>		
Interest paid to the Province of Manitoba		
Business program	413,850	364,743
Fisheries program	297,948	322,364
Life insurance	115,791	115,719
Trust line of credit	-	45,000
	827,589	847,826
<b>Gross margin</b>	745,336	656,608
<b>Operating expenditures</b> (see schedule)	1,731,992	1,757,500
	(986,656)	(1,100,892)
<b>Other Revenue</b>		
Administration fees	157,338	176,821
<b>Deficiency of revenue over expenditures before provision for doubtful loans</b>	(829,318)	(924,071)
<b>Provision for Doubtful Loans</b>		
Regular operations	640,132	545,380
<b>Deficiency of revenue over expenditures before subsidy due from the Province of Manitoba</b>	(1,469,450)	(1,469,451)
<b>Subsidy due from the Province of Manitoba</b>	1,469,450	1,469,451
<b>Excess of revenue over expenditures for the year</b>	-	-
<b>Net assets, beginning of year</b>	-	-
<b>Net assets, end of year</b>	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended March 31	2014	2013
<b>Cash Flows from Operating Activities</b>		
Excess of revenue over expenditures for the year	\$ -	\$ -
Adjustments for non-cash items		
Amortization of capital assets	26,607	26,888
Provision for doubtful loans	640,132	545,380
	666,739	572,268
Net changes in work capital balances		
Accounts receivable	3,102	32,881
Prepaid expenses	(2,253)	370
Accounts payable and accrued liabilities	(949,985)	370,418
Deferred contributions	(10,626)	-
Interest payable to the Province of Manitoba	(37,217)	(92,530)
Accrued pension liability	166,695	171,595
	(163,545)	1,055,002
<b>Cash Flows from Financing Activities</b>		
Net increase in amounts due from the Province of Manitoba	749,144	(507,037)
Net increase in advance by the Province of Manitoba	2,523,108	1,406,969
	3,272,252	899,932
<b>Cash Flows from Capital Activities</b>		
Acquisition of capital assets	(4,679)	(6,650)
<b>Cash Flows from Investing Activities</b>		
Change in loans receivable, net of repayments	(1,592,464)	(3,565,025)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,511,564	(1,616,741)
<b>Cash and cash equivalents, beginning of year</b>	638,958	2,255,699
<b>Cash and cash equivalents, end of year</b>	\$ 2,150,522	\$ 638,958
<b>Represented by</b>		
Cash and bank	\$203,529	\$119,212
Trust deposits - Province of Manitoba	1,946,993	519,746
	\$ 2,150,522	\$ 638,958

The accompanying notes are an integral part of these financial statements.

# NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2014

## I. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Nature of the Organization

The Communities Economic Development Fund (the "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 objects of the Fund are to encourage the economic development of northern Manitoba, Aboriginal people in the province outside of the City of Winnipeg, and the fishing industry in Manitoba. The Business and Fisheries Loans Programs are administered under the C.E.D.F. Act.

### (b) Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for not-for-profit organizations as established by the Public Sector Accounting Board.

### (c) Management's Responsibility for the Financial Statements

The financial statements of the Fund are the responsibility of management.

### (d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term deposits with a duration of less than ninety days from the date of acquisition.

### (e) Revenue Recognition

The Fund follows the deferral method of accounting for contributions. Interest on loans is recorded as revenue on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest revenue ceases when the carrying amount of the loan including accrued interest exceeds the estimated realizable amount of the underlying security.

Investment revenue is recorded on an accrual basis.

Other revenue including administration fees is recorded when the related service or activity is provided.

### (f) Allowance for Doubtful Loans

Business Loans 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 Loans 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.

The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

Loans considered uncollectible are written-off. Recoveries on loans previously written-off are taken into revenue.



(g) **Financial Instruments**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

(h) **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%

(i) **Employment and Post-Employment Benefits**

The Fund provides pension, retirement allowance and sick leave benefits to its employees. Employees of the Fund are provided pension benefits by The Civil Service Superannuation Fund (the “CSSF”). The cost of the pension benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management’s best estimate of salary increases and the age at which the employee will retire. Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are determined using projected benefit payments and reflect management’s best estimates of future payouts. Adjustments to the allowance are recognized in income immediately. Employees of the Fund are entitled to sick pay benefits that accumulate however do not vest. The cost of the anticipated future sick pay benefits that will be required by the employee is charged to expenses as services are rendered. The cost is determined using present value techniques.

(j) **Use of Estimates and Measurement Uncertainty**

These financial statements have been prepared in accordance with Canadian public sector accounting standards 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 and the accrued pension liability. Actual results may differ from those estimates.

# NOTES TO FINANCIAL STATEMENTS

## 2. DUE FROM THE PROVINCE OF MANITOBA

Annually, the Province of Manitoba provides a grant for the Fund's anticipated subsidy requirements for the year. The amount of \$2,945,044 (\$3,694,188 in 2013) represents additional funds needed to fund the actual requirements for the year including the pension liability. The balance is comprised of the following:

	2014	2013
Department of Aboriginal and Northern Affairs		
Subsidy, refundable	\$(85,952)	\$ (55,090)
Order in Council pending	171,263	1,056,240
Pension, unfunded	2,768,754	2,605,316
Pension, funded	25,579	22,322
Severance accrual, unfunded	65,400	65,400
	<b>\$2,945,044</b>	<b>\$3,694,188</b>

## 3. LOANS RECEIVABLE

Loans receivable by program are as follows:

	2014	2013
Business Loans Program		
Interest rates applied range from 4.75% to 9.875%		
Principal	\$15,283,499	\$ 13,316,707
Accrued interest	1,381,798	1,213,922
	16,665,297	14,530,629
Allowance for doubtful loans	2,760,481	1,982,069
Total Business Loans Program	13,904,816	12,548,560
Fisheries Loans Program		
Interest rates applied range from 4.25% to 6.25%		
Principal	12,157,685	12,735,122
Accrued interest	1,008,831	1,225,848
	13,166,516	13,960,970
Allowance for doubtful loans	3,131,947	3,509,676
Allowance for insurance	-	12,801
Total Fisheries Loans Program	10,034,569	10,438,493
Total Business and Fisheries Loans Programs	<b>\$ 23,939,385</b>	<b>\$ 22,987,053</b>

Gross amount of loans together with the allowance for doubtful loans are as follows:

	2014		2013	
	Gross Loan Balances	Total Allowance	Gross Loan Balances	Total Allowance
Business Loans Program				
Impaired	\$ 3,571,437	\$ 2,105,788	\$ 4,731,109	\$ 1,492,093
Performing	13,093,860	654,693	9,799,520	489,976
	<b>\$ 16,665,297</b>	<b>\$ 2,760,481</b>	<b>\$ 14,530,629</b>	<b>\$ 1,982,069</b>
Fisheries Loans Program				
Impaired	\$ 3,131,947	\$ 3,131,947	\$ 3,509,676	\$ 3,509,676
Performing	10,034,569	-	10,451,294	-
	<b>\$13,166,516</b>	<b>\$ 3,131,947</b>	<b>\$ 13,960,970</b>	<b>\$ 3,509,676</b>

The change in the allowance for doubtful loans are as follows:

	2014			2013
	Specific	Non-specific	Total	Total
Business Loans Program				
Balance, beginning of year	\$ 1,492,093	\$ 489,976	\$ 1,982,069	\$ 2,330,888
Provision for the year	613,695	164,717	778,412	357,880
	2,105,788	654,693	2,760,481	2,688,768
Loans written-off	-	-	-	(706,699)
Balance, end of year	<b>\$ 2,105,788</b>	<b>\$ 654,693</b>	<b>\$ 2,760,481</b>	<b>\$ 1,982,069</b>

	2014	2013
Fisheries Loans Program		
Balance, beginning of year	\$ 3,509,676	\$3,625,182
(Recovery) provision for the year	(138,280)	187,500
	3,371,396	3,812,682
Loans written-off	(239,449)	(303,006)
Balance, end of year	<b>\$3,131,947</b>	<b>\$3,509,676</b>

The provision for fisheries loans losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2014 by \$Nil (\$3,091 in 2013).

	2014	2013
Loan Loss Provision		
Per accounts	\$ 3,131,947	\$ 3,509,676
Per net present value calculation	(3,131,947)	(3,506,585)
	<b>\$ -</b>	<b>\$ 3,091</b>

# NOTES TO FINANCIAL STATEMENTS

## 4. CAPITAL ASSETS

	2014			2013		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 92,482	\$ -	\$ 92,482	\$ 92,482	\$ -	\$ 92,482
Building	931,236	97,780	833,456	931,236	79,155	852,081
Office furniture and equipment	167,341	149,998	17,343	162,662	142,016	20,646
Parking lot	73,000	73,000	-	73,000	73,000	-
Total	\$1,264,059	\$ 320,778	\$ 943,281	\$1,259,380	\$ 294,171	\$ 965,209

## 5. DEFERRED CONTRIBUTIONS

The Government of Manitoba has contributed \$200,000 to the Fund in prior years to cost share on an equal basis with the Fund to establish the Non-Timber Forest Products Program. Transactions for the year and deferred contributions at year end are as follows:

	2014	2013
Balance, beginning of year	\$ 199,672	\$199,672
Recognized during the year	10,626	-
Balance, end of year	\$ 189,046	\$199,672

## 6. EMPLOYMENT AND POST-EMPLOYMENT BENEFITS PAYABLE

### Pension Benefits

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 Civil Service Superannuation Act, the Fund is a "non-matching employer" and contributes 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 year. The most recent actuarial valuation available is as at December 31, 2012.

The significant actuarial assumptions adopted in measuring the Fund's pension liability are as follows:

	2014	2013
Benefit costs for the year ended March 31		
Discount rate	6.00%	6.00%
Rate of compensation increase	3.75%	3.75%

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.

### Pre-Retirement Benefits

Employees may be eligible for a pre-retirement benefit provided specific criteria are met. The pre-retirement liability is estimated to be \$50,700 at March 31, 2014 (\$87,700 in 2013) and is included in accounts payable and accrued liabilities.

### Sick Leave Benefits

Employees of the Fund are entitled to sick leave benefits during their employment. Sick leave benefits, which accumulate but do not vest, are estimated to be a liability as at March 31, 2014 of \$9,600 (\$16,500 in 2013). The amount is not considered to be significant by management, and as such has not been recorded as a liability in the financial statements of the Fund.

## 7. ADVANCES BY THE PROVINCE OF MANITOBA

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, 2013. The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council.

Advances by the Province of Manitoba by program are as follows:

	2014	2013
Business Loans Program		
Advances, beginning of year	\$ 16,899,265	\$ 14,691,195
Loan advances	7,559,000	6,475,000
Loan advance repayments	(5,632,089)	(4,266,930)
Advances, end of year	18,826,176	16,899,265
Unfunded allowance, beginning of year	2,689,923	2,957,701
Provision for doubtful loans	778,412	357,880
Loans written-off as approved by Order in Council	(1,075,893)	(625,658)
Unfunded allowance for doubtful loans, end of year	2,392,442	2,689,923
Net advances balance, end of year	\$ 16,433,734	\$ 14,209,342
Fisheries Loans Program		
Advances, beginning of year	\$ 12,523,053	\$ 3,397,275
Loan advances	4,275,000	2,625,000
Loan repayments	(4,138,260)	(3,499,222)
Advances, end of year	12,659,793	12,523,053
Unfunded allowance for doubtful loans, beginning of year (Recovery)/Provision for doubtful loans	3,858,039 (138,280)	3,686,981 187,500
Loans written-off as approved by Order in Council	(48,533)	(16,442)
Unfunded allowance for doubtful loans, end of year	3,671,226	3,858,039
Net advances balance, end of year	\$ 8,988,567	\$ 8,665,014
Net advances due by the Province of Manitoba are as follows:		
	2014	2013
Business Loans Program	\$ 16,433,734	\$ 14,209,342
Fisheries Loans Program	8,988,567	8,665,014
Building mortgage	887,598	912,435
	\$ 26,309,899	\$ 23,786,791



# NOTES TO FINANCIAL STATEMENTS

The Fund obtains capital, through its Loan Act, 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. The Fund has an authorized line of credit of \$2,000,000 from the Province of Manitoba bearing interest equivalent to prime less three quarters with effective rate applied of 2.25% at year end. 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 0.75%. At year end, the advances bore rates ranging from 1.75% to 5.25% with a weighted cost of capital of 2.20%.

Principal payments due in each of the next five fiscal years on advances by the Province of Manitoba that exclude unfunded allowances for doubtful loans are as follows:

2015	\$ 8,232,409
2016	7,412,067
2017	8,069,259
2018	5,472,711
2019	1,444,714

## 8. COMMITMENTS

Total undisbursed balances of approved loans are \$3,474,306 at March 31, 2014 (\$351,457 at March 31, 2013).

## 9. LOAN ACT AUTHORITY

Amounts authorized for advances under The Loan Act, 2013 are as follows:

	2014
The Loan Act, 2013	\$15,179,900
Authority used	11,834,000
Unused Loan Act capital available	<u>\$3,345,900</u>

## 10. ECONOMIC DEPENDENCE

The ongoing operations of the Fund depend on obtaining adequate financing and funding from the Province of Manitoba.

## 11. 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 and business' 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 \$24,008,253 (\$23,059,023 in 2013) which consists of loans and accounts receivable.

**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 \$25,886,378 (\$23,506,799 in 2013) in interest bearing deposits and loans receivable at March 31, 2014. 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.

**Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting financial obligations as they become due, and arises from the Fund's management of working capital and collections of loans receivable. The Fund's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

## SCHEDULE OF OPERATING EXPENDITURES

For the year ended March 31	2014	2013
Amortization of capital assets	\$26,607	\$26,888
Collection costs	46,763	45,380
Communications	35,318	37,071
Credit reports	2,368	3,317
Directors' fees and expenses	81,241	53,512
Government vehicles	31,420	32,382
Insurance	8,142	6,689
Legal costs	7,298	10,326
MAFRI	90,846	93,007
Mortgage interest	47,386	48,472
Office supplies and expenses	54,289	40,479
Pension	229,940	221,698
Professional fees	46,951	50,838
Rent and utilities	28,694	29,392
Repairs and maintenance	23,675	13,819
Salaries and benefits	911,090	991,397
Sundry	18,593	17,837
Travel	41,371	34,996
	<b>\$1,731,992</b>	<b>\$1,757,500</b>













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