



2015



ANNUAL REPORT





VISION STATEMENT

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

MISSION

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

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LETTER OF 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:

It is my pleasure to forward to you, the Communities Economic Development Fund's Annual Report for the year ended March 31st, 2015.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Rosann Wowchuk'. The signature is fluid and cursive, with the first name 'Rosann' and last name 'Wowchuk' clearly distinguishable.

Rosann Wowchuk
Chairperson

CORPORATE PROFILE

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:

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

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, 101-120 Centre Ave., Gimli, MB R0C 1B0
Box 10548, Opaskwayak, MB R0B 2J0
Bay 8, 1680 Ellice Avenue, Winnipeg, MB R3H 0Z2

The Communities Economic Development Fund (also referred to in legislation as “the 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 based programming which includes the delivery of programs delivered under a Memo of Understanding (MOU) with Manitoba Agriculture, Food, and Rural Development.

CORPORATE REPORT

OVERVIEW:

CEDF continues to show strong growth in business loans in 2014/15 fiscal year with new record lending activity close to \$7.2 million. This marks the highest annual business lending activity in its 43 year history and builds upon the two previous years of higher than average lending activity (2013/14 – third highest year at \$5.55 million, 2012/13 – second highest year at \$6.56 million). Fisheries loans also continue to show signs of recovery with another increase from last year to \$3.56 million, the highest in five years. CEDF, for its 16th consecutive year, achieved its operating budget.

The CEDF strategy continues to focus on providing developmental loans and 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 Based Programs** - 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 over \$34 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 16th consecutive year. For fiscal 2015, the CEDF budget remained unchanged from 2014.
- **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 CEDF to offer stable rates at market levels** – CEDF 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 CEDF achieved 2.18% 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 highest activity year with close to \$7.2 million in lending. Some key industries such as forestry and transportation are still below historical levels but continue to show signs of recovery. The hospitality and service industry continues to perform well for CEDF. The amendments to its programs and legislation, approved in 2011, continue to show benefits in increased lending levels as CEDF is able to better service some of its larger clients. Another factor fueling growth in business loans is CEDF opening up a Business Loans office in Winnipeg. This has allowed CEDF to better promote its programs in southern Manitoba. CEDF has also seen an increase in activities from First Nations clients.

Program Objectives:

- **\$4.5 million in annual loan activity** – during fiscal 2014/15, CEDF approved \$7.18 million in new lending. The result is a year over year increase of \$1.63 million or 29.4% increase from the previous year and is significantly higher than the 5-year average of \$4.74 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 2014/15, the CEDF loan loss provision was \$580,451 or approximately 8.09% of new activity. This is slightly higher than its 5-year loan loss average of \$499,621 but significantly lower than the 5-year average of 10.55%. The high average is in part due to CEDF valuing its portfolios aggressively, adopting the approach of conservatism in valuation.

At year end, the Business Loan portfolio stood at \$21.46 million up from \$16.67 million in 2014.

FISHERIES LOANS PROGRAM:

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

The fisheries loan payments to CEDF come by way of a 25% assignment of fish delivered to FPMC agents. There is a strong relationship between the availability of capital to support the fishing industry and the surety of payments offered by FPMC'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 2014/2015 was \$3.56 million, an increase from 2013/2014 fiscal year of \$3.14 million.
 - Successful loan management practice – Management made a loan loss provision of \$142,938 this year to reflect a decline in the overall value of the portfolio on an NPV basis.
- The provision for loan loss under both programs is within budget. At fiscal year-end, the Fisheries Loan portfolio stood at \$12.66 million, up from \$12.15 in 2014, due in part to increased lending levels in the year. CEDF is monitoring both payment levels and amortization terms to ensure that portfolio quality is accurately reported.

In September, 2014, CEDF, in partnership with the Department of Jobs & the Economy, began to administer the Fisher Helper Training program. The program provides individuals exposure to the commercial fishing industry through work experience under an experienced fisher.



COMMUNITY BASED PROGRAMS:

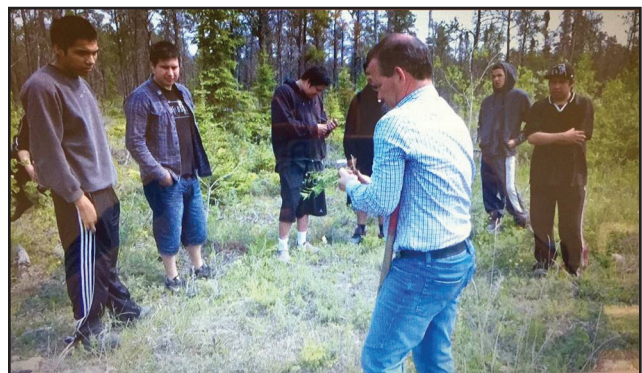
The Community Economic Development Officer (CEDO) of CEDF provides community economic development technical assistance and consultative services to individuals in northern communities, community development corporations, and northern economic development practitioners.

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

CEDF's community based 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.

Activities included business planning workshops, presentations to students regarding self-employment as a career option, presentations to Mayors/Chiefs and Councils, and one-on-one technical support. CEDF also held its first annual Business Developer's Forum in Thompson that showcased the various developmental funders in the Province. Participants included Community Futures North Central Development, Louis Riel Capital Corporation, First People's Economic Growth Fund, Community Futures Manitoba, Métis Economic Development Fund, Aboriginal Chamber of Commerce, Women's Enterprise Centre, Futurepreneur Canada, Entrepreneurship Manitoba, and Business Development Bank of Canada. CEDF plans to introduce "informational libraries" in communities in order to facilitate the availability of information on grants, loans, and technical support from various developers at the community level.

CEDF also started to work with individuals in communities who want to look at earning income in the area of non-timber forest products. This initiative will oversee the training of individuals in communities on the harvesting of certain bulk botanicals for resale. Training includes the proper methods of harvesting to ensure long term sustainability of the botanicals. Harvesters are also provided path-finding opportunities to markets for their product.



CLIENT TESTIMONIALS



DR. GUY'S SMALL ENGINE CLINIC The Pas

"CEDF was there to assist when we started our business in 1994. They've been there all along to help us as our business has grown over the years. We appreciate the professional support provided by their staff. CEDF has definitely helped us succeed in business."

Guy Laframboise
& Wendy Popika



ARCTIC TRADING COMPANY Churchill

"The Arctic Trading Company is a small business located on the shores of Hudson Bay. We manufacture native made slippers, mukluks, mitts, and gauntlets. Our main objective is to preserve Native arts. We collect art from many different First Nations across Canada for resale. We also sell furs and souvenir items."

The Arctic Trading Company received a loan from CEDF in April, 2014. This loan gave us ability to only make loan payments during our high season, as we have peak seasons when many tourists from all over the world come to Churchill to view the beluga whales and polar bears. In the off-season we are not required to make loan payments. Part of the loan was used to construct a new deck on our building, making it safer for our many visitors."

Penny Rawlings



McBETH FISHERIES Koostatak

"The Fisher River Mcbeth Board of Directors are grateful for the financial support provided by CEDF that assists in the growth of our local commercial fishery."

Over the past years, CEDF has assisted Quota Entitlement purchases and infrastructure upgrades. Without prompt services provided by your staff, opportunities would be lost in the commercial fishing industry.

Once again, we thank you."

McBeth Fisheries Board of Directors



**NORTH INTERLAKE
CONTRACTORS LTD.**
Riverton

"North Interlake Contractors Ltd would like to express our gratitude to CEDF staff, management and Board of Directors for their assistance and overall contribution to the growth of North Interlake Contractors Ltd.

I have been in the construction industry for over 20 years, starting out as an equipment operator working on various projects from soil remediation to road construction and reconstruction. In 2006, I started my own successful 100% Aboriginal owned construction company just south of Riverton, MB.

CEDF was able to financially assist me in finalizing a business plan and providing funds that allowed me to achieve the goal of our business. This accomplishment would not have been possible without the support and assistance from their Business Loans Consultant.

I am thankful and grateful that such an organization exists to help First Nation people achieve greater business success in the community!"

Eric Johansson



**NELSON RIVER
LOGGING LTD.**
Wabowden

"CEDF has assisted Nelson River Logging Ltd. (NRL) from the very beginning. In 1992 CEDF assisted with the purchase of a wood chipper. In 1996 we went to the bank to request financing for a building and were told we could not afford it. We applied to CEDF and they assisted us with the purchase of a pre-engineered convex commercial steel structure to use for our NRL shop. In 1998 CEDF financed the purchase of a delimber and later helped us with consolidating our debt when there was a downturn in the logging industry. In 2012 CEDF once again assisted us with the purchase of a feller buncher. Thanks CEDF for assisting us with our business."

Albert & Jim McIvor



**MYSTERY LAKE
BODY SHOP LTD.**
Thompson

"Thank you to CEDF for helping us achieve our goal of owning our own local business."

Danny and Charmaine Morris

LOANS BY COMMUNITY



LOANS BY INDUSTRY 1993-2015

	\$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	\$28,605							
COMMERCIAL FISHING					\$3,777,037			
COMMERCIAL RENTALS			\$1,141,279					
CONSTRUCTION								\$6,733,246
ENTERTAINMENT			\$1,307,576					
FARMING	\$71,939							
FOOD		\$584,109						
FORESTRY								\$22,195,044
HARVESTING			\$1,688,997					
HOTEL								\$16,516,705
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				\$2,192,697				
RETAIL			\$1,883,754					
SERVICES								\$9,861,350
TOURISM					\$2,938,720			
TRANSPORTATION							\$6,286,122	
TRUCKING					\$3,248,583			
WHOLESALE	\$80,560							

LOANS APPROVED

AMOUNT	NAME	BUSINESS	LOCATION	RATE	TERM
\$160,175	J.B. Johnston Ventures Ltd.	Commecrcial Property	Thompson MB	5.50%	180
152,675	Arctic Trading Company	Native art and crafts	Churchill MB	5.50%	120
127,375	Guy Laframboise	Small Engine Repairs	The Pas MB	5.50%	120
47,115	Anton & Lorise Cablik	Café	Thompson MB	5.50%	60
1,633,000	5797277 MB Ltd. (Westwood)	Hotel	Swan River MB	4.50%	240
116,440	David Albert	Sewer Contractor	Norway House MB	5.50%	60
196,625	Heather Nielsen	Commecrcial Property	Swan River MB	5.50%	180
65,018	Doris George	Convenience Store	Easterville MB	5.50%	120
498,453	North Interlake Contractors Ltd.	Construction	Riverton MB	6.00%	120
106,984	Ernest Dixon	Septic Contractor	Norway House MB	5.50%	60
110,475	Orville Simpson	Water Delivery	Norway House MB	5.50%	60
991,117	North Interlake Contractors Ltd.	Construction	Riverton MB	6.00%	120
178,125	6755861 MB Ltd. (Provencher)	Accounting Firm	Swan River MB	5.50%	120
106,984	Isaiah Queskekapow	Sewer Contractor	Norway House MB	5.50%	60
50,820	Leon Swanson	Water Delivery	Norway House MB	5.50%	60
26,748	Dawson Bay Fish Packers Ltd.	Fish Packing Plant	Mafeking MB	6.00%	36
110,475	John Robert Muswagon	Water Delivery	Norway House MB	5.50%	60
110,475	William Moore	Water Delivery	Norway House MB	5.50%	60
110,475	Dean Oliver Clarke	Water Delivery	Norway House MB	5.63%	60
25,800	Kenneth Scott	Trucking	Cross Lake MB	5.63%	36
63,390	Andre Proulx	Auto Repair & Customization	Thompson MB	5.63%	60
102,235	Horace Ross	Water Delivery	Cross Lake MB	5.50%	60
725,000	Ebb & Flow Investment Group Inc.	Golf Course	Ebb & Flow MB	6.00%	168
811,327	OVO Leasing Inc.	Charter Airline	Selkirk MB	6.00%	180
75,000	Sheldon Kent	Grocery/Gas Store	Black River MB	6.00%	60
44,685	Jody Apetagon	Garbage Collection	Norway House MB	5.50%	36
14,265	Mark Reynolds	Design and crafts	Churchill MB	5.50%	14
48,692	Lionel Rundle	Hauling & Transpot	Koostatak MB	6.00%	60
75,000	Dayton Barenz	Accounting Firm	Thompson MB	5.38%	36
71,996	Robert Zacharias	Grooming & Boarding Kennel	Morris MB	5.88%	78
110,476	Sterling Forbister	Sewer Contractor	Norway House MB	5.38%	60
110,000	Manto Sipi Construction Ltd.	Construction	God's River MB	5.88%	60
\$7,066,945	Total Active Loan Approvals - 31 Clients				
110,475	Loans Approved / Withdrawn (listed) - 1 Client				
\$7,177,420	Total Approvals - 32 Clients				

SUMMARY OF BUSINESS LOANS/JOB'S CREATED

Year Approved	Amount	Applications Approved	Jobs Created &/or Retained
1972-1986	\$21,019,953	559	1810
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
2015	7,177,420	32	266
	\$125,769,278	1578	6952

PERFORMANCE DATA

	2015	2014	2013	2012	2011
No. of Loans Approved - Business	32	23	24	21	15
Dollar Value - Business	\$ 7,177,420	\$5,545,616	\$6,562,214	\$3,150,028	\$1,238,133
Dollar Value - Fisheries Approvals	\$ 3,563,302	\$3,139,601	\$2,853,817	\$2,922,493	\$3,201,487
No. of Active Loans - Business	113	114	108	109	116
No. of Active Loans - Fisheries	1016	1072	1010	1189	1073
Portfolio Value - Total	\$34,120,541	\$29,831,813	\$28,491,599	\$25,929,394	\$26,483,870
Bad Debt Expense - Business	\$580,451	\$778,412	\$357,880	\$326,264	\$455,100
As a percentage of Approvals	8.09%	14.04%	5.45%	10%	36.76%
Bad Debt Expense - Fisheries	\$142,938	\$(138,280)	\$187,500	\$207,402	\$100,000
As a percentage of Approvals	4.01%	(4.4)%	6.57%	7.1%	3.12%
Total Subsidy	\$ 1,469,406	\$1,469,450	\$1,469,451	\$1,469,454	\$1,469,208
Subsidy as a percentage of Approvals	13.68%	16.90%	15.61%	24.20%	33.09%

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 CEDF loans	581
Number of Fishers supported by CEDF loans	1016
Total Employment	1597

REVENUE

Total revenue of Business Loan clients:	\$ 53,831,916
Total revenues of Fisheries Loan clients (before final payment and transfer income)	14,841,332
Total Revenue	\$ 68,673,248
Direct Wages Paid	\$ 13,400,379

SUMMARY OF FISHERIES LOANS 1993-2015

Year	Loans Approved	Fishers Supported	Total Revenue of Fisheries Clients
1993	\$3,025,154	1300	not available
1994	\$2,249,264	1300	not available
1995	\$2,249,264	1160	not available
1996	\$3,160,518	1300	not available
1997	\$3,356,312	1100	not available
1998	\$2,529,516	1104	not available
1999	\$2,617,119	1104	\$17,292,000
2000	\$3,793,661	1106	\$18,994,000
2001	\$4,185,732	1110	\$19,670,000
2002	\$3,901,248	1119	\$18,730,000
2003	\$4,099,629	1153	\$18,533,000
2004	\$4,677,215	1191	\$20,144,000
2005	\$3,824,575	1207	\$12,459,561
2006	\$3,587,401	1180	\$12,802,111
2007	\$4,447,258	1154	\$14,421,448
2008	\$4,290,014	1309	\$18,765,092
2009	\$4,268,577	1280	\$16,310,856
2010	\$3,760,207	1119	\$13,004,584
2011	\$3,201,487	1073	\$12,716,280
2012	\$2,922,493	1189	\$13,490,940
2013	\$2,853,817	1010	\$13,363,454
2014	\$3,149,351	982	\$12,062,316
2015	\$3,563,302	1063	\$14,841,332
	\$79,713,114		\$267,600,974

INDEPENDENT AUDITOR'S REPORT

KENDALL & PANDYA

Chartered Accountants

300-31 Main Street., P.O.Box 175, Flin Flon, MB R8A1M7 (204)687-8211 Fax 687-2957
118 Cree Road, Thompson, MB R8N 0C1 (204) 778-7312 Fax 778-7919

Partners... David Kendall, FCA*

Manisha Pandya, CA*

*Operating as professional corporations

To the Board of Directors of COMMUNITIES ECONOMIC DEVELOPMENT FUND

Report on the Financial Statements

We have audited the statement of financial position of COMMUNITIES ECONOMIC DEVELOPMENT FUND as at March 31, 2015 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.

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 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Communities Economic Development Fund as at March 31, 2015 and its operations and cash flows for the year then ended in accordance with Canadian auditing standards for not-for-profit organizations.

Other Matters

The financial statements of Communities Economic Development Fund for the year ended March 30, 2014 were audited by another CA firm who expressed a qualified opinion on those statements on June 10, 2014. Note 13 discusses the reasons for the qualified opinion.



CHARTERED ACCOUNTANTS


Thompson, Manitoba


June 9, 2015

STATEMENT OF FINANCIAL POSITION

As at March 31	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 948,451	\$ 203,529
Trust Deposits - Province of Manitoba	1,298,770	1,946,993
Due from the Province of Manitoba (Note 2)	3,179,793	2,945,044
Accounts Receivable	10,813	68,868
Property Held for Resale	4,419	4,425
Prepaid Expenses	4,444	5,287
	\$ 5,446,690	\$ 5,174,146
Loans receivable (Note 3)	\$ 27,885,300	\$ 23,939,385
Capital assets (Note 4)	959,278	943,281
	\$ 28,844,578	\$ 24,882,666
	\$ 34,291,268	\$ 30,056,812
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 1,180,452	\$ 504,286
Deferred Contributions (Note 5)	157,233	189,046
Interest Payable to the Province of Manitoba	267,500	259,250
	\$ 1,605,185	\$ 952,582
Accrued Pension Liability (Note 6)	\$ 2,419,610	\$ 2,794,331
Advances by the Province of Manitoba (Note 7)	30,266,473	26,309,899
	\$ 34,291,268	\$ 30,056,812
Commitments (Note 8)		
NET ASSETS	-	-
	\$ 34,291,268	\$ 30,056,812

Approved by the Board of Directors:


 Director


 Director

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended March 31	2015	2014
Revenue		
Loan Interest		
Business Program	\$ 879,772	\$ 792,324
Fisheries Program	673,917	734,379
Investment Income	57,964	46,222
	<u>\$ 1,611,653</u>	<u>\$ 1,572,925</u>
Cost of Funds		
Interest paid to the Province of Manitoba		
Business Program	\$ 437,166	\$ 413,850
Fisheries Program	300,067	297,948
Life Insurance	117,783	115,791
Trust Line of Credit	-	-
	<u>\$ 855,016</u>	<u>\$ 827,589</u>
Gross Margin	756,637	745,336
Operating Expenditures (Note 12)	<u>\$(1,764,725)</u>	<u>\$(1,731,992)</u>
	\$(1,008,088)	\$ (986,656)
Other Revenue		
Administration Fees	\$ 183,729	\$ 157,338
Program Revenues	78,342	-
	<u>\$ 262,071</u>	<u>\$ 157,338</u>
Deficiency of Revenue over Expenditures		
Before Provision for Doubtful Loans	(746,017)	(829,318)
Provision for Doubtful Loans		
Regular Operations	723,389	640,132
Deficiency of Revenue over Expenditures before Subsidy due from Province of Manitoba	(1,469,406)	(1,469,450)
Subsidy due from the Province of Manitoba	1,469,406	1,469,450
	<u></u>	<u></u>
Excess of Revenue over Expenditures	\$ -	\$ -
Net Assets, beginning of year	-	-
	<u></u>	<u></u>
Net Assets, end of year	\$ -	\$ -

STATEMENT OF CASH FLOWS

For the year ended March 31	2015	2014
Cash Flows from Operating Activities		
Excess of Revenue over Expenditures for the year	\$ -	\$ -
Adjustments for Non-cash Items	-	-
Amortization of Capital Assets	29,792	26,607
Provision for Doubtful Loans	723,389	640,132
	\$ 753,181	\$ 666,739
Net Changes in Working Capital Balances		
Accounts Receivable	\$ 58,055	\$ 3,102
Prepaid Expenses	843	(2,253)
Accounts Payable and Accrued Liabilities	676,166	(949,985)
Deferred Contributions	(31,813)	(10,626)
Interest Payable to the Province of Manitoba	8,250	(37,217)
Accrued Pension Liability	(374,721)	166,695
Property for Resale	6	-
	\$ 1,089,967	\$ (163,545)
Cash Flows from Financing Activities		
Net Increase (Decrease) in Amounts Due from the Province of Manitoba	\$ (234,749)	\$ 749,144
Net Increase (Decrease) in Advance by the Province of Manitoba	3,956,574	2,523,108
	\$ 3,721,825	\$ 3,272,252
Cash Flows from Capital Activities		
Acquisition of Capital Assets	\$ (45,789)	\$ (4,679)
Cash Flows from Investing Activities		
Change in Loans Receivable Net of Repayments	\$(4,669,304)	\$ (1,592,464)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 96,699	\$ 1,511,564
Cash and Cash Equivalents, beginning of year	\$ 2,150,522	\$ 638,958
Cash and Cash Equivalents, end of year	\$ 2,247,221	\$ 2,150,522
Represented by		
Cash and Bank	\$ 948,451	\$ 203,529
Term Deposits - Province of Manitoba	1,298,770	1,946,993
	\$ 2,247,221	\$ 2,150,522

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2015

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 object of the Fund is to encourage the economic development of northern Manitoba, aboriginal people outside the City of Winnipeg, and the fishing industry in Manitoba. The Business and Fisheries Loans Programs are administered under the CEDF 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 three payments in arrears, no plans in place to address 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.

(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 re-measured 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 actuarially 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 but 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 \$3,179,793 (\$2,945,044 in 2014) represents additional funds needed to fund the actual requirements for the year including the pension liability. The balance is comprised of the following:

	2015	2014
Department of Aboriginal and Northern Affairs		
Subsidy Refundable	\$ (44,643)	\$ (85,952)
Order in Council Pending	593,907	171,263
Pension, Unfunded	2,389,537	2,768,754
Pension, Funded	27,891	25,579
Severance Accrual, Unfunded	213,101	65,400
	\$ 3,179,793	\$ 2,945,044

3. LOANS RECEIVABLE

Loans receivable by program are as follows:

Business Loans Program

Interest rates applied range from 4.75% to 9.87%

Principal	\$ 20,216,389	\$ 15,283,499
Accrued interest	1,242,640	1,381,798
	21,459,029	16,665,297
Allowance for doubtful loans	(3,250,287)	(2,760,481)
Total Business Loans Program	\$ 18,208,742	\$ 13,904,816

Fisheries Loans Program

Interest rates applied range from 4.25% to 6.25%

Principal	\$ 11,810,502	\$ 12,157,685
Accrued interest	852,218	1,008,831
	12,662,720	13,166,516
Allowance for doubtful loans	(2,986,162)	(3,131,947)
Allowance for insurance	-	-
Total Fisheries Loans Program	9,676,558	10,034,569
Total Business and Fisheries Loans Programs	\$ 27,885,300	\$ 23,939,385

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

	2015		2014	
	Gross Loan Balances	Total Allowance	Gross Loan Balances	Total Allowance
Business Loans Program				
Impaired	\$ 3,529,450	\$ 2,349,365	\$ 3,571,437	\$ 2,105,788
Performing	17,929,579	900,922	13,093,860	654,693
	\$ 21,459,029	\$ 3,250,287	\$ 16,665,297	\$ 2,760,481
Fisheries Loans Program				
Impaired	\$ 2,986,162	\$ 2,986,162	\$ 3,131,947	\$ 3,131,947
Performing	9,676,558	-	10,034,569	-
	\$ 12,662,720	\$ 2,986,162	\$ 13,166,516	\$ 3,131,947

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

	2015		2014	
	Specific	Non-specific	Specific	Non-Specific
Business Loans Program				
Balance, beginning of year	\$ 2,105,788	\$ 654,693	\$ 1,492,093	\$ 489,976
Provision for the year	545,417	246,229	613,695	164,717
	\$ 2,651,205	\$ 900,922	\$ 2,105,788	\$ 654,693
Loans written-off	(301,840)	-	-	-
Balance, end of year	\$ 2,349,365	\$ 900,922	\$ 2,105,788	\$ 654,693

	2015	2014
Fisheries Loans Program		
Balance, beginning of year	\$ 3,131,947	\$ 3,509,676
(Recovery) provision for the year	151,052	(138,280)
	\$ 3,282,999	\$ 3,371,396
Loans written-off	(296,837)	(239,449)
Balance, end of year	\$ 2,986,162	\$ 3,131,947

The provision for fisheries loans losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2015 by Nil (Nil in 2014).

	2015	2014
Loan Loss Provision		
Per accounts	\$ 2,986,162	\$ 3,131,947
Per net present value calculation	(2,986,162)	(3,131,947)
	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

	2015			2014		
	Costs	Accumulated Amortization	Net Book Value	Costs	Accumulated Amortization	Net Book Value
Land	\$ 92,482	\$ -	\$ 92,482	\$ 92,482	\$ -	\$ 92,482
Building	931,236	116,405	814,831	931,236	97,780	833,456
Office Furniture & Equipment	213,130	161,165	51,965	167,341	149,998	17,343
Parking Lot	73,000	73,000	-	73,000	73,000	-
Total	\$ 1,309,848	\$ 350,570	\$ 959,278	\$ 1,264,059	\$ 320,778	\$ 943,281

5. DEFERRED CONTRIBUTIONS

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

	2015	2014
Balance, beginning of year	\$ 189,046	\$ 199,672
Recognized during the year	(31,813)	(10,626)
Balance, end of year	\$ 157,233	\$ 189,046

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. The liability is determined every year. The most recent actuarial valuation available is as at March 31, 2015.

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

	2015	2014
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. In fiscal years prior to 2015, the pension liability was calculated using the solvency method. Beginning in the 2015 fiscal year the pension liability is calculated using the going concern method in order to comply with Canadian public sector accounting standards

Pre-Retirement Benefits

Employees may be eligible for a pre-retirement benefit provided specific criteria are met. The pre-retirement liability is estimated, based on a first time commissioned actuarial report dated March 31, 2015, to be \$213,100 (\$50,700 in 2014) 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, 2015 of \$10,727 (\$9,600 in 2014). 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, 2014. 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:

	2015	2014
Business Loans Program		
Advances, beginning of year	\$ 18,826,176	\$ 16,899,265
Loan Advances	8,640,000	7,559,000
Loan Advance Repayments	(4,988,359)	(5,632,089)
Advances, end of year	\$ 22,477,817	\$ 18,826,176
Unfunded allowance for doubtful loans, beginning of year	2,392,442	2,689,923
Provision for doubtful loans	791,646	778,412
Loans written-off as approved by Order in Council	(193,255)	(1,075,893)
Unfunded allowance for doubtful loans, end of year	2,990,833	2,392,442
Net advances balance, end of year	\$ 19,486,984	\$ 16,433,734
	2015	2014
Fisheries Loans Program		
Advances, beginning of year	\$ 12,659,793	\$ 12,523,053
Loan Advances	4,506,000	4,275,000
Loan Repayments	(3,408,418)	(4,138,260)
Advances, end of year	\$ 13,757,375	\$ 12,659,793
Unfunded allowance for doubtful loans, beginning of year	3,671,226	3,858,039
(Recovery)/Provision for doubtful loans	168,114	(138,280)
Loans written-off as approved by Order in Council	-	(48,533)
Unfunded allowance for doubtful loans, end of year	3,839,035	3,671,226
Net advances balance, end of year	\$ 9,918,035	\$ 8,988,567
Net advances due by the Province of Manitoba are as follows:		
	2015	2014
Business Loans Program	\$ 19,486,984	\$ 16,433,734
Fisheries Loans Program	9,918,035	8,988,567
Building mortgage	861,454	887,598
	\$ 30,266,473	\$ 26,309,899

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. Term loans bear interest at the rates posted by the Department of Finance at time of issue. The Fund has the option to draw annually approved Loan Act funds on floating rates 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:

2016	\$ 10,730,456
2017	\$ 1,321,181
2018	\$ 7,664,864
2019	\$ 4,203,126
2020	\$ 2,217,941

8. COMMITMENTS

Total undisbursed balances of approved loans are \$1,069,635 at March 31, 2015 (\$3,474,306 at March 31, 2014).

9. LOAN ACT AUTHORITY

Amounts authorized for advances under The Loan Act, 2014 are as follows:

	2015
The Loan Act, 2014	\$ 13,146,000
Authority used	13,146,000
Unused Loan Act capital available	\$ -

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 \$27,896,113 (\$24,008,253 in 2014) 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 \$29,184,070 (\$25,886,378 in 2014) in interest bearing deposits and loans receivable at March 31, 2015. 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 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.

12. SCHEDULE OF OPERATING EXPENDITURES

For the year ended March 31	2015	2014
Amortization of Capital Assets	\$ 29,792	\$ 26,607
Collection Costs	113,311	46,763
Communications	44,567	35,318
Credit Reports	4,146	2,368
Directors' Fees and Expenses	81,563	81,241
Government Vehicles	38,863	31,420
Insurance	8,569	8,142
Legal Costs	13,336	7,298
MAFRD	95,206	90,846
Mortgage Interest	46,031	47,386
Office Supplies and Expenses	37,717	54,289
Pension	58,391	229,940
Professional Fees	65,627	46,951
Program Expenses	74,386	-
Rent and Utilities	30,066	28,694
Repairs and Maintenance	11,542	23,675
Salaries and Benefits	961,833	911,090
Sundry	14,016	18,593
Travel	35,763	41,371
	<u>\$ 1,764,725</u>	<u>\$ 1,731,992</u>

13. BASIS FOR QUALIFIED OPINION

As discussed in Note 6 to the financial statements, the accrued pension liability recorded in the financial statements by management was calculated by an actuary based on the solvency method rather than the going concern method for fiscal years prior to March 31, 2015. This was a departure from Canadian public sector accounting standards. 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 the pension expense and subsidy due from the Province of Manitoba should be decreased by \$156,568 for the year ended March 31, 2014.

Beginning in the 2015 fiscal year, the accrued pension liability is calculated based on the going concern method.



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