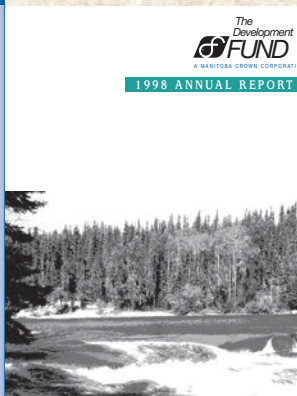
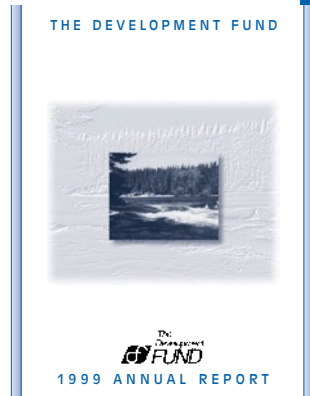
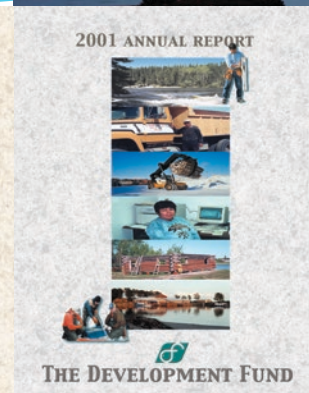
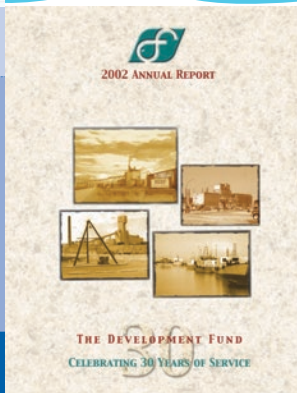
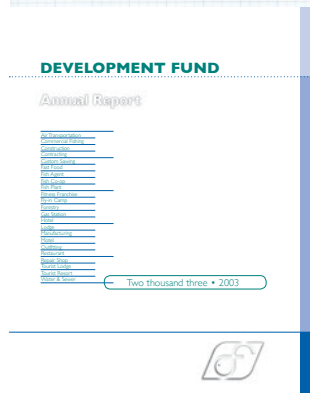
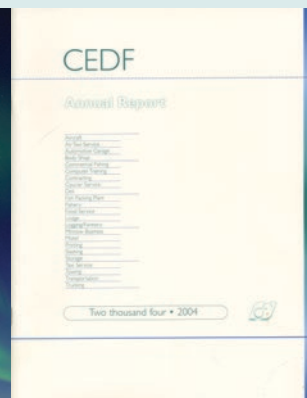


SUCCESS
NORTH
LOANS
INDUSTRY
CLIENTS
BUSINESS
COMMUNITY
SECTORS
GROWTH
IMPACT
POTENTIAL

45
YEARS
OF INVESTING
IN MANITOBA
COMMUNITIES
DEVELOPMENT
DATA
INVESTING
FISHERIES
CASHFLOW
FINANCE
OPERATIONS
EXPENSES
MARKETING
ASSETS
PROFIT
SERVICE



CEDF ANNUAL REPORT 2017





MISSION

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

VISION STATEMENT

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

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IN MANITOBA
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OPERATIONS
EXPENSES
MARKETING
ASSETS



Honourable Clifford Cullen
Minister Responsible for the
Communities Economic Development Fund Act
Province of Manitoba
Room 352, Legislative Building
Winnipeg MB R3C 0V8

Dear Sir:

On behalf the Board and Management for the Communities Economic Development Fund, it is my pleasure to forward to you, the 45th Annual Report for the year ended March 31st, 2017.

As of March 31, 2017, the Communities Economic Development Fund has been investing in Manitoba communities for 45 years. It was 25 years ago that CEDF switched from a program to business model. That being said, this Annual Report highlights some more details on the impacts and work that the Communities Economic Development Fund has been involved with over the last 25 years.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Rosann Wowchuk', is written over a faint, larger version of the same signature.

Rosann Wowchuk
Chairperson

DIRECTORS AND OFFICERS:

MINISTER RESPONSIBLE:

The Honourable Clifford Cullen

BOARD OF DIRECTORS:

Chairperson:

Rosann Wowchuk Cowan

Directors:

Yvonne Ballantyne	Grand Rapids
Lori Lathlin	The Pas
Reg Mead	Wabowden
Terence Stover	Churchill
Ellen Young	Bloodvein

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 the Department of Growth, Enterprise, and Trade.

OVERVIEW:

The Communities Economic Development Fund (CEDF), as of March 31, 2017 will have been investing in Manitoba communities for 45 years. It has also been 25 years since CEDF switched from a program to a business model. A 25 year review of our operations is included in this year's annual report following the current year's corporate report.

In the 2016/17 year, CEDF had mixed results in regards to its business and fish loans program. Business loans approved, due to a general downturn in the Northern economy and the resulting lowered investor confidence was lower this year with a significant drop to \$ 1.31 million as compared to \$ 5.78 million in the previous year. This does not include an additional \$ 3.14 million in loans approved by the Board as of March 31, 2017, conditional on support from Treasury Board. This drop is expected to continue for the 2017/18 year as investment confidence remains low and, in addition as of March 16, 2017, the Province requested CEDF to not do any business loans until a review was conducted on its operations. CEDF has now completed its internal review.

The fisheries loan program approved \$ 3.61 million in fisheries loans, slightly lower than the previous year of \$ 3.96, which was the highest year in loan activity since the previous seven years. CEDF, for its 18th consecutive year, achieved its operating budget.

Performance Measurement:

CEDF strategic business units remain unchanged.

- Business Loans - providing loans and guarantees to economic enterprises.
- Fisheries Loans – providing loans to the commercial fishing industry.
- Administration - accounting, finance, management information services, and treasury management.
- 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.

BUSINESS LOAN PROGRAM:

The 2016/17 years saw some significant economic bad news in the North, especially in the main urban centers of Thompson, the Pas, Flin Flon and Churchill. Many of these communities saw their long term large employers affected due to ongoing struggles in the primary resource based industries such as mining and forestry. This has resulted in a lower investor confidence that impacts demand for capital. The Business Loan Program approved \$ 1.31 million in business loans, with this amount increasing to \$ 4.45 million if the loans awaiting Treasury Board support is included. Over its 45 year history, CEDF has had an annual lending average of \$2.95 million. In the last 5 years, the annual business loan lending is \$ 5.27 million.

Program Objectives:

- \$4.5 million in annual loan activity – during fiscal 2017, the Fund approved \$1.31 million in new lending. The result is a year over year decrease of \$4.47 million, and is also lower than the 5-year average of \$5.27 million. CEDF continues to monitor demand factors such as the arrival of new capital in the market as well as industry conditions. It also continues to work with other developmental lenders in order to help complement rather than compete against other programs.
- Account management to reduce loan losses – during fiscal year 2017, CEDF's loan loss provision was \$210,810. This is significantly lower than CEDF's 5-year loan loss average of \$359,546. The loan loss provisions for the year for both programs remain within budget.

At year end, the Business Loan portfolio stood at \$19.86 million down slightly from \$20.2 million in 2016.

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 assets such as boats, motors, ATVs, snowmobiles, quotas, and nets. The Fund caters its loan payments to reflect the seasonality of the industry.

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 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 2016/2017 was \$3.60 million, a slight decrease from \$3.95 million in 2015/2016.
- Successful loan management practice – Management made a loan loss provision of \$114,000 this year to reflect a decline in the overall value of the portfolio on an NPV basis as well as a more aggressive approach to addressing non-performing loans. CEDF's provision for loan loss under both programs is within budget.

At fiscal year end, the Fisheries Loan portfolio stood at \$11.9 million, up slightly from \$11.7 million in 2016. CEDF is monitoring both payment levels and amortization terms to ensure that portfolio quality is accurately reported.

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 \$27 million in transactions including loan disbursements, payments from clients, and operating expenditures. The unit also manages CEDF's Treasury supply.

Accounting Objectives:

- Budget management – CEDF achieved budget for the 18th consecutive year.
- Timely reporting of performance and regulatory reporting - CEDF has met its filing objectives throughout the year and has provided regular (monthly) reporting to Board and Management.

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 to 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.

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 delivers various programs under the Department of Growth, Enterprise and Trade (GET) and helps to facilitate access for northern entrepreneurs to various business support programs. This is the last year for the contract with GET with discussions underway for a new contract to deliver community based programs.

CEDF's CEDO program focus is on technical support for individuals looking at starting or expanding their business. Primary activities during this period included technical support to individuals, and busi-

ness 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 Mayor/Chiefs and Councils, and one-on-one technical support. CEDF will also be installing informational kiosks 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 continues to work with Mayors and Councils to help develop local community economic strategic plans.

NORTHERN ECONOMIC DEVELOPMENT STRATEGY

On November 1st, 2016, Growth, Enterprise and Trade Minister Cliff Cullen announced the process of implementing the Manitoba government's Northern Economic Development Strategy (NEDS).

"Our government recognizes the need for economic diversification and development in our province's north," said Cullen. "We are undertaking an in-depth process to engage communities and stakeholders in the partnerships necessary for the attraction of new businesses, the development of entrepreneurial opportunities and the expansion of existing expertise and investment."

The development and implementation of this strategy is led by co-chairs Onekanew (Chief) Christian Sinclair of the Opaskwayak Cree Nation and Chuck Davidson, president and CEO of the Manitoba Chambers of Commerce.

"Manitoba's north is undergoing a period of necessary economic transformation," said Sinclair. "Working in partnership, Aboriginal communities and northern businesses will look to models that have been successful in other northern and remote regions of Canada and the world, and will move forward on a new path toward the expansion of existing sectors and the development of new economy-building enterprises."

"Northern Manitoba has always been viewed as a key asset and a region full of growth and opportunity to support the provincial economy," said Davidson, whose organization represents 69 Chambers of Commerce in Manitoba and close to 10,000 businesses. "Our hope is that through this process we will develop a forward-looking and proactive strategy that will unleash the north's true potential."

CEDF reprioritized dollars in order to help fund the Northern Economic Development Strategy (NEDS). CEDF, in partnership with the Province of Manitoba, acts as technical support for the NEDS. A series of summits in Thompson, the Pas, and Churchill has been held to hear from community and business leaders as to what they feel are the opportunities and challenges for economic development in northern Manitoba. CEDF is also holding consultation sessions with some Indigenous and Municipal Affairs communities to also get their feedback. The final draft of the NEDS is expected in the fall of 2017.

CEDF, as the only Northern based Provincial crown corporation, recognizes the importance of a strong Northern economy for all Manitobans. For this reason, CEDF is the major funder of the recently announced Northern Economic Development strategy (NEDS) and also provides technical support to the NEDS process.

Since 1992, after changing from a program model to a business model, and taking over the commercial fish loan program, the Communities Economic Development Fund (CEDF) has provided \$99,384,886 in developmental loans to 770 business clients that has created 4,693 jobs and maintained an additional 12,613 jobs since 1999.

In addition, these business have been estimated to have:

- earned \$184,840,497 in annualized gross revenue;
- paid out \$71,017,644 in annualized wage costs;
- paid out \$7,416,432 in annualized income tax.

In addition, CEDF has provided \$87,276,627 in commercial fish loans to fishers who have earned a minimum of \$364,617,678 in income since 1993. CEDF has, on average, over 1000 commercial fishers as clients that represent 60 - 70% of all commercial fishers in Manitoba.

On average, CEDF is close to a neutral cost to the Manitoba taxpayers when its annual subsidy is netted with funds paid back to the Province through interest paid on funds borrowed through the Loan Act (for its loan pool), provincial taxes paid by staff of CEDF, and PST paid on administrative expenses and paid by clients for items purchased from loan funds. This does not include other benefits such as the taxes paid by our clients in their operations and their employees.

CEDF's \$ 99,384,886 in developmental business loans since 1993 has leveraged an additional

\$ 37,813,858 in other funds or 38% of additional financing. Of the 770 business loans approved in 87 communities since 1993 approximately:

- 34.9% have been to businesses and individuals in Northern/Industrialized communities;
- 22.3% in predominately Non-Status/Metis communities;
- 20.4 % on First Nations;
- 12.4% in Central/Southern urbanized communities;
- 10% in rural communities.

In approximately 64.2% (495 loans) of the time the business loans were used for expansion, 11.6% (89 loans) of the time for start-ups, 10.3% (79 loans) of the time for purchase of a business, 6.8% (52 loans) of the time for refinancing, and 7.1% of the time for other miscellaneous purposes. The commercial fish loans program provide loans to individuals in the commercial fishing industry for items such as quota purchases, repairs, equipment/fish shed/boat purchases, taking over of existing outfits, and working capital/start-up costs.

CEDF business loans have been to a diverse set of industries but the top ten, that accounts for slightly over 90% of its loans, are forestry (22.7%), services and other (19.7%), hotel (16.6%), transportation (7.3%), construction (7%), commercial fishing co-ops and agents (4.5%), trucking (3.5%), lodge (3.3%), restaurants (3%), and tourism (3%).



Aurora Inn, Churchill



Dr. Guy's Small Engine Clinic,
The Pas



Iron Fitness, Thompson



Snow Lake Motor Hotel,
Snow Lake



Spruce Country Computer,
Swan River



Dawson Bay Fish Packers,
Mafeking



Arctic Trading, Churchill



Norway House Fisherman's Coop,
Norway House



Water & sewer trucks,
Norway House Cree Nation



McBeth Fisheries, Koostatak



Nelson River Loggers, Nelson House



7 Acre Wood Animal Boarding Kennel,
RM of Morris

SUCCESS
NORTH
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TESTIMONIALS
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45

YEARS
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PROFIT



PEDERSEN WELDING LTD. Swan River

"Our business has been running for nearly three years now and is steadily growing. As our work load increased so did our need for tools and equipment with the banks turning me down for loans for essential equipment. My search for financing options lead me to CEDF. On my first visit to the Swan River branch I knew this was the route for me. The process was quick and painless and it was very comforting to talk to someone that understood about business. CEDF has achievable loans structure and repayment schedule that worked for me and I'm sure many others. With the financing that CEDF was able to provide the company we now has have 3 full time employees and has boosted revenue well over 100%. CEDF is must for small business!"

Rikki Pedersen



LABAN FITNESS Thompson

"LABAN Fitness has been in operation since 2003. Started with only Taekwondo, then after a few years we added fitness classes. Eventually we added gym equipment and made it a 24-hr gym. The CEDF assisted us with the purchase of even more fitness equipment and machines to satisfy the demands of our clients. Today we are proud to have a very full gym with all of your workout needs from cross training to olympic lifting to body sculpting, we have what you need. Thanks CEDF for your support!"

Chris Byrne



WESTWOOD INN Swan River

"By working with Pat to obtain mortgage financing through CEDF, the Westwood Inn's cash flow has been substantially better, and management of cash flow and payments has taken considerably less monitoring and work. Due to better cash flow and financing, we have been able to allocate funds to improving the property; which has also helped to increase business, as well as increasing the value of the property. The Westwood Inn's intent is to continue renovations over the next couple of years, which would further increase our revenue and value of the property. Our dealings with Pat and CEDF have been extraordinary. It has been an absolute positive experience and has helped our business immensely."

Brent Scales



MISTIK HAULING Wabowden

"I have been in business for 30 years, when I started to contract to Manfor (now known as Canadian Craft Paper Industries Ltd.). In those days, as it is now, it was difficult to secure financing for contractors. CEDF was willing to provide financing back then, and continues to be a valuable financing institution for business' new and existing. Mistik Hauling continues to employ 8 Wabowden residents.

Garry Mosiondz



McPHERSON GAS BAR & CONVENIENCE STORE Garden Hill

"My husband Bill and I are members of the Garden Hill First Nation and we proudly own and operate McPherson Gas Bar. Living in a remote northern community, we had difficulty getting financing to start this business. In February 2017 we met CEDF who were visiting our community. After talking with them about their program, we applied and were successful in obtaining a loan to purchase fuel. Because CEDF gave us this loan we were able to ship the fuel up the winter road saving our customers a lot on money as we wouldn't have to fly the fuel in. Now we have enough inventory to ensure we are able to meet our customer's needs. Thank you CEDF."

William and Sylvia McPherson



BAACOS BAR & GRILL Thompson

"In the fall of 2016 we had idea that we should purchase Baaco Pizza and bring it back to life. Thanks to CEDF's financial assistance and support we were able to do this! On December 1st, we took over, and after 30 hours of renovations we opened for business. We are grateful to CEDF for believing in our vision! Baacos Bar & Grill is alive again!"

Cory & Kristyn Wickdahl

AMOUNT	NAME	BUSINESS	LOCATION	RATE	TERM
86,766.00	DAWSON BAY FISH PACKERS LTD	FISH PACKING	MAFEKING	5.20%	60.00
70,837.45	7 ACRE WOOD ANIMAL BOARDING KENNEL	ANIMAL BOARDING KENNEL	MORRIS	5.72%	72.00
252,250.00	J B JOHNSTON VENTURES LTD	COMMERCIAL PROPERTIES	THOMPSON	5.22%	180.00
14,150.00	LAKESIDE FISHERIES	COMMERCIAL FISHERIES	WINNIPEGOSIS	5.20%	12.00
26,560.00	HEAD LIMOUSINE SERVICE	CAR SERVICE	MOOSE LAKE	5.18%	39.00
167,101.00	CLOUD FARMS (Tim & Chris Cloud)	OILSEED & CEREAL FARM	WAYWAYSEECAPPO	5.70%	96.00
32,400.00	LABAN FITNESS INC	GYM & FITNESS FACILITY	THOMPSON	5.17%	36.00
37,202.00	PEDERSEN WELDING	MOBILE WELDING	SWAN RIVER	5.17%	48.00
264,224.00	MISTIK HAULING INC (Gary Mosiondz)	HARVESTING TIMBER	WABOWDEN	6.34%	48.00
75,000.00	BACCO PIZZA (Kristyn Wickdahl)	RESTAURANT & LOUNGE	THOMPSON	5.17%	60.00
195,995.00	FORBISTER, STERLING	WATER DELIVERY	NORWAY HOUSE	5.45%	60.00
14,635.00	HERE BE BEARS	HANDMADE JEWELLERY STORE	CHURCHILL	6.20%	60.00
72,000.00	McPHERSON'S GAS BAR	CONVENIENCE STORE / GAS STN	GARDEN HILL	5.75%	60.00
1,309,120	Total Active Loan Approval - 13 Clients				
-	Loans Approved / Withdrawn (listed) - 0 Clients				
3,143,358	Loans Awaiting Treasury Board Support - 2 Clients				
4,452,478	Total - 15 Clients				

	2017	2016	2015	2014	2013	2012
No. of Loans Approved - Business	13	36	32	23	24	21
Dollar Value - Business	\$1,309,120	\$5,777,148	\$7,177,420	\$5,545,616	\$6,562,214	\$3,150,028
Dollar Value - Fisheries Approvals	\$3,606,696	\$3,956,817	\$3,563,302	\$3,149,351	\$2,853,817	\$2,922,493
No. of Active Loans - Business	111	111	113	114	108	109
No. of Active Loans - Fisheries	871	907	1016	1072	1010	1189
Portfolio Value - Total	\$31,777,978	\$31,920,361	\$34,120,541	\$29,831,813	\$28,491,599	\$25,929,394
Total Subsidy	\$1,429,984	\$1,429,974	\$1,469,442	\$1,469,450	\$1,469,451	\$1,469,454
Bad Debt Expense - Business	\$210,810	\$109,763	\$580,451	\$538,825	\$357,880	\$326,264
Bad Debt Expense - Fisheries	\$114,000	\$599,117	\$142,938	\$106,720	\$187,500	\$207,402
Combined Bad Debt Expense - Business and Fisheries as a percentage of current year approvals	6.61%	7.28%	6.74%	7.42%	5.79%	8.79%
Bad Debt Expense as a Percentage of Loan Activity						
Historial	10.05%					
Last 10 Years	7.46%					
Last 5 Years	6.76%					
Last 3 Years	6.92%					

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	482
Number of Fishers supported by CEDF loans	871
Total Employment	\$ 1353

REVENUE

Total revenue of Business Loan clients:	\$ 43,315,616
Total revenues of Fisheries Loan clients (before final payment and transfer income)	\$ 17,931,464
Total Revenue	\$ 61,247,080
Direct Wages Paid	\$ 10,081,832

	Equity	Vendor / Client Financing	Other Financial Organizations	Total
2016/17	\$272,713	\$96,697	\$452,099	\$821,509
2015/16	384,298	\$564,570	\$938,000	\$1,886,868
2014/15	893,455	130,730	850,294	1,874,479
2013/14	297,775	341,264	543,749	1,182,788
2012/13	2,314,934	103,550	3,712,125	6,130,609
2011/12	900,569	127,000	0	1,027,569
	\$5,063,744	\$1,363,811	\$6,496,267	\$12,923,822

CEDF developmental loans totalling \$29,521,546 in the last six years has leveraged an additional \$12,923,822 or 44%, in other financing and equity investment.

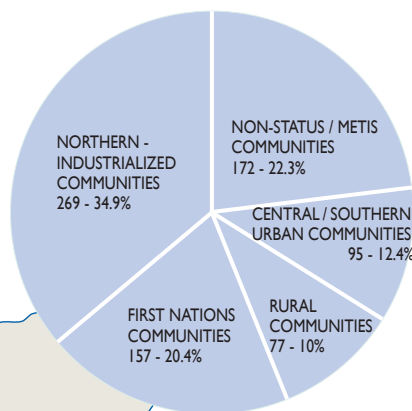
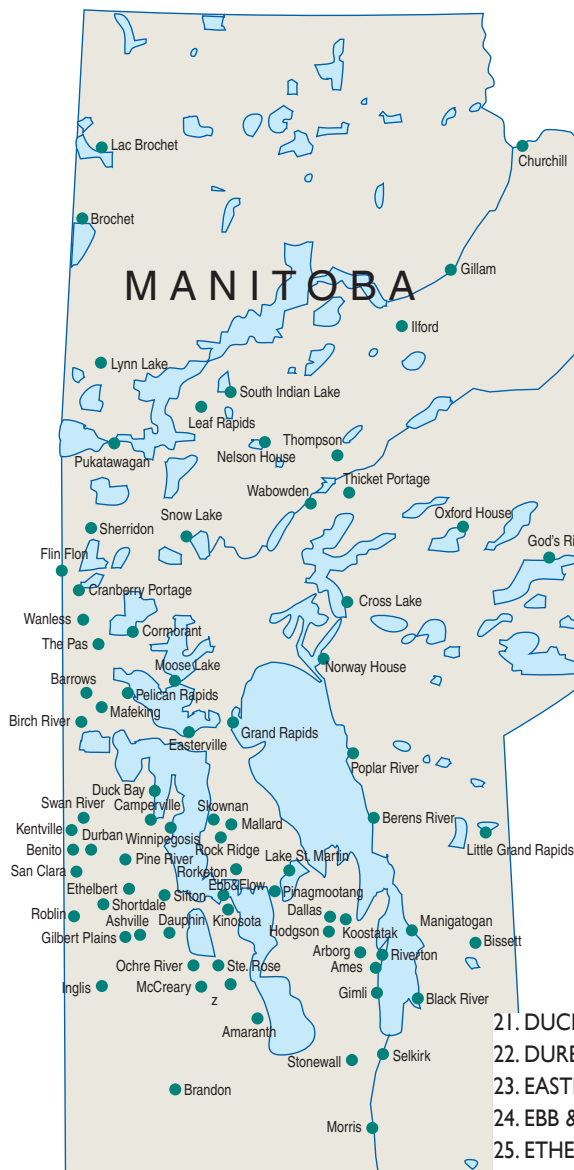
Year Approved	Amount Approved	Applications Approved	Jobs Created &/or Retained	Jobs Supported by Business	Direct Wages Paid by Business	Total Business Revenue
1972-1988	\$28,143,297	695	2235			
1989	725,243	22	31			
1990	1,681,090	38	136			
1991	1,737,344	30	80			
1992	1,183,686	19	102			
1993	5,406,375	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	Note #1		Note #1
1999	5,188,498	41	178	466	Note #2	\$37,540,000
2000	2,062,664	36	165	488	\$10,364,000	41,096,000
2001	2,797,419	28	170	511	10,310,000	41,395,000
2002	2,787,386	28	166	533	11,859,000	42,283,000
2003	5,174,099	39	213	460	11,755,000	49,738,000
2004	4,721,154	41	267	508	11,433,000	53,860,000
2005	2,834,888	33	359	697	13,964,061	60,541,432
2006	4,961,588	35	155	750	14,701,713	59,203,128
2007	4,123,999	31	233	787	14,573,467	59,999,057
2008	1,687,381	27	242	767	13,155,686	49,602,280
2009	2,590,197	27	132	899	14,668,639	47,399,488
2010	3,207,171	23	167	933	16,180,196	50,334,854
2011	1,238,133	15	20	860	15,233,119	44,158,425
2012	3,150,028	21	228	1125	15,834,769	44,602,662
2013	6,562,214	24	236	874	13,279,922	50,958,422
2014	5,545,616	23	148	498	12,324,224	53,111,166
2015	7,177,420	32	266	581	13,400,379	53,831,916
2016	5,777,148	36	165	494	10,710,557	49,970,917
2017	4,452,478	15	160	482	10,081,832	43,315,616
	\$135,998,904	1629	7277	12,613	\$233,829,564	\$932,941,363

Note 1 - Statistics on jobs supported and revenue earned by individual businesses was not recorded prior to 1999.

Note 2 - Statistics on wages paid by individual businesses was not recorded prior to 2000.

FISHERIES LOANS

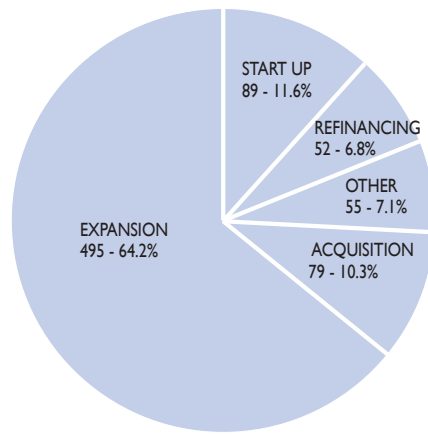
Year	Loans Approved	Fishers Supported	Total Revenue of Fisher Clients	Amount of Licensed Fishers Delivering to FFMC	% of CEDF Client over Total Provincial Fishers
1993	\$3,025,154	1300	not available	2025	64%
1994	2,249,264	1300	\$18,904,020	1894	69%
1995	2,249,264	1160	11,680,536	1839	63%
1996	3,160,518	1300	8,743,872	1927	67%
1997	3,356,312	1100	12,047,928	1863	59%
1998	2,529,516	1104	9,151,612	1758	63%
1999	2,617,119	1104	17,292,000	1719	64%
2000	3,793,661	1106	18,994,000	1799	61%
2001	4,185,732	1110	19,670,000	1857	60%
2002	3,901,248	1119	18,730,000	1849	61%
2003	4,099,629	1153	18,533,000	1850	62%
2004	4,677,215	1191	20,144,000	1918	62%
2005	3,824,575	1207	12,459,561	1811	67%
2006	3,587,401	1180	12,802,111	1707	69%
2007	4,447,258	1154	14,421,448	1714	67%
2008	4,290,014	1309	18,765,092	1585	83%
2009	4,268,577	1280	16,310,856	1589	81%
2010	3,760,207	1119	13,004,584	1565	72%
2011	3,201,487	1073	12,716,280	1496	72%
2012	2,922,493	1189	13,490,940	1354	88%
2013	2,853,817	1010	13,363,454	1383	73%
2014	3,149,351	982	12,062,316	1376	71%
2015	3,563,302	1063	14,841,332	1398	76%
2016	3,956,817	907	18,557,272	1311	69%
2017	3,606,696	871	17,931,464	1360	64%
\$87,276,627			\$364,617,678		



1. ALONSA.....	\$1,305,000.00
2. AMARANTH.....	\$139,555.00
3. ARBORG.....	\$300,000.00
4. ARNES.....	\$3,850.00
5. ASHVILLE.....	\$24,171.00
6. BARROWS.....	\$119,863.00
7. BENITO.....	\$538,364.00
8. BERENS RIVER.....	\$367,800.00
9. BIRCH RIVER.....	\$233,342.00
10. BISSETT.....	\$124,840.00
11. BLACK RIVER.....	\$75,000.00
12. BRANDON.....	\$179,818.00
13. BROCHET.....	\$854,902.00
14. CAMPERVILLE.....	\$336,066.00
15. CHURCHILL.....	\$7,634,090.00
16. CORMORANT.....	\$43,170.00
17. CRANBERRY PORTAGE.....	\$1,129,230.00
18. CROSS LAKE.....	\$2,326,555.00
19. DALLAS.....	\$75,000.00
20. DAUPHIN.....	\$1,959,153.00

21. DUCK BAY.....	\$183,939.00
22. DURBAN.....	\$77,673.00
23. EASTERVILLE.....	\$1,722,929.00
24. EBB & FLOW.....	\$762,040.00
25. ETHELBERT.....	\$618,759.00
26. FLIN FLON.....	\$1,724,587.02
27. GILBERT PLAINS.....	\$115,000.00
28. GILLAM.....	\$447,743.00
29. GIMLI.....	\$217,242.94
30. GOD'S RIVER.....	\$511,522.00
31. GRAND RAPIDS.....	\$918,601.00
32. GYPSUMVILLE.....	\$39,375.00
33. HODGSON.....	\$230,370.00
34. ILFORD.....	\$305,493.00
35. INGLIS.....	\$60,000.00
36. ISLAND LAKE.....	\$72,000.00
37. KENVILLE.....	\$216,420.00
38. KINOSOTA.....	\$76,625.00
39. KOOSTATAK.....	\$944,934.00
40. LAC BROCHET.....	\$74,383.00
41. LAKE ST. MARTIN.....	\$52,210.00
42. LEAF RAPIDS.....	\$1,618,636.00
43. LITTLE GR RAPIDS.....	\$593,220.00
44. LYNN LAKE.....	\$971,365.00
45. MAFEKING.....	\$1,677,058.00
46. MALLARD.....	\$10,650.00

47. MANIGOTOGAN.....	\$67,480.00
48. MCCREARY.....	\$51,660.00
49. MOOSE LAKE.....	\$387,122.00
50. MORRIS.....	\$142,833.45
51. NELSON HOUSE.....	\$353,810.00
52. NORWAY HOUSE.....	\$5,913,390.00
53. OAKVIEW.....	\$899,425.00
54. OCHRE RIVER.....	\$197,715.00
55. OXFORD HOUSE.....	\$247,540.00
56. PELICAN RAPIDS.....	\$20,500.00
57. PINAGMOOTANG.....	\$128,000.00
58. PINE RIVER.....	\$1,334,477.00
59. POPLAR RIVER.....	\$32,450.00
60. PUKATAWAGAN.....	\$33,070.00
61. RIVERTON.....	\$2,221,008.00
62. ROBLIN.....	\$142,185.00
63. ROCK RIDGE.....	\$57,705.00
64. RORKETON.....	\$20,500.00
65. SAN CLARA.....	\$76,600.00
66. SELKIRK.....	\$3,408,189.99
67. SHERRIDON.....	\$340,317.00
68. SHORTDALE.....	\$69,757.00
69. SIFTON.....	\$120,000.00
70. SKOWNAN.....	\$21,785.00
71. SNOW LAKE.....	\$1,823,193.00
72. SOUTH INDIAN LAKE.....	\$354,598.00
73. ST THERESA POINT.....	\$138,921.00
74. ST. ANDREWS.....	\$1,002,526.00
75. ST. ROSE.....	\$115,000.00
76. STONEWALL.....	\$49,999.00
77. SWAN RIVER.....	\$5,041,466.00
78. THE PAS.....	\$5,324,697.00
79. THICKET PORTAGE.....	\$72,680.00
80. THOMPSON.....	\$15,540,317.66
81. WABOWDEN.....	\$13,639,054.00
82. WANIPIGOW.....	\$324,314.00
83. WANLESS.....	\$168,067.00
84. WATERHEN.....	\$25,915.00
85. WAYWAYSEECAPPO.....	\$167,101.00
86. WINNIPEGOSIS.....	\$46,610.00
Miscellaneous (Winnipeg mailing address but businesses operating outside of Winnipeg).....	\$2,977,640.29
Loans approved but later withdrawn.....	\$4,272,723.65
TOTAL.....	\$99,384,886.00



	\$0	\$100,000	\$1,000,000	\$2,000,000	\$3,000,000	\$4,000,000	\$5,000,000	OVER \$6,000,000
AGRICULTURE			\$364,816					
ART		\$34,105						
COMMERCIAL FISHING							\$4,505,838	
COMMERCIAL RENTALS			\$1,211,279					
CONSTRUCTION								\$6,929,576
ENTERTAINMENT			\$1,307,576					
FARMING		\$71,939						
FOOD			\$1,201,233					
FORESTRY								\$22,568,198
HARVESTING				\$1,688,997				
HOTEL								\$16,516,705
LODGE						\$3,292,104		
MANUFACTURING			\$393,559					
MECHANIC			\$496,012					
MINING		\$32,000						
OFFICE SUPPLIES		\$25,800						
OTHER								\$7,668,244
PRINTING/PUBLISHING		\$84,575						
REAL ESTATE			\$290,230					
RESTAURANT					\$3,025,897			
RETAIL				\$1,898,389				
SERVICES								\$11,883,097
TOURISM					\$2,990,910			
TRANSPORTATION								\$7,315,208
TRUCKING						\$3,508,049		
WHOLESALE		\$80,560						

Independent Auditor's Report

KENDALL & PANDYA

Chartered Professional 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, 2017 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 Public Sector Accounting standards, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct 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 depends on the auditor's judgement, 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. The 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 the Communities Economic Development Fund, as at March 31, 2017 and its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

CHARTERED PROFESSIONAL ACCOUNTANTS

Thompson, Manitoba
May 30, 2017

Statement of Financial Position

As at March 31, 2017

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 952,010	\$ 1,138,600
Trust Deposits - Province of Manitoba	507,925	612,094
Due from the Province of Manitoba (Note 2)	4,638,438	4,083,036
Accounts Receivable	23,651	198,584
Property Held for Resale	4,419	4,419
Prepaid Expenses	12,126	11,010
	<u>6,138,569</u>	<u>6,047,743</u>
Loans Receivable (Note 3)	26,480,875	26,791,512
Capital Assets (Note 4)	905,442	923,821
	<u>27,386,317</u>	<u>27,715,333</u>
	<u>\$ 33,524,886</u>	<u>\$ 33,763,076</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 1,128,673	\$ 1,382,740
Deferred Contributions (Note 5)	124,107	145,784
Interest Payable to the Province of Manitoba	219,461	232,857
	<u>1,472,241</u>	<u>1,761,381</u>
Accrued Pension Liability (Note 6)	2,668,080	2,569,697
Advances by the Province of Manitoba (Note 7)	29,384,565	29,431,998
	<u>33,524,886</u>	<u>33,763,076</u>
NET ASSETS	-	-
	<u>\$ 33,524,886</u>	<u>\$ 33,763,076</u>
Commitments (Note 8)		

APPROVED BY THE BOARD OF DIRECTORS:




Statement of Operations and Changes in Net Assets

Year ended March 31, 2017

	2017	2016
REVENUE		
Loan Interest		
Business Program	\$ 973,312	\$ 1,125,751
Fisheries Program	646,954	677,752
Investment Income	26,567	26,856
	<u>1,646,833</u>	<u>1,830,359</u>
COST OF FUNDS		
Interest Paid to the Province of Manitoba		
Business Program	495,956	476,231
Fisheries Program	271,665	288,907
Life Insurance	112,959	112,895
	<u>880,580</u>	<u>878,033</u>
GROSS MARGIN	766,253	952,326
OPERATING EXPENDITURES (Note 12)	(2,051,233)	(2,108,260)
	<u>(1,284,980)</u>	<u>(1,155,934)</u>
OTHER REVENUE		
Administration fees	179,806	180,158
Program Revenues	-	254,700
	<u>179,806</u>	<u>434,858</u>
Deficiency of Revenue Over Expenditures		
Before Provision for Doubtful Loans	(1,105,174)	(721,076)
Provisions for Doubtful Loans		
Regular Operations	324,810	708,880
Deficiency of Revenue Over Expenditures before		
Subsidy due from Province of Manitoba	(1,429,984)	(1,429,956)
Subsidy due from Province of Manitoba	<u>1,429,984</u>	<u>1,429,956</u>
Excess of Revenue Over Expenditures	\$ -	\$ -
Net Assets, Beginning of Year	<u>-</u>	<u>-</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ -</u>

Statement of Cash Flows

Year ended at March 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenue over Expenditures for the year	\$ -	\$ -
Amortization of Capital Assets	26,299	44,467
Provision for Doubtful Loans	324,810	708,880
	<u>351,109</u>	<u>753,347</u>
Net Changes in Working Capital Balances		
Accounts Receivable	174,933	(187,771)
Prepaid Expenses	(1,116)	(6,566)
Accounts Payable and Accrued Liabilities	(254,067)	202,288
Deferred Contributions	(21,677)	(11,449)
Interest Payable to the Province of Manitoba	(13,396)	(34,643)
Accrued Pension Liability	98,383	150,087
	<u>(16,940)</u>	<u>111,946</u>
	<u>334,169</u>	<u>865,293</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (Decrease) in Amounts		
Due from Province of Manitoba	(555,402)	(903,243)
Net Increase (Decrease) in Advance		
by the Province of Manitoba	(47,433)	(834,475)
	<u>(602,835)</u>	<u>(1,737,718)</u>
CASH FLOWS FROM CAPITAL ACTIVITY		
Acquisition of Capital Assets	(7,920)	(9,010)
CASH FLOWS FROM INVESTING ACTIVITY		
Change in Loans Receivable Net of Repayments	(14,173)	384,908
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(290,759)	(496,527)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,750,694</u>	<u>2,247,221</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,459,935</u>	<u>\$ 1,750,694</u>
REPRESENTED BY:		
Cash and Bank	\$ 952,010	\$ 1,138,600
Term Deposits - Province of Manitoba	507,925	612,094
	<u>\$ 1,459,935</u>	<u>\$ 1,750,694</u>

Notes to Financial Statements

As at March 31, 2017

I. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Nature of 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 objectives of the Fund are 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 services 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.

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 Professional 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.

Notes to Financial Statements

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 uncollectable 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 a 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 the 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.

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 \$4,638,438 (\$4,083,036 in 2016) represents additional funds needed to fund the actual requirements for the year including the pension liability. The balance is comprised of the following:

	2017	2016
Department of Growth, Enterprise and Trade		
Subsidy Refundable	\$ 1,170,575	\$ 579,132
Order in Council Pending	592,029	700,390
Pension, Unfunded	2,637,206	2,540,447
Pension, Funded	31,636	30,012
Severance Accrued, Unfunded	206,992	233,055
	<u>\$ 4,638,438</u>	<u>\$ 4,083,036</u>

3. LOANS RECEIVABLE

Loans receivable by program are as follows:

Business Loans Program

Interest rates applied range from 4.16% to 8.77%

Principal	\$ 19,357,502	\$ 19,367,358
Accrued interest	498,461	845,356
	<u>19,855,963</u>	<u>20,212,714</u>
Allowance for doubtful loan	(2,475,308)	(2,264,499)

Total Business Loans Program	<u>\$ 17,380,655</u>	<u>\$ 17,948,215</u>
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Fisheries Loans Program

Interest rates applied range from 3.95% to 5.95%

Principal	\$ 11,408,969	\$ 11,146,648
Accrued interest	513,045	560,998
	<u>11,922,014</u>	<u>11,707,646</u>
Allowance for doubtful loans	(2,821,794)	(2,853,606)
Unallocated payments	-	(10,743)

Total Fisheries Loans Programs	<u>9,100,220</u>	<u>8,843,297</u>
Total Business and Fisheries Loan Programs	<u>\$ 26,480,875</u>	<u>\$ 26,791,512</u>

Notes to Financial Statements

As at March 31, 2017

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

	2017		2016	
	Gross Loan Balances	Total Allowance	Gross Loan Balances	Total Allowance
Business Loans Program				
Impaired	\$ 1,761,279	\$ 930,226	\$ 3,539,014	\$ 1,029,082
Performing	18,094,684	1,545,082	16,673,700	1,235,417
	<u>19,855,963</u>	<u>2,475,308</u>	<u>20,212,714</u>	<u>2,264,499</u>
Fisheries Loans Program				
Impaired	\$ 2,821,794	\$ 2,821,794	\$ 2,853,607	\$ 2,853,606
Performing	9,100,221	-	8,854,039	-
	<u>\$ 11,922,015</u>	<u>\$ 2,821,794</u>	<u>\$ 11,707,646</u>	<u>\$ 2,853,606</u>

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

	Specific	Non-Specific	Total 2017	Total 2016
Business Loans Program				
Balance, beginning of year	\$ 1,029,082	\$ 1,235,417	\$ 2,264,499	\$ 3,250,287
Provision for the year	328,051	-	328,051	(663,798)
	<u>\$ 1,357,133</u>	<u>\$ 1,235,417</u>	<u>\$ 2,592,550</u>	<u>\$ 2,586,489</u>
Loans written off	(93,456)	(23,786)	(117,242)	(321,990)
Balance, end of year	<u>\$ 1,263,677</u>	<u>\$ 1,211,631</u>	<u>\$ 2,475,308</u>	<u>\$ 2,264,499</u>
Fisheries Loan Program				
Balance, beginning of year			\$ 2,853,606	\$ 2,986,162
(Recovery) provision for the year			250,934	599,117
			<u>\$ 3,104,540</u>	<u>\$ 3,585,279</u>
Loans written off			(282,746)	(731,673)
Balance, end of year			<u>\$ 2,821,794</u>	<u>\$ 2,853,606</u>

The provision for fisheries loans losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2017 by NIL (Nil in 2016).

Loan Loss Provision		
Per accounts	\$ 2,821,794	\$ 2,853,606
Per net present value calculation	(2,821,794)	(2,853,606)
	<u>\$ -</u>	<u>\$ -</u>

4. CAPITAL ASSETS

	Costs	Accumulated Amortization	2017 Net Book Value
Land	\$ 92,482	\$ -	\$ 92,482
Building	931,236	153,654	777,582
Office Furniture and Equipment	230,060	194,682	35,378
Parking Lot	73,000	73,000	--
Total	<u>\$ 1,326,778</u>	<u>\$ 421,336</u>	<u>\$ 905,442</u>

	Costs	Accumulated Amortization	2016 Net Book Value
Land	\$ 92,482	\$ -	\$ 92,482
Building	931,236	135,029	796,207
Office Furniture & Equipt	222,140	187,008	35,132
Parking Lot	73,000	73,000	-
Total	<u>\$ 1,318,858</u>	<u>\$ 395,037</u>	<u>\$ 923,821</u>

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:

	2017	2016
Balance, beginning of year	\$ 145,784	\$ 157,233
Recognized during the year	(1,804)	(11,449)
Transfer to the Northern Economic Diversity Strategy	(125,000)	
	<u>\$ 18,980</u>	<u>\$ 145,784</u>

The Fund received approval to reprofile \$125,000 of conditional funds from the Non-Timber Forest Products Program during the current fiscal year to establish the Northern Economic Development Strategy Program. Transactions for the year and deferred contributions at year end are as follows:

	2017	2016
Balance, beginning of year	\$ -	\$ -
Transfer from the Non-Timber Forest Products Program	125,000	-
Recognized during the year	(19,873)	
	<u>\$ 105,127</u>	<u>\$ -</u>
Total Deferred Contributions	<u>\$ 124,107</u>	<u>\$ 145,784</u>

Notes to Financial Statements

As at March 31, 2017

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, 2017.

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

	2017	2016
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 the contributions made 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 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, 2017, to be \$ 206,992 (\$233,055 in 2016) and is included in accounts payable and accrued liabilities.

Sick Leave Benefits

Employees of the Fund are entitled to sick leave benefits during employment. Sick leave benefits, which accumulate but do not vest are estimated to be a liability as at March 31, 2017 of \$29,895 (\$11,914 in 2016). 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 2016. 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:

	2017	2016
Business Loan Program		
Advances, beginning of year	\$ 22,342,500	\$ 22,477,817
Loan Advances	6,550,000	6,700,000
Loan Advances Repayments	(7,214,058)	(6,835,317)
Advances, end of year	\$ 21,678,442	\$ 22,342,500
Unfunded allowance for doubtful loans, beginning of year	\$ 2,083,512	\$ 2,990,833
Provision for doubtful loans	210,810	109,763
Loans written off as approved by Order in Council	-	(243,522)
Loans written off as approved by Board of Directors	(117,241)	(773,562)
Unfunded allowance for doubtful loans, end of year	2,177,081	2,083,512
Net advances balance, end of year	<u>\$ 19,501,361</u>	<u>\$ 20,258,988</u>
Fisheries Loans Programs		
Advances, beginning of year	\$ 12,073,869	\$ 13,757,375
Loan Advances	5,200,000	3,000,000
Loan Advances Repayments	(4,483,781)	(4,683,506)
Advances, end of year	\$ 12,790,088	\$ 12,073,869
Unfunded allowance for doubtful loans, beginning of year	3,734,801	3,839,340
(Recovery) Provision for doubtful loans	250,934	599,117
Loans written off as approved by Order in Council	(273,868)	(703,656)
Unfunded allowance for doubtful loans, end of year	3,711,867	3,734,801
Net advances balance, end of year	<u>\$ 9,078,221</u>	<u>\$ 8,339,068</u>

Statement of Operating Expenditures

As at March 31, 2017

Net Advances due by the Province of Manitoba are as follows:

	2017	2016
Business Loans Program	\$ 19,501,361	\$ 20,258,988
Fisheries Loans Program	9,078,221	8,339,068
Building Mortgage	804,983	833,942
	<u>\$ 29,384,565</u>	<u>\$ 29,431,998</u>

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 1.625% to 2.875% with a weighted cost of capital of 2.12%.

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:

2018	\$ 10,580,343
2019	7,191,971
2020	5,531,974
2021	3,068,647
2022	2,367,743

8. COMMITMENTS

Total undisbursed balances of approved loans are \$1,202,315 as at March 31, 2017 (\$3,033,361 at March 31, 2016).

9. LOAN ACT AUTHORITY

Amounts authorized for advances under The Loan Act 2016 are as follows:

	2017	2016
The Loan Act, 2016	\$ 21,700,000	\$ 18,000,000
Authority used	11,750,000	5,000,000
Unused Loan Act Capital Available	<u>\$9,950,000</u>	<u>\$ 13,000,000</u>

10. ECONOMIC DEPENDENCE

The ongoing operations of the Fund depends 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 the value of collateral available to secure the loan. The Fund's maximum exposure to risk, without taking into account any collateral or other credit enhancements is \$26,504,526 (\$27,000,839 in 2016) 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 \$26,988,806 (\$27,414,349 in 2016) in interest bearing deposits and loans receivable at March 31, 2017. 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 weighed 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 arise 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, 2017

	2017	2016
Amortization of Capital Assets	\$ 26,299	\$ 44,467
Collection Costs	172,264	39,639
Communications	43,871	47,566
Credit Reports	4,918	4,164
Directors' Fees and Expenses	62,144	69,055
Government Vehicle	35,985	39,927
Insurance	7,769	6,518
Legal Costs	28,713	24,790
GET	88,447	86,719
Mortgage Interest	43,083	44,699
Office Supplies and Expenses	59,168	48,164
Pension	306,742	233,109
Professional Fees	38,234	50,982
Program Expenses	2,466	225,118
Rent and Utilities	34,476	29,039
Repair and Maintenance	13,280	21,616
Salaries and Benefits	1,020,606	1,029,876
Sundry	20,558	17,690
Travel	42,210	45,122
	<u>\$ 2,051,233</u>	<u>\$ 2,108,260</u>

13. OPERATING LEASE

The organization has entered into an operating lease for office equipment. Lease commitments for the next five years are as follows:

March 31, 2018	\$ 8,152
2019	\$ 6,114
2020	\$ -
2021	\$ -
2022	\$ -

Aggregate future minimum operating lease payments total \$14,266

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IN MANITOBA
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ASSETS
PROFIT
SERVICE



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