

**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2009**



**Robert W. Weighell**  
*B.COMM. (HONS), C.G.A.*

CERTIFIED GENERAL  
ACCOUNTANT

**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
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**MARCH 31, 2009**

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**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**MARCH 31, 2009**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements of **Southeast Community Futures Development Corporation** and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Organization maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Organization's assets are appropriately accounted for and adequately safeguarded.

The Organization's Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board of Directors reviews the Organization's financial statements and recommends their approval. The Board of Directors meets periodically with management, as well as the external auditors, to discuss internal controls over the financial issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Board of Directors considers the engagement of the external auditors.

The financial statements have been audited by Robert W. Weighell, CGA in accordance with Canadian generally accepted auditing standards on behalf of the members. Robert W. Weighell, CGA has full and free access to the Board of Directors.

 \_\_\_\_\_ **Director**

 \_\_\_\_\_ **Director**

\_\_\_\_\_ **Date**

 \_\_\_\_\_ **Director**

\_\_\_\_\_ **Director**



Robert W. Weighell  
B.COMM. (HONS), C.G.A.

CERTIFIED GENERAL  
ACCOUNTANT

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### Auditor's Report

To the Board of Directors of:

**Southeast Community Futures Development Corporation**

I have audited the statement of financial position of **Southeast Community Futures Development Corporation** as at **March 31, 2009**, and the statements of operations and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at **March 31, 2009**, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada  
July 26, 2009

  
\_\_\_\_\_  
CERTIFIED GENERAL ACCOUNTANT

**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2009**

	Operating Fund \$	Regular Repayable Investment Fund \$	Non-repayable Investment Fund \$	Disabled Repayable Investment Fund \$	Youth Repayable Investment Fund \$	Total 2009 \$	2008 \$
<b>ASSETS</b>							
Cash and cash equivalents	44,327	41,225	527,729	27,652	26,883	667,816	738,596
Accounts receivable	58,092	-	-	-	-	58,092	47,116
Due from government agencies	15,838	-	-	-	-	15,838	11,859
Due from inter-funds	-	46,141	37,450	8,568	-	92,159	-
Due from Southeast Training and Employment	79,973	-	-	-	-	79,973	69,132
Loans receivable (notes 2(d), 3)	-	-	479,650	93,307	95,380	668,337	509,705
	<u>198,230</u>	<u>87,366</u>	<u>1,044,829</u>	<u>129,527</u>	<u>122,263</u>	<u>1,582,215</u>	<u>1,376,408</u>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	22,124	-	-	-	-	22,124	22,572
Due to inter-funds	85,192	-	-	-	6,967	92,159	-
Due to Southeast Resource Development Council	82,027	-	-	-	-	82,027	101,783
Repayable Investment Funds (notes 4, 5, 6)	-	32,364	-	200,000	200,000	432,364	432,364
Incomplete programs	<u>35,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,496</u>	<u>41,200</u>
	224,839	32,364	-	200,000	206,967	664,170	597,919
	<u>(26,609)</u>	<u>55,002</u>	<u>1,044,829</u>	<u>(70,473)</u>	<u>(84,704)</u>	<u>918,045</u>	<u>778,489</u>
	<u>198,230</u>	<u>87,366</u>	<u>1,044,829</u>	<u>129,527</u>	<u>122,263</u>	<u>1,582,215</u>	<u>1,376,408</u>
<b>FUND BALANCE</b>							
Accumulated surplus (deficit), page 6							

On behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_

\_\_\_\_\_ Director \_\_\_\_\_

\_\_\_\_\_ Director \_\_\_\_\_

See Auditor's Report and accompanying notes



**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

	2009 \$	2008 \$
Cash provided (used by):		
<b>OPERATING ACTIVITIES:</b>		
Excess (deficiency) of revenues over expenditures	139,558	49,501
Changes in non-cash operating working capital items:		
Accounts receivable	(10,976)	(29,331)
Due from government agencies	(3,979)	(5,302)
Due from inter-funds	(92,159)	(87,384)
Due from Southeast Training and Employment	(10,841)	(64,223)
Accounts payable and accrued liabilities	(448)	9,202
Due to inter-funds	92,159	87,384
Due to Southeast Resource Development Council	(19,756)	47,509
Incomplete programs	<u>(5,704)</u>	<u>(12,345)</u>
	<u>87,854</u>	<u>(4,989)</u>
<b>INVESTING ACTIVITIES:</b>		
Loan disbursements, net of repayments and provisions for loan impairments	<u>(158,634)</u>	<u>(14,950)</u>
<b>NET INCREASE (DECREASE) IN CASH POSITION</b>	(70,780)	(19,939)
<b>CASH POSITION, beginning of year</b>	<u>738,596</u>	<u>758,535</u>
<b>CASH POSITION, end of year</b>	<u><u>667,816</u></u>	<u><u>738,596</u></u>

**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

	Operating Fund \$	Regular Repayable Investment Fund \$	Regular Non-repayable Investment Fund \$	Disabled Repayable Investment Fund \$	Youth Repayable Investment Fund \$	Total 2009 \$	2008 \$
<b>REVENUES</b>							
Western Economic Diversification	311,552	-	-	-	-	311,552	305,737
Information Technology upgrade program	-	-	-	-	-	-	10,000
MEDAC program	23,000	-	-	-	-	23,000	-
Loan interest	-	-	33,599	4,902	7,040	45,541	50,406
Bank interest	3,347	769	9,739	381	491	14,727	28,878
Recovery of bad debts	-	-	116,731	-	-	116,731	39,887
Other	20,137	-	-	-	-	20,137	24,889
Incomplete programs from prior year	5,704	-	-	-	-	5,704	12,345
	<u>363,740</u>	<u>769</u>	<u>160,069</u>	<u>5,283</u>	<u>7,531</u>	<u>537,392</u>	<u>472,142</u>

See Auditor's Report and accompanying notes

**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**STATEMENT OF OPERATIONS AND FUND BALANCE**  
**FOR THE YEAR ENDED MARCH 31, 2009**

	Operating Fund \$	Regular Repayable Investment Fund \$	Regular Non-repayable Investment Fund \$	Disabled Repayable Investment Fund \$	Youth Repayable Investment Fund \$	Total 2009 \$	2008 \$
<b>EXPENDITURES</b>							
Bad debts	-	-	13,247	(6,013)	26,551	33,785	62,598
Bank charges and interest	606	-	-	-	-	606	179
Advertising and promotion	4,849	-	-	-	-	4,849	2,130
Board meetings & travel	43,927	-	-	-	-	43,927	40,583
CANDO Conference	-	-	-	-	-	-	17,706
MEDAC program expenses	14,894	-	-	-	-	14,894	-
Insurance	1,300	-	-	-	-	1,300	2,020
Legal fees	-	-	309	-	-	309	1,160
Miscellaneous	3,171	-	-	-	-	3,171	1,891
Office supplies	8,064	-	-	-	-	8,064	10,323
Professional development	653	-	-	-	-	653	-
Professional fees	11,101	-	-	-	-	11,101	12,166
Information Technology Upgrade program	-	-	-	-	-	-	10,000
Rent (note 7)	31,641	-	-	-	-	31,641	28,196
Salaries and benefits	231,954	-	-	-	-	231,954	225,139
Telephone	4,708	-	-	-	-	4,708	4,741
Travel - staff	<u>6,872</u>	-	-	-	-	<u>6,872</u>	<u>3,809</u>
	<u>363,740</u>	-	<u>13,556</u>	<u>(6,013)</u>	<u>26,551</u>	<u>397,834</u>	<u>422,641</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	769	146,513	11,296	(19,020)	139,558	49,501
<b>FUND BALANCE, beginning of year</b>	<u>(26,609)</u>	<u>54,233</u>	<u>898,316</u>	<u>(81,769)</u>	<u>(65,684)</u>	<u>778,487</u>	<u>728,988</u>
<b>FUND BALANCE, end of year</b>	<u><u>(26,609)</u></u>	<u><u>55,002</u></u>	<u><u>1,044,829</u></u>	<u><u>(70,473)</u></u>	<u><u>(84,704)</u></u>	<u><u>918,045</u></u>	<u><u>778,489</u></u>

See Auditor's Report and accompanying notes



**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2009**

**1. PURPOSE OF THE ORGANIZATION**

Southeast Community Futures Development Corporation is a community based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. It was originally established by Bloodvein, Brokenhead Ojibway Nation, Little Grand Rapids, Buffalo Point, Hollow Water, Black River, Berens River, Poplar River and Pauingassi First Nations for small businesses within these member First Nations and their members. The corporation is incorporated under the Manitoba Corporations Act as a not-for-profit organization. The corporation is exempt from federal and provincial income taxes under the Income Tax Act in accordance with paragraph 149(1)(l).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Southeast Community Futures Development Corporation operates with most aspects of its funding subject to the control of the Government of Canada. The significant policies are explained below:

**A. REVENUE RECOGNITION**

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. Expenditures incurred during the current year on behalf of programs which have not been completed at the year end are deferred until the next year by presenting these as incomplete programs on the balance sheet.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue in the restricted Investment Fund when earned.

**B. FUND ACCOUNTING**

The corporation's financial statements are prepared using the restricted fund method of accounting for contributions.

The Operating Fund accounts for the corporation's program delivery and administration activities. This fund reports unrestricted resources and restricted operating grants.

The Investment Fund accounts for the investment activities to assist small businesses and entrepreneurs in the form of loans. Investment funds are segregated into repayable and non-repayable funds.

**C. REPAYABLE INVESTMENT FUNDS**

Funds received from Western Economic Diversification for investment purposes are recognized as liabilities when received.

Any unencumbered cash balances in each of the Repayable Investment Funds on March 31, 2017 will be repaid to Western Economic Diversification. In addition, all subsequent principal collections on loans will be repaid to Western Economic Diversification until the amount of each original Repayable Investment Fund is fully repaid.

When the original amount of each Repayable Investment Fund contribution has been fully repaid, one-half of the remaining assets of each Repayable Investment Fund shall be repaid to Western Economic Diversification. However, if the realizable assets are insufficient to repay the full amount of each Repayable Investment Fund contribution, the organization's requirement to repay the full amount will be terminated once the full value of the assets credited to each Repayable Investment Fund is paid to Western Economic Diversification.

**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
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**D. LOANS RECEIVABLE**

Loans receivable are stated net of an allowance for loan impairment and net of any unearned interest. Interest income is recorded on an accrual basis unless the loan is classified as an impaired loan.

Loans receivable are considered to be impaired when, in management's opinion, there is reasonable doubt as to the ultimate collectability of some portion of the principal or interest. When a loan is classified as impaired, recognition of interest in accordance with the original loan agreement ceases. Subsequent payments of interest or principal received on an impaired loan are recorded as a reduction of the recorded investment in the loan. Interest is recognized only when all allowances for loan impairment have been reversed.

Impaired loans are recorded at their estimated realizable amounts.

**E. ALLOWANCE FOR LOAN IMPAIRMENT**

The allowance for loan impairment is maintained at an amount considered adequate to absorb anticipated credit related losses. This account is increased by the provision for impaired loans, charged to income in the case of non-repayable Investment Fund loans or to the liability in the case of repayable Investment Fund loans, and reduced by write-offs, net of recoveries.

Specific provisions are established on a loan by loan basis to absorb losses on all doubtful accounts that have been identified as a result of the corporation's regular review of its loan portfolio.

Write-offs are recorded after all restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote.

**F. USE OF ESTIMATES**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities, and the reported amounts of revenues and expenditures during the year. Significant areas requiring the use of estimates are accounts receivable, loans receivable, incomplete programs and program allocations. Actual results may differ from estimates used in the preparation of the financial statements.

**G. FINANCIAL INSTRUMENTS**

It is management's opinion that the organization is not exposed to unusual interest rates or credit risks arising from its financial instruments.

**3. LOANS RECEIVABLE**

	<b>Regular Non-repayable \$</b>	<b>Disabled Repayable \$</b>	<b>Youth Repayable \$</b>	<b>2009 \$</b>	<b>2008 \$</b>
Loans receivable	1,083,145	94,093	224,439	1,401,677	1,429,576
Less: allowance for impairment	<u>603,495</u>	<u>786</u>	<u>129,059</u>	<u>733,340</u>	<u>919,871</u>
Loans receivable, net	<u><u>479,650</u></u>	<u><u>93,307</u></u>	<u><u>95,380</u></u>	<u><u>668,337</u></u>	<u><u>509,705</u></u>

**4. YOUTH INVESTMENT FUND**

The corporation received a repayable Youth Investment Fund contribution of \$200,000 from Western Economic



**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
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Diversification to be used in the provision of loans, loan guarantees and equity investments to businesses owned by persons under the age of 29 years. The maximum amount of the loan is not to exceed \$25,000 for a term not exceeding 5 years. The minimum rate of interest will not normally be less than the prime rate plus two percent.

**5. DISABLED INVESTMENT FUND**

The corporation received a repayable Disabled Investment Fund contribution of \$200,000 from Western Economic Diversification to be used in the provision of loans, loan guarantees and equity investments to businesses owned by persons with disabilities. The maximum amount of the loan is not to exceed \$150,000 for a term not exceeding 5 years. The minimum rate of interest will not normally be less than the prime rate plus two percent.

**6. REGULAR REPAYABLE INVESTMENT FUND**

The corporation received a Regular Repayable Investment Fund contribution of \$32,364 from Western Economic Diversification to be used in the provision of loans, loan guarantees and equity investments in a new business or expansion of an existing business. The maximum amount of the loan is not to exceed \$150,000 for a term not exceeding 5 years. The minimum rate of interest will not normally be less than the prime rate plus two percent.

**7. RELATED PARTY TRANSACTIONS**

Shawano-Wapunong Building Inc. and Southeast Resource Development Council Corporation are commonly controlled corporations. Southeast Community Futures Development Corporation rents its premises from Shawano-Wapunong Building Inc. and paid rent of \$31,641 (2008 - \$28,196).

**8. PENSION PLAN**

The organization maintains a defined contribution pension plan for most of its employees. All contributions are fully funded on a monthly basis and are included in salaries and benefits expenditures. Funds are held "in trust" at London Life Insurance Co. The plan is in compliance and is in good standing with the provisions of the Pension Benefit Standards Act and the Income Tax Act of Canada.

**9. ECONOMIC DEPENDENCE**

The organization receives the majority of its funding from the Government of Canada represented by the Minister of Western Economic Diversification. The organization's ability to continue viable operations is dependant upon this funding.

**10. CONTINGENT LIABILITIES**

The organization receives funding from various government agencies based on specific budgeted program needs and allocates certain expenditures to the various programs. In many cases the funding agency has the right to review accounting records to ensure compliance with the terms and conditions of their funding agreements. At this time, no estimate of the requirements, if any, to reimburse the agencies can be made. Management feels that their allocations of expenditures are fair and accurate in the circumstances.

**11. COMPARATIVE FIGURES**

Certain comparative figures for 2008 have been reclassified to conform to current year presentation.