

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
MARCH 31, 2011



Imani Chartered Accountant Inc.

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
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MARCH 31, 2011

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SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
MARCH 31, 2011

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.



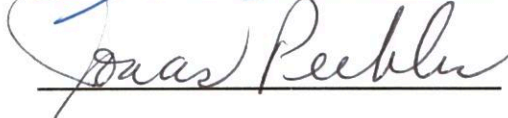


The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those 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 Imani Chartered Accountant Inc. in accordance with Canadian generally accepted auditing standards on behalf of the members. Imani Chartered Accountant Inc. has full and free access to the Board of Directors.

 _____ Director	 _____ Director
 _____ Director	 _____ Director
_____ Date	



Imani Chartered Accountant Inc.

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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, 2011**, 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, 2011**, 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.

The prior year financial statements were audited by another firm of public accountants.

Winnipeg, Canada
July 13, 2011

Imani Chartered Accountant
CHARTERED ACCOUNTANT

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011

	Operating Fund \$	Regular Repayable Investment Fund \$	Regular Non-repayable Investment Fund \$	Disabled Repayable Investment Fund \$	Youth Repayable Investment Fund \$	Total 2011 \$	2010 \$
ASSETS							
Cash and cash equivalents	72,815	41,318	618,140	36,321	62,580	831,174	716,310
Accounts receivable	49,975	-	-	-	-	49,975	84,314
Due from government agencies	21,993	-	-	-	-	21,993	18,947
Contributions receivable	13,520	-	-	-	-	13,520	-
Due from inter-funds	-	46,140	6,446	8,579	19,894	81,059	81,074
Due from Southeast Training and Employment	49,257	-	-	-	-	49,257	50,170
Loans receivable (notes 2(d), 3)	-	-	358,756	32,203	28,490	419,449	678,560
	<u>207,560</u>	<u>87,458</u>	<u>983,342</u>	<u>77,103</u>	<u>110,964</u>	<u>1,466,427</u>	<u>1,629,375</u>
LIABILITIES							
Accounts payable and accrued liabilities	37,641	-	-	-	-	37,641	20,705
Due to inter-funds	81,059	-	-	-	-	81,059	81,075
Due to Southeast Resource Development Council	90,261	-	-	-	-	90,261	103,448
Repayable Investment Funds (notes 4, 5, 6)	-	32,364	-	200,000	200,000	432,364	432,364
Deferred revenue	20,372	-	-	-	-	20,372	35,496
	<u>229,333</u>	<u>32,364</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>661,697</u>	<u>673,088</u>
FUND BALANCE							
Accumulated surplus (deficit), page 6	(21,773)	55,094	983,342	(122,897)	(89,036)	804,730	956,287
	<u>207,560</u>	<u>87,458</u>	<u>983,342</u>	<u>77,103</u>	<u>110,964</u>	<u>1,466,427</u>	<u>1,629,375</u>

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, 2011

	2011 \$	2010 \$
Cash provided (used by):		
OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenditures	(151,558)	38,242
Changes in non-cash operating working capital items:		
Accounts receivable	34,339	(26,222)
Due from government agencies	(3,046)	(3,109)
Contributions receivable	(13,520)	-
Due from inter-funds	16	(81,074)
Due from Southeast Training and Employment	913	29,803
Accounts payable and accrued liabilities	16,936	(1,419)
Due to inter-funds	(16)	81,075
Due to Southeast Resource Development Council	(13,187)	21,421
Deferred revenue	<u>(15,124)</u>	<u>-</u>
	<u>(144,247)</u>	<u>58,717</u>
INVESTING ACTIVITIES:		
Loan disbursements, net of repayments and provisions for loan impairments	<u>259,111</u>	<u>(10,223)</u>
NET INCREASE (DECREASE) IN CASH POSITION	114,864	48,494
CASH POSITION, beginning of year	<u>716,310</u>	<u>667,816</u>
CASH POSITION, end of year	<u>831,174</u>	<u>716,310</u>

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2011

	Operating Fund	Regular Repayable Investment Fund	Regular Non-repayable Investment Fund	Disabled Repayable Investment Fund	Youth Repayable Investment Fund	Total 2011	2010
	\$	\$	\$	\$	\$	\$	\$
EXPENDITURES							
Audit	7,952	-	-	-	-	7,952	7,784
Bad debts	-	-	187,053	34,506	31,120	252,679	58,894
Bank charges and interest	-	20	164	-	30	214	137
Advertising and promotion	41	-	-	-	-	41	986
Board meetings and travel	29,920	-	-	-	-	29,920	29,859
MEDAC program expenses	20,000	-	-	-	-	20,000	16,000
Insurance	417	-	-	-	-	417	1,516
Legal fees	122	-	-	-	-	122	1,212
Membership fees	2,985	-	-	-	-	2,985	3,000
Miscellaneous	2,112	-	-	-	-	2,112	3,448
Office supplies	18,864	-	-	-	-	18,864	9,369
Professional development	-	-	-	-	-	-	1,335
Professional fees	2,367	-	-	-	-	2,367	2,033
Rent (note 7)	31,304	-	-	-	-	31,304	30,444
Salaries and benefits	240,033	-	-	-	-	240,033	234,630
Telephone	5,015	-	-	-	-	5,015	4,077
Travel - staff	6,918	-	-	-	-	6,918	4,262
	<u>368,050</u>	<u>20</u>	<u>187,217</u>	<u>34,506</u>	<u>31,150</u>	<u>620,943</u>	<u>408,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	92	(95,562)	(34,233)	(21,855)	(151,558)	38,242
FUND BALANCE, beginning of year	<u>(21,773)</u>	<u>55,002</u>	<u>1,078,904</u>	<u>(88,664)</u>	<u>(67,181)</u>	<u>956,288</u>	<u>918,045</u>
FUND BALANCE, end of year	<u>(21,773)</u>	<u>55,094</u>	<u>983,342</u>	<u>(122,897)</u>	<u>(89,036)</u>	<u>804,730</u>	<u>956,287</u>

See Auditor's Report and accompanying notes

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011

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
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011

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

	Regular Non-repayable \$	Disabled Repayable \$	Youth Repayable \$	2011 \$	2010 \$
Loans receivable	1,041,886	89,081	151,140	1,282,107	1,350,919
Less: allowance for impairment	<u>683,130</u>	<u>56,878</u>	<u>122,650</u>	<u>862,658</u>	<u>672,359</u>
Loans receivable, net	<u><u>358,756</u></u>	<u><u>32,203</u></u>	<u><u>28,490</u></u>	<u><u>419,449</u></u>	<u><u>678,560</u></u>

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011

4. YOUTH INVESTMENT FUND

The corporation received a repayable Youth 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 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 \$31,304 (2010 - \$30,444).

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 have been restated to conform to current year presentation.