

**COMMUNITIES ECONOMIC DEVELOPMENT FUND**

**FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2020**

**COMMUNITIES ECONOMIC DEVELOPMENT FUND**

**YEAR ENDED MARCH 31, 2020**

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**CONTENTS**

**INDEPENDENT AUDITORS' REPORT**

**FINANCIAL STATEMENTS**

Statement of Financial Position	2
Statement of Operations and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5

# KENDALL & PANDYA

Chartered Professional Accountants

Partners: David Kendall, FCPA, FCA\*  
Manisha Pandya, CPA, CA\*  
\* Operating as professional corporations

## To the Board of Directors of the Communities Economic Development Fund:

### Opinion

We have audited the financial statements of the Communities Economic Development Fund, which comprise the statement of financial position as at March 31, 2020, and the statement of operations and changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Communities Economic Development Fund at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Communities Economic Development Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Communities Economic Development Fund's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Communities Economic Development Fund or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Communities Economic Development Fund's financial reporting process.

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit 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 Communities Economic Development Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Communities Economic Development Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Communities Economic Development Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Kendall & Pandya, Chartered Professional Accountants**  
**June 04, 2020**  
**Thompson, Manitoba**

**COMMUNITIES ECONOMIC DEVELOPMENT FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2020**

<b>ASSETS</b>		
<b>CURRENT ASSETS</b>	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,515,035	\$ 461,352
Trust Deposits - Province of Manitoba	551,838	534,483
Due from the Province of Manitoba (Note 2)	4,840,517	5,376,035
Accounts Receivable	59,187	7,618
Property Held for Resale	1,794	1,794
Prepaid Expenses	56,490	9,885
	<u>7,024,861</u>	<u>6,391,167</u>
<b>Loans Receivable (Note 3)</b>	<b>17,819,025</b>	<b>22,006,802</b>
<b>Capital Assets (Note 4)</b>	<b>852,031</b>	<b>846,223</b>
	<u>18,671,056</u>	<u>22,853,025</u>
	<u><b>\$ 25,695,917</b></u>	<u><b>\$ 29,244,192</b></u>

<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities (Note 13)	\$ 1,394,612	\$ 1,390,675
Deferred Contributions (Note 5)	119,556	11,556
Interest Payable to the Province of Manitoba	266,724	185,508
	<u>1,780,892</u>	<u>1,587,739</u>
<b>Accrued Pension Liability (Note 6)</b>	<b>3,016,713</b>	<b>2,849,252</b>
<b>Advances by the Province of Manitoba (Note 7)</b>	<b>20,898,312</b>	<b>24,807,201</b>
	<u>25,695,917</u>	<u>29,244,192</u>
<b>NET ASSETS</b>	<b>-</b>	<b>-</b>
	<u><b>\$ 25,695,917</b></u>	<u><b>\$ 29,244,192</b></u>

Commitments (Note 8)

**APPROVED BY THE BOARD OF DIRECTORS:**

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**COMMUNITIES ECONOMIC DEVELOPMENT FUND**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEAR ENDED MARCH 31, 2020**

<b>REVENUE</b>	<b>2020</b>	<b>2019</b>
Loan Interest		
Business Program	\$ 659,373	\$ 769,093
Fisheries Program	650,817	662,859
Investment Income	41,836	32,182
	<u>1,352,026</u>	<u>1,464,134</u>
<b>COST OF FUNDS</b>		
Interest Paid to the Province of Manitoba		
Business Program	445,931	475,589
Fisheries Program	300,823	324,570
Life Insurance - Fisheries Program	-	8,578
	<u>746,754</u>	<u>808,737</u>
<b>GROSS MARGIN</b>	<b>605,272</b>	<b>655,397</b>
<b>OPERATING EXPENDITURES (Note 12)</b>	<b>2,349,708</b>	<b>1,743,303</b>
	<u>(1,744,436)</u>	<u>(1,087,906)</u>
<b>OTHER REVENUE</b>		
Program Revenue - WD and E&T - Look North	477,572	-
Bad Debt Recovery		
Business Program	351,644	22,860
Fisheries Program	28,439	63,467
Sundry Revenues	4,751	478
Administration and Consulting Fees	1,000	1,175
	<u>863,406</u>	<u>87,980</u>
<b>Deficiency of Revenue Over Expenditures Before Provision for Doubtful Loans</b>	<b>(881,030)</b>	<b>(999,926)</b>
<b>Provisions for Doubtful Loans</b>		
Business Program	154,000	87,000
Fisheries Program	428,500	(87,000)
	<u>582,500</u>	<u>(0)</u>
<b>Deficiency of Revenue Over Expenditures</b>	<b>(1,463,530)</b>	<b>(999,926)</b>
<b>Subsidy due from Province of Manitoba</b>		
Partners for Economic Growth	463,530	-
Core Operations	1,000,000	999,926
	<u>1,463,530</u>	<u>999,926</u>
<b>Excess of Revenue Over Expenditures</b>	<b>-</b>	<b>-</b>
Net Assets, Beginning of Year	-	-
<b>Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes

**COMMUNITIES ECONOMIC DEVELOPMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

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**1. 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 and consulting 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. An allowance will not be recognized for loans that are not more than 90 days in arrears and whose estimated security value is greater than the loan balance.

**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.

**COMMUNITIES ECONOMIC DEVELOPMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

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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.



**COMMUNITIES ECONOMIC DEVELOPMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**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 \$4,840,517 (\$5,376,035 in 2019) represents additional funds needed to fund the actual requirements for the year including the pension liability. The balance is comprised of the following:

	2020	2019
Department of Economic Development and Training		
- Subsidy Refundable	\$ 778,254	\$ 1,468,568
Order in Council Pending	929,283	929,283
Pension, Unfunded	2,977,451	2,814,642
Pension, Funded	39,262	34,610
Severance Accrued, Unfunded	116,267	128,932
	\$ 4,840,517	\$ 5,376,035

**3. LOANS RECEIVABLE**

Loans receivable by program are as follows:

**Business Loans Program**

Interest rates applied range from 4.50% to 8.08%

Principal	\$ 13,190,158	\$ 16,065,712
Accrued interest	409,793	424,709
	13,599,951	16,490,421
Allowance for doubtful loans	(2,903,435)	(2,749,435)
Total Business Loans Program	\$ 10,696,516	\$ 13,740,986

**Fisheries Loans Program**

Interest rates applied to all fisheries loans is 7.20%

Principal	\$ 9,803,140	\$ 10,547,283
Accrued interest	469,895	440,560
	10,273,035	10,987,843
Allowance for doubtful loans	(3,150,526)	(2,722,026)
Total Fisheries Loans Programs	7,122,509	8,265,817

**Total Business and Fisheries Loan Programs**

	\$ 17,819,025	\$ 22,006,803
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Gross amount of loans together with the allowance for doubtful loans are as follows:

	2020		2019	
	Gross Loan Balances	Total Allowance	Gross Loan Balances	Total Allowance
Business Loans Program				
Impaired	\$ 2,636,142	\$ 1,546,630	\$ 2,749,435	\$ 980,096
Performing	10,963,809	1,356,805	13,740,986	1,769,339
	\$ 13,599,951	\$ 2,903,435	\$ 16,490,421	\$ 2,749,435
Fisheries Loans Program				
Impaired	\$ 3,150,526	\$ 3,150,526	\$ 2,722,026	\$ 2,722,026
Performing	7,122,509	-	8,265,817	-
	\$ 10,273,035	\$ 3,150,526	\$ 10,987,843	\$ 2,722,026

**COMMUNITIES ECONOMIC DEVELOPMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

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

	<u>Specific</u>	<u>Non-Specific</u>	<u>Total 2020</u>	<u>Total 2019</u>
Business Loans Program				
Balance, beginning of year	\$ 2,749,435	\$ -	\$ 2,749,435	\$ 2,676,659
Provision for the year	154,000	-	154,000	87,000
	<u>\$ 2,903,435</u>	<u>\$ -</u>	<u>\$ 2,903,435</u>	<u>\$ 2,763,659</u>
Loans written off	-	-	-	(14,224)
Balance, end of year	<u>\$ 2,903,435</u>	<u>\$ -</u>	<u>\$ 2,903,435</u>	<u>\$ 2,749,435</u>

	<u>2020</u>	<u>2019</u>
Fisheries Loan Program		
Balance, beginning of year	\$ 2,722,026	\$ 2,809,026
(Recovery) provision for the year	428,500	(124,525)
	<u>\$ 3,150,526</u>	<u>\$ 2,684,501</u>
Loans written off	-	37,525
Balance, end of year	<u>\$ 3,150,526</u>	<u>\$ 2,722,026</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, 2020 by NIL (NIL in 2019).

Loan Loss Provision		
Per accounts	\$ 3,150,526	\$ 2,722,026
Per net present value calculation	(3,150,526)	(2,722,026)
	<u>\$ -</u>	<u>\$ -</u>

**4. CAPITAL ASSETS**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net Book Value</u>
Land	\$ 92,482	\$ -	\$ 92,482
Building	931,236	209,528	721,708
Office Furniture and Equipment	274,451	236,610	37,841
Parking Lot	73,000	73,000	-
Total	<u>\$ 1,371,169</u>	<u>\$ 519,138</u>	<u>\$ 852,031</u>

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net Book Value</u>
Land	\$ 92,482	\$ -	\$ 92,482
Building	931,236	190,903	740,333
Office Furniture and Equipment	240,663	227,254	13,409
Parking Lot	73,000	73,000	-
Total	<u>\$ 1,337,381</u>	<u>\$ 491,157</u>	<u>\$ 846,224</u>

**COMMUNITIES ECONOMIC DEVELOPMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**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:

	2020	2019
Balance, beginning of year	\$ 11,556	\$ 17,418
Receipts during the year	-	-
Recognized during the year	-	(5,862)
	\$ 11,556	\$ 11,556

Communities Economic Development Fund, through an agreement made with Western Diversification Fund relating to a three year funding arrangement, has a deferred a portion of the 2019/2020 annual allocation to the 2020/2021 fiscal year.

	2020	2019
Balance, beginning of year	\$ -	\$ -
Receipts during the year	427,500	-
Recognized during the year	(319,500)	-
	\$ 108,000	\$ -
<b>Total Deferred Contributions</b>	<b>\$ 119,556</b>	<b>\$ 11,556</b>

**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, 2020.

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

	2020	2019
Benefit costs for the year ended March 31		
Discount Rate	5.75%	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 in order to comply with Canadian Public Sector Accounting standards.

**COMMUNITIES ECONOMIC DEVELOPMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**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 an actuarial report dated March 31, 2020, to be \$116,267 (\$128,932 in 2019) 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, 2020 of \$34,249 (\$34,399 in 2019). 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 2019. 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:

	<u>2020</u>	<u>2019</u>
<b>Business Loan Program</b>		
Advances, beginning of year	\$ 18,181,020	\$ 19,869,949
Loan Advances	2,200,000	3,100,000
Loan Advances Repayments	<u>(5,079,225)</u>	<u>(4,788,929)</u>
Advances, end of year	\$ 15,301,795	\$ 18,181,020
Unfunded allowance for doubtful loans, beginning of year	\$ 2,465,431	\$ 2,378,431
Provision for doubtful loans	154,000	87,000
Loans written off as approved by Board of Directors	-	-
Unfunded allowance for doubtful loans, end of year	<u>2,619,431</u>	<u>2,465,431</u>
Net advances balance, end of year	<u>\$ 12,682,364</u>	<u>\$ 15,715,589</u>
<b>Fisheries Loans Program</b>		
Advances, beginning of year	\$ 12,392,770	\$ 12,564,988
Loan Advances	2,900,000	2,600,000
Loan Advances Repayments	<u>(3,313,400)</u>	<u>(2,772,218)</u>
Advances, end of year	\$ 11,979,370	\$ 12,392,770
Unfunded allowance for doubtful loans, beginning of year	4,043,583	4,130,583
(Recovery) Provision for doubtful loans	428,500	(87,000)
Loans written off as approved by Order in Council	-	-
Unfunded allowance for doubtful loans, end of year	<u>4,472,083</u>	<u>4,043,583</u>
Net advances balance, end of year	<u>\$ 7,507,287</u>	<u>\$ 8,349,187</u>

**COMMUNITIES ECONOMIC DEVELOPMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

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

	2020	2019
Business Loans Program	\$ 12,682,364	\$ 15,715,589
Fisheries Loans Program	7,507,287	8,349,187
Building Mortgage	708,661	742,425
	\$ 20,898,312	\$ 24,807,201

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 1.70% to 3.25% with a weighted cost of capital of 2.36%.

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:

	2021	6,336,859
	2022	4,245,157
	2023	3,067,138
	2024	1,713,207
	2025	137,580

## 8. COMMITMENTS

Total undisbursed balances of approved loans are \$125,711 as at March 31, 2020 (\$280,475 at March 31, 2019).

CEDF has received an offer over properties held as collateral against an outstanding loan receivable. The offer is conditional on various due diligence requirements which are to be completed by September 15, 2020. Provided the due diligence is satisfactory, the sale will close October 15, 2020. Proceeds resulting from the property sale will be applied against the outstanding loan receivable and will reduce the related allowance provision for this account.

## 9. LOAN ACT AUTHORITY

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

	2020	2019
Total Authority	\$ 16,500,000	\$ 17,200,000
Draws under 2019 Loan Act Authority	(5,100,000)	(5,700,000)
<b>TOTAL</b>	<b>\$ 11,400,000</b>	<b>\$ 11,500,000</b>

**COMMUNITIES ECONOMIC DEVELOPMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

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**10. ECONOMIC DEPENDENCE**

The ongoing operations of the Fund depends on obtaining adequate financing and funding from the Province of Manitoba as well as the ability for the Fund to provide both business and commercial fishing loans. A moratorium on the Fund being able to provide business loans, started in March of 2017, resulted in a significant year to year decrease in the gross margin that is used to pay for operating expenditures.

**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 \$17,878,212 (\$22,014,420 in 2019) 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 \$18,370,063 (\$22,541,285 in 2019) in interest bearing deposits and loans receivable at March 31, 2020. 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.

**COMMUNITIES ECONOMIC DEVELOPMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**12. SCHEDULE OF OPERATING EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2020**

	2020	2019
Amortization of Capital Assets	\$ 27,981	\$ 25,673
Collection Costs - Business Program	6,007	35,393
Collection Costs - Fisheries Program	1,229	2,074
Communications	28,307	34,996
Credit Reports	2,393	2,406
Directors' Fees and Expenses	43,063	-
Government Vehicle	-	12,499
Insurance	5,364	8,904
Legal Costs	46,310	63,750
Economic Development and Training	-	200
Mortgage Interest	38,346	39,965
Office Supplies and Expenses	27,464	27,210
Pension Expense	320,761	393,931
Professional Fees	45,933	36,637
Program Expense - WD and E&T - Look North	929,269	1,462
Property Tax	21,537	20,591
Protective Disbursements	66,301	77,794
Rent and Utilities	10,788	27,717
Repair and Maintenance	12,915	13,001
Salaries and Benefits	673,585	857,583
Sundry	21,225	29,277
Travel	20,930	32,240
	<u>\$ 2,349,708</u>	<u>\$ 1,743,303</u>

**13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accrued Severance and Pension (NFDC)	\$ 118,926	\$ 131,591
Trade Payables and Accruals	111,993	71,639
Accrued Salaries and Vacation Pay	86,129	93,041
Economic Development and Training Payable	40,183	40,183
Mortgage Interest Payable	15,493	16,125
Goods and Services Tax	(1,906)	(1,973)
	<u>370,818</u>	<u>350,606</u>
Due to Sinking Funds	94,511	110,786
Orders in Council Pending	929,283	929,283
	<u>\$ 1,394,612</u>	<u>\$ 1,390,675</u>



**COMMUNITIES ECONOMIC DEVELOPMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

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**14. SUBSEQUENT EVENT**

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As a direct result of COVID-19, the commercial fishery will be operating in limited capacity due to a reduction in purchasing from Freshwater Fish Marketing Corporation in June 2020. Some commercial fishing territories will remain closed, while others will be restricting the number of fishers in the area. These limitations will severely affect the commercial fishers ability to pay for the next years' fishing season; as well as, potentially cease their ability to operate. Although the likelihood of recognizing a significant amount of bad debt allowance for the fiscal year ending March 31, 2021 is high - it is not possible to quantify at the financial statement date.

Due to the COVID-19 pandemic, the Fund had instituted a work from home policy for its staff and temporarily closed its offices from March 23, 2020 to June 1, 2020. As of June 2, 2020, the Fund has reopened all of its offices.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.