

**NORTH END COMMUNITY
RENEWAL CORPORATION**

Financial Statements
For the year ended March 31, 2011

NORTH END COMMUNITY RENEWAL CORPORATION

Financial Statements

For the year ended March 31, 2011

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Independent Auditor's Report

To the Members of NORTH END COMMUNITY RENEWAL CORPORATION

We have audited the accompanying financial statements of NORTH END COMMUNITY RENEWAL CORPORATION, which comprise the statement of financial position as at March 31, 2011, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North End Community Renewal Corporation as at March 31, 2011 and the results of its operation and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 15, 2011

NORTH END COMMUNITY RENEWAL CORPORATION
Statement of Financial Position

March 31	2011	2010
Assets		
Current Assets		
Cash and bank	\$ 102,280	\$ 119,335
Grants and accounts receivable (Note 2)	464,698	345,579
Prepaid expenses	15,965	14,646
	582,943	479,560
Capital assets (Note 3)	578,977	519,548
	\$ 1,161,920	\$ 999,108
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 134,795	\$ 115,014
Deferred grant revenue (Note 5)	231,536	286,100
Current portion of long-term debt (Note 7)	431,272	45,749
	797,603	446,863
Deferred contributions relating to capital assets (Note 6)	61,875	66,375
Long-term debt (Note 7)	-	332,290
	859,478	845,528
Net Assets		
Invested in capital assets	87,987	75,134
Internally restricted for capital asset replacement	50,000	35,812
Internally restricted for payroll	72,000	36,000
Unrestricted	92,455	6,634
	302,442	153,580
	\$ 1,161,920	\$ 999,108

Approved on behalf of the Board:

_____ Director

_____ Director

NORTH END COMMUNITY RENEWAL CORPORATION
Statement of Changes in Net Assets

For the year ended March 31	2011		2010		
	Unrestricted	Restricted for Capital Asset Replacement	Restricted for Payroll	Invested in Capital Assets	Total
Balance, beginning of year	\$ 6,634	\$ 35,812	\$ 36,000	\$ 75,134	\$ 153,580
Excess (deficiency) of revenue over expenditures for the year	180,150	-	-	(31,288)	148,862
Interfund Transfers					
Repayment on long-term debt	(44,141)	-	-	44,141	-
Transfer to internally restricted fund	(50,188)	14,188	36,000	-	-
Balance, end of year	\$ 92,455	\$ 50,000	\$ 72,000	\$ 87,987	\$ 302,442
					\$ 153,580

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

NORTH END COMMUNITY RENEWAL CORPORATION

Statement of Operations

For the year ended March 31	2011	2010
Revenue		
Administration fees (Note 8)	\$ 36,780	\$ 36,780
Administration fees - external	74,750	64,170
Amortization of deferred contributions relating to capital assets (Note 6)	4,500	4,500
Donations	1,831	1,158
Grants		
City of Winnipeg	2,300	-
Government of Canada		
HRDC	21,092	9,398
Public Works	13,579	-
Province of Manitoba		
Community Places	2,000	12,609
Competitiveness, Training and Trade	443,669	383,641
Housing	2,762	-
Manitoba Housing Authority	2,012,188	1,529,427
NDAP: Core	245,484	277,777
Special Projects	301,790	219,150
Other		
MB Community Services	1,356	-
Winnipeg Regional Health Authority	2,857	355,028
United Way	147,172	129,953
Wellness Project	-	1,117,270
Winnipeg Partnership Agreement	4,366	3,174
Thomas Sill Foundation	1,737	9,786
Winnipeg Foundation	10,191	52,945
CDPI funding	-	221
Green Teams	-	58,194
Other projects	59,169	21,801
Interest	60	188
Other	8,371	2,371
Rent	116,981	100,110
	3,514,985	4,389,651
Expenditures (per Schedule)	3,366,123	4,303,137
Excess of revenue over expenditures for the year	\$ 148,862	\$ 86,514

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

NORTH END COMMUNITY RENEWAL CORPORATION

Statement of Cash Flows

For the year ended March 31	2011	2010
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	\$ 148,862	\$ 86,514
Adjustments for		
Amortization of capital assets	35,788	35,788
Amortization of deferred contributions relating to capital assets	(4,500)	(4,500)
	180,150	117,802
Changes in non-cash operating working capital balances		
Grant and accounts receivable	(119,119)	(60,273)
Prepaid expenses	(1,319)	1,366
Accounts payable and accrued liabilities	19,781	(43,072)
Deferred grant revenue	(54,564)	60,151
	24,929	75,974
Cash Flows from Financing and Investing Activities		
Re-finance of long-term debt	97,374	-
Investment in capital assets	(95,217)	-
Principal repayment on long-term debt	(44,141)	(61,625)
	(41,984)	(61,625)
Net increase (decrease) in cash and cash equivalents during the year	(17,055)	14,349
Cash and cash equivalents, beginning of year	119,335	104,986
Cash and cash equivalents, end of year	\$ 102,280	\$ 119,335

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

NORTH END COMMUNITY RENEWAL CORPORATION

Summary of Significant Accounting Policies

For the year ended March 31, 2011

Fund Accounting

The General Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Asset Replacement Fund reports only internally restricted resources that are to be used for capital asset replacement.

The Invested in Capital Assets Fund reports the assets, liabilities, revenues and expenditures related to the organization's capital assets.

The Restricted for Payroll Fund reports only internally restricted resources that are to be maintained as a reserve for payroll.

Revenue Recognition

The organization follows the deferral method of accounting for contributions. Grant revenue is recorded in the period the expenditures are incurred. Rent revenue is recorded in the period the services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital Assets

Buildings are capitalized in the year of acquisition at an amount equal to the cost less government assistance and are amortized on a straight line basis over a period of twenty years. Office furniture and equipment is expensed in the year of acquisition.

Contributed Assets

Contributed assets are capitalized at an amount equal to the appraised value on date of acquisition. An amount equal to the value of the appraisal is recorded as a contribution. The contribution is deferred and recognized annually at the same rate as the amortization on the related asset.

Financial Instruments

The organization utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The organization classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

NORTH END COMMUNITY RENEWAL CORPORATION

Summary of Significant Accounting Policies

For the year ended March 31, 2011

Financial Instruments (continued)

<u>Assets/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash and bank	Held for trading	Fair value
Grants and accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

Use of Estimates

In preparing the organization's financial statements, in accordance with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

New Accounting Pronouncement

In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

For non-government (private sector) NPOs, they have a choice of:

1. International Financial Reporting Standards ("IFRS") or
2. Accounting Standards for NPOs (which is essentially the Accounting Standards for Private Enterprises with the current 4400 series of NPO specific standards added with some minor changes)

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

NORTH END COMMUNITY RENEWAL CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

1. Nature of Operations

North End Community Renewal Corporation (NECRC) was incorporated on July 29, 1998 as a non-profit organization under the laws of the Province of Manitoba. The objects of the organization are to alleviate poverty, reduce unemployment and relieve suffering in the North End of Winnipeg by assisting low-income people to prepare for, find and keep employment; improving the quality of affordable housing for the benefit of low-income people in the community; promoting industry and trade for the benefit of the North End community at large; and reducing the level of crime and violence in the North End community. The corporation qualifies for tax-exempt status as a registered charity under paragraph 149(1)(f) of the *Income Tax Act*.

2. Grants and Accounts Receivable

	2011	2010
Grants	\$ 170,995	\$ 229,243
Due from North End Revitalization Inc.	274,072	69,854
GST rebate	4,162	31,244
Other	15,469	15,238
	\$ 464,698	\$ 345,579

3. Capital Assets

	2011			2010	
Cost	Government Assistance	Accumulated Amortization	Net Book Value	Net Book Value	
Buildings					
221 Austin	\$ 125,594	\$ 124,465	\$ 301	\$ 828	\$ 828
627 Selkirk	45,758	-	23,451	22,307	24,595
509 Selkirk	90,000	-	28,125	61,875	66,375
607 Selkirk	95,217	-	-	95,217	-
510 Selkirk	580,000	-	181,250	398,750	427,750
	\$ 936,569	\$ 124,465	\$ 233,127	\$ 578,977	\$ 519,548

NORTH END COMMUNITY RENEWAL CORPORATION
Notes to Financial Statements

For the year ended March 31, 2011

4. Accounts Payable and Accrued Liabilities

	2011	2010
Trade	\$ 55,444	\$ 35,302
Salaries	46,533	51,445
Vacation pay	22,269	17,717
Professional fees	10,000	9,500
Mortgage interest	549	1,050
	\$ 134,795	\$ 115,014

5. Deferred Grant Revenue

	2011	2010
Province of Manitoba		
Adult Learning Centre	\$ -	\$ 1,756
Ambassador Project	-	8,151
Family Services	15,234	15,234
Dufferin Resident's Association	-	34,377
MAET	29,585	29,585
Food Security	1,055	11,166
Programs for LSP	-	44
St. John's Resident's Association	-	40,261
School Resource Officer	13,964	23,272
Other		
ALC Student Support - WRHA	365	954
Ambassador Project - WPA	-	2,366
Employment Core - United Way	93,127	67,496
Food Security		
Assiniboine Credit Union	2,030	-
Evergreen	7,007	-
FACT	156	-
Farmers Markets Promotions	4,889	-
PHAC	1,416	-
Winnipeg Regional Health Authority	803	-
MB Community Services	30,643	-
Manitoba Housing Authority	-	191
Rental Registry - MHA	26,762	27,220
Picnic in the Park - Donation	2,324	3,300
Ogijita Pimatiswin Kinamatwin - Donation	2,176	2,178
Tenant Landlord Cooperation - Thomas Sill Foundation	-	256
Wellness Centre	-	18,293
	\$ 231,536	\$ 286,100

NORTH END COMMUNITY RENEWAL CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

6. Deferred Contributions Relating to Capital Assets

	2011	2010
Balance, beginning of period	\$ 66,375	\$ 70,875
Received during the year	-	-
Recognized during the year	(4,500)	(4,500)
Balance, end of period	\$ 61,875	\$ 66,375

7. Long-term Debt

	2011	2010
Commercial Mortgage for 510 and 607 Selkirk - Repayable in monthly instalments of \$4,751 including interest calculated at the effective rate of prime plus 1% (effective rate of 4%), due on demand.	\$ 431,272	\$ -
Commercial Mortgage for 510 Selkirk - Repayable in monthly instalments of \$4,780 including interest calculated at the effective rate of prime plus 1.0% (effective rate of 4%), due March 1, 2020, amortized over 15 years.	-	378,039
	431,272	378,039
Current portion of long-term debt	431,272	45,749
	\$ -	\$ 332,290

The organization has an approved line of credit for \$100,000 with Assiniboine Credit Union. Interest is charged on the outstanding daily balance at an effective rate equal to prime plus 2% (effective rate of 5%). The line of credit was unutilized at March 31, 2011.

All loans and lines of credit are secured by registered mortgages over all properties owned by the organization, by an assignment of rents and leases over all properties registered, by a General Security Agreement and by assignment of all risk insurance.

NORTH END COMMUNITY RENEWAL CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

8. Related Party Transactions

NECRC controls NERI as NECRC appointed members to NERI's Board of Directors at inception of the corporation, the majority of members of NERI are members of NECRC's Board of Directors and NECRC and NERI have common management. Transactions between the two organizations are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for services rendered.

The following summarizes transactions with NERI for the year:

	<u>2011</u>	<u>2010</u>
Revenue		
Administration fees	\$ 36,780	\$ 36,780
Rent	10,500	10,500
	<u>\$ 47,280</u>	<u>\$ 47,280</u>
Expenditures		
Administration fees	\$ 40,000	\$ 40,000

9. Economic Dependence

The organization is economically dependent upon the Government of Canada, the Province of Manitoba and the City of Winnipeg for financing its operations.

10. Capital Disclosures

The organization considers its capital to comprise its Unrestricted Net Assets, its Assets Restricted for Capital Replacement, its Restricted for Payroll and its Assets Invested in Capital Assets. There have been no changes to what the organization considers to be its capital since the previous period.

As a not-for-profit entity, the organization's operations are reliant on revenues generated annually.

NORTH END COMMUNITY RENEWAL CORPORATION
Schedule of Expenditures

For the year ended March 31	2011	2010
Administration fees (Note 8)	\$ 40,000	\$ 40,000
Advertising and promotion	8,464	21,289
Amortization	35,788	35,788
Bank and payroll charges	5,987	5,172
Equipment and furniture	2,558	4,334
Equipment leases	2,486	12,712
Evaluations	2,537	5,687
Insurance	22,127	25,596
Interest on long-term debt	13,178	13,212
Maintenance and repairs	29,509	28,529
Meetings	13,789	10,482
Office	88,912	44,810
Professional fees	26,217	30,187
Projects	243,834	1,740,127
Property tax	12,089	7,934
Resources	5,443	8,323
Salaries and benefits	2,747,498	2,208,615
Staff and Board development	8,807	7,065
Telephone	32,677	28,962
Travel	1,648	1,414
Utilities	22,575	22,899
	\$ 3,366,123	\$ 4,303,137
