



Grant Thornton

Financial Statements

Atikokan Economic Development Corporation

December 31, 2012

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Independent Auditor's Report

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To the Directors of
Atikokan Economic Development Corporation

We have audited the accompanying financial statements of Atikokan Economic Development Corporation, which comprise the statement of financial position as at December 31, 2012 and the statements of changes in fund balances, 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 accounting standards for not-for-profit organizations, 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 judgment, 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 Atikokan Economic Development Corporation as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Thunder Bay, Canada
April 16, 2013

Chartered Accountants
Licensed Public Accountants

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

Ministry of Training, Colleges and Universities

	Operating Fund	Partnership Fund	FedNor Projects Fund	Ministry of Training, Colleges and Universities Projects Fund	Investment Capital Fund	December 31, 2012 Total	December 31, 2011 Total	January 1, 2011 Total
ASSETS								
Current								
Cash	\$ 4,877	\$	\$	\$ 197,965	\$	\$ 202,842	\$ 308,741	\$ 227,133
Accounts receivable	1,047					1,047	8,174	5,896
Contributions receivable								
FedNor								
- Local Initiative			7,492			7,492	10,140	4,699
- Capitalization							42,000	
Ministry of Training, Colleges and Universities								
- Self Employment Benefit								
HST receivable	10,955			2,623		13,578	1,042	3,462
Prepaid expenditures	4,168					4,168	2,366	8,196
Inventory					64	64	69	2,385
								73
	21,047		7,492	200,588	64	229,191	388,063	251,844
	40,183			3,828		44,011	50,870	56,118
	61,230		7,492	204,416	64	273,202	438,933	307,962
Capital assets (Note 4)								
					975,769	975,769	897,024	560,796
					8,381	8,381	40,076	40,076
					2,324,255	2,324,255	2,272,025	2,256,630
					147,916	147,916	147,916	147,916
					3,456,321	3,456,321	3,370,201	3,005,418
	\$ 61,230	\$	\$ 7,492	\$ 204,416	\$ 3,456,385	\$ 3,729,523	\$ 3,809,134	\$ 3,313,380
Restricted assets								
Cash (Note 5)								
Short-term investments (Note 5)								
Accrued interest receivable								
Loans and mortgages								
receivable (Note 6)								
Equity investments (Note 7)								

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Operating Fund	Partnership Fund	FedNor Projects Fund	Ministry of Training, Colleges and Universities Projects Fund	Investment Capital Fund	December 31, 2012 Total	December 31, 2011 Total	January 1, 2011 Total
LIABILITIES								
Current								
Accounts payable	\$ 20,523	\$	\$	\$	\$ 5,625	\$ 26,148	\$ 30,999	\$ 14,532
Due to Ministry of Training, Colleges and Universities (Note 8)				115,494		115,494	284,948	194,654
Deferred contributions								
Ministry of Training, Colleges and Universities								
- Atikokan Employment Centre				60,000		60,000		
- Self Employment Benefit				198		198		
Township of Atikokan - DARC		11,114				11,114	11,114	10,539
Interfund balances	524	(33,673)	7,492	24,896	761			
	<u>21,047</u>	<u>(22,559)</u>	<u>7,492</u>	<u>200,588</u>	<u>6,386</u>	<u>212,954</u>	<u>327,061</u>	<u>219,725</u>
FUND BALANCES								
Invested in capital assets (Note 9)	40,183			3,828		44,011	50,870	56,118
Restricted (Note 10)					3,449,999	3,449,999	3,408,118	3,017,693
Unrestricted		22,559				22,559	23,085	19,844
	<u>40,183</u>	<u>22,559</u>		<u>3,828</u>	<u>3,449,999</u>	<u>3,516,569</u>	<u>3,482,073</u>	<u>3,093,655</u>
	<u>\$ 61,230</u>	<u>\$</u>	<u>\$ 7,492</u>	<u>\$ 204,416</u>	<u>\$ 3,456,385</u>	<u>\$ 3,729,523</u>	<u>\$ 3,809,134</u>	<u>\$ 3,313,380</u>

Approved by the Board: _____

Approved by the Board: _____

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED

	Operating Fund	Invested in Capital Assets	Partnership Fund	FedNor Projects Fund	Ministry of Training, Colleges and Universities Projects Fund	Investment Capital Fund	Total 2012	Total 2011
Fund balance, beginning of year	\$ 1,531	\$ 50,870	\$ 23,085	\$	\$	\$ 3,406,587	\$ 3,482,073	\$ 3,093,655
Excess (shortfall) of revenues over expenditures	(16,574)		7,842		(184)	43,412	34,496	388,418
Reallocate the amortization of capital assets	8,782	(12,518)			3,736			
Purchase of capital assets	(2,107)	5,659			(3,552)			
Interfund transfer	8,368		(8,368)					
Fund balance, end of year	\$	\$ 44,011	\$ 22,559	\$	\$	\$ 3,449,999	\$ 3,516,569	\$ 3,482,073

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED

	Operating Fund	Partnership Fund	FedNor Projects Fund	Ministry of Training, Colleges and Universities Projects Fund	Investment Capital Fund	Total 2012	Total 2011
REVENUE							
FedNor/Industry Canada	\$ 300,000	\$	\$ 74,992	\$	\$	\$ 374,992	\$ 872,840
Operating contribution							
Ministry of Training, Colleges and Universities				252,609		252,609	260,841
Loans and mortgages interest income	40,000				138,797	138,797	132,575
Municipality of Atikokan		10,440				40,000	55,820
Administration charges - AEC						10,440	9,360
Other	6,615			615	1,288	8,518	8,571
North Claybelt	5,000					5,000	
Project revenue - DARC							11,530
	<u>351,615</u>	<u>10,440</u>	<u>74,992</u>	<u>253,224</u>	<u>140,085</u>	<u>830,356</u>	<u>1,351,537</u>

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS (Continued)

YEAR ENDED

	Operating Fund	Partnership Fund	FedNor Projects Fund	Ministry of Training, Colleges and Universities Projects Fund	Investment Capital Fund	Total 2012	Total 2011
EXPENDITURES (Schedule A)							
Salaries and benefits	\$ 244,737	\$	\$	\$ 130,359	\$	\$ 375,096	\$ 351,163
Occupancy and equipment	53,926			58,158		112,084	106,195
Directors' expense	6,573					6,573	6,630
Community development	13,395	2,598	74,992	37,800		128,785	172,560
Administration	40,776			23,355		64,131	81,679
OTHER EXPENDITURES							
Amortization	8,782			3,736		12,518	12,874
Bank charges and interest					354	354	26
Investment provision					92,161	92,161	227,776
Professional fees					4,158	4,158	4,216
Excess (shortfall) of revenue over expenditures	<u>368,189</u>	<u>2,598</u>	<u>74,992</u>	<u>253,408</u>	<u>96,673</u>	<u>795,860</u>	<u>963,119</u>
	<u>\$ (16,574)</u>	<u>\$ 7,842</u>	<u>\$</u>	<u>\$ (184)</u>	<u>\$ 43,412</u>	<u>\$ 34,496</u>	<u>\$ 388,418</u>

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED

	Ministry of Training, Colleges and Universities					Total 2011
	Operating Fund	Partnership Fund	FedNor Projects Fund	Projects Fund	Investment Capital Fund	Total 2012
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Excess (shortfall) of revenues over expenses for the year excluding interest revenue	\$ (16,574)	\$ 7,842	\$	\$ (184)	\$ (95,385)	\$ (104,301)
Interest revenue received					138,797	138,797
Items not involving cash						
Amortization	8,782			3,736		12,518
Provision for doubtful loans					92,161	92,161
Changes in non-cash operating working balances						
Accounts receivable	7,033				94	7,127
Accrued interest receivable					4,778	4,778
Contributions receivable			2,648	1,042	42,000	45,690
HST receivable	1,322			631		1,953
Prepaid expenditures	(1,802)					(1,802)
Inventory					5	5
Accounts payable	(4,699)			(169,454)	(153)	(174,306)
	<u>(5,938)</u>	<u>7,842</u>	<u>2,648</u>	<u>(164,229)</u>	<u>182,297</u>	<u>22,620</u>
	(2,107)			(3,552)		(5,659)
INVESTING ACTIVITIES						(7,626)
Purchase of capital assets					(32,417)	(32,417)
Capitalized loan costs					(383,815)	(383,815)
Investments advanced					271,843	271,843
Investments repaid	<u>(2,107)</u>			<u>(3,552)</u>	<u>(144,389)</u>	<u>(150,048)</u>
				60,198		60,198
	4,990	<u>(7,842)</u>	<u>(2,648)</u>	4,739	761	
	(3,055)			(102,844)	38,669	(67,230)
Cash, beginning of year	<u>7,932</u>			<u>300,809</u>	<u>937,100</u>	<u>1,245,841</u>
Cash, end of year	<u>\$ 4,877</u>	<u>\$</u>	<u>\$</u>	<u>\$ 197,965</u>	<u>\$ 975,769</u>	<u>\$ 1,178,611</u>
Cash consists of:						
Unrestricted cash	\$ 4,877	\$		\$ 197,965		\$ 202,842
Restricted cash					975,769	975,769
Restricted short-term investments	<u>\$ 4,877</u>	<u>\$</u>		<u>\$ 197,965</u>	<u>\$ 975,769</u>	<u>\$ 1,178,611</u>
						<u>\$ 1,245,841</u>

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

GENERAL

Atikokan Economic Development Corporation is incorporated under the laws of Ontario as a non-profit corporation without share capital and is exempt from tax under the Income Tax Act.

The Corporation has an Operating Fund to cover the costs of providing business counselling and advisory services to the communities of Atikokan, Sapawe, Upsala, Lac La Croix First Nation, Seine River First Nation and Lac des Milles Lac First Nation and their surrounding areas. The Operating Fund also assists these communities in developing a community work plan for the development and support of additional permanent private sector employment through research and projects.

The Corporation has an Investment Fund for the same communities to create new small businesses and to expand, stabilize and protect existing businesses resulting in the generation and maintenance of permanent employment.

1. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These are the Corporation's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations. The date of transition to these standards is January 1, 2011.

These financial statements of the Corporation have been prepared using policies specified by those standards that are in effect at the end of the reporting period ending December 31, 2012. The significant accounting policies that have been applied in the preparation of these financial statements are summarized in note 2. These accounting policies have been used throughout all periods presented in the financial statements.

The Corporation has applied Canadian Section 1501, first-time adoption by not-for-profit organizations in preparing these first financial statements under Canadian accounting standards for not-for-profit organizations. The effects of the transition on fund balances, earnings (loss) and reported cash flows are presented in this section.

Upon transition, the Corporation has applied the mandatory exceptions and no optional exemptions.

Reconciliation to previously reported amounts

Statement of financial position

There are no material adjustments to the previously reported fund balances.

Statement of operations

There are no material adjustments to the previously reported earnings (loss).

Statement of cash flows

There are no material adjustments to the previously reported cash flow statement.

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The standards require entities to select policies appropriate for their circumstances from choices provided in the specific standards. Following are details of the choices selected by the Corporation and applied in these financial statements.

(a) Fund accounting

Revenues and expenses related to program delivery and administration activities are reported in the Operating Fund. Capital assets are purchased and amortized in the Operating Fund.

The Partnership Fund reports the assets, liabilities, revenues and expenses related to the Corporation's other programs that are not part of any other fund.

The FedNor Projects Fund reports the assets, liabilities, revenues and expenses related to the Corporation's Industry Canada/FedNor program delivery and administration activities.

The Ministry of Training, Colleges and Universities Projects Fund reports the assets, liabilities, revenues and expenses related to the Corporation's Ministry of Training, Colleges and Universities program delivery and administration activities. Capital assets are purchased and amortized in the Ministry of Training, Colleges and Universities Projects Fund.

Revenues and expenses related to investment activities are reported in the Investment Capital Fund. Investment income earned on resources of the Investment Capital Fund is reported in the Investment Capital Fund.

(b) Basis of accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

(c) Revenue recognition

The deferral method of accounting for contributions is used whereby restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Dividends are recorded as investment income as they are received. In the event that an equity investment is converted into a loan during the year any capitalized dividends will be recorded as investment income to the extent that the loan is collectible as determined by management.

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income is recorded as earned unless the terms of the loan provide that interest payments shall not commence until 12 months after the date the funds are disbursed. Interest income will be recorded on these deferred interest loans when received. Interest income is recorded on a cash basis on those loans that are in default.

Administration charges result when contribution agreements permit an "overhead" charge equal to a percentage of identifiable eligible expenditures to be included in the project expenses for the purposes of calculating revenue earned.

Contributions relating to capital assets are credited to deferred capital contributions and recognized as revenue on the same basis as amortization on the related asset is charged against operations.

(d) Investments

A loan is considered doubtful when in management's view the loan has suffered an impairment in value that is not considered temporary in which case the loan is written-down to net realizable value. Once a loan client has defaulted on one or more of the loan agreement terms, management measures the value of the loan based on the expected future cash flows discounted at the loan's effective interest rate and on the estimated fair value of the security underlying the loan.

All equity investments are with incorporated private businesses and are subject to formal agreements. If in management's opinion equity investments have suffered an impairment in value, they are written-down to net realizable value.

The Corporation accounts for its investments using the cost method. The carrying amount of an investment is written-down to its net recoverable amount if a decline in value is judged to be other than temporary.

The Corporation has also estimated a General Provision for Uncollectible Investments based on past experience for all investments which no specific provision has been established.

(e) Inventory

Inventory consists of prints of the White Otter Castle. They are valued at \$1 each and proceeds are recorded as investment recoveries in the Investment Capital Fund as they are sold.

(f) Capital assets

Capital assets are amortized over the assets estimated useful life as follows:

Computer equipment and software	2 years straight-line method
Furniture and fixtures	20% declining balance method
Leasehold improvements	10 years straight-line method

Amortization expense is reported in the Operating Fund and Ministry of Training, Colleges and Universities Projects Fund.

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments

The Corporation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Corporation accounts for the following as financial instruments:

- Cash
- Accounts receivable
- Contributions receivable FedNor and Ministry of Training, Colleges and Universities
- Restricted cash and short-term investments
- Restricted investments
- Accounts payable
- Due to Ministry of Training, Colleges and Universities

A financial asset or liability is recognized when the Corporation becomes party to contractual provisions of the instrument.

Measurement

Financial assets or liabilities obtained in arm's-length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

Initial measurement of related party

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with the Corporation is in the capacity of management in which case they are accounted for in accordance with financial instruments.

Financial assets and financial liabilities are subsequently measured according to the following methods:

Financial assets measured at amortized cost include cash, accounts receivables, due from Government of Canada FedNor, and restricted cash and short-term investments.

Financial assets measured at fair value include restricted short-term investments, loans and mortgages receivables and equity investments..

Financial liabilities measured at amortized cost include accounts payable.

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

The Corporation removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the Statement of Operations.

Management estimates

Management reviews the carrying amounts of items in the financial statements at each financial position date to assess the need for revisions. Many items in the preparation of these financial statements require management's best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to the Statement of Operations as appropriate in the year they become known.

Significant items subject to management estimates include:

Financial statement element

Accounts receivable
Capital assets
Investments

Management estimate

Allowance for doubtful accounts
Asset useful lives
Allowance for doubtful loans

(h) In-kind Contributions

In-kind contributions have been recognized based on the fair value of services provided.

3. ECONOMIC DEPENDENCE

The Corporation is dependent on annual contributions from Industry Canada/FedNor in order to finance its general fund operations. Should these contributions cease, the Corporation would be unable to continue its current operations.

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

4. CAPITAL ASSETS

	<u>2012</u>			<u>2011</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 79,077	\$ 64,225	\$ 14,852	\$ 16,855
Leasehold improvements	41,148	14,059	27,089	31,204
Computer equipment and software	<u>44,844</u>	<u>42,774</u>	<u>2,070</u>	<u>2,811</u>
	<u>\$ 165,069</u>	<u>\$ 121,058</u>	<u>\$ 44,011</u>	<u>\$ 50,870</u>

5. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

This balance represents an investment bank account with a balance of \$975,769 (2011 - \$897,024) and a money market cashable Guarantee Investment Certificate (GIC) with a market value of \$nil (2011 - \$40,076).

6. LOANS AND MORTGAGES RECEIVABLE

The loans and mortgages receivable consist of 52 AEDC loans, 1 guarantee and 1 profit-sharing investment and 9 Northwestern Ontario Investment Pool (NWOIP) loans. Of the 9 NWOIP loans, AEDC is the host of 2 loans which are included with the AEDC loans. The loans and mortgages receivable bear various interest rates from 2.25% to 12% per annum and are fixed for one to five years with amortization periods from one to twenty years. Loans and mortgages receivable include loans made directly by the Corporation to clients and loans where the Corporation has placed corporate funds with a bank in the form of a Guaranteed Investment Certificate or term deposit as security for a client's line of credit. Loan guarantee investments pay an annual fee of Toronto Dominion Bank Prime plus 3%.

The loans and mortgages receivable balance is comprised of:

	<u>Loans *</u> <u>Fund</u>	<u>NWOIP</u> <u>Non-host</u> <u>Loans</u>	<u>Other **</u> <u>Funds</u>	<u>Total</u>
Principal balance, beginning of year	\$ 3,230,300	\$ 578,022	\$	\$ 3,808,322
Advanced during the year	163,815	70,000	150,000	383,815
Capitalized loan costs during the year	32,417			32,417
Repaid during the year	(233,606)	(38,237)		(271,843)
Written-off during the year	<u>(658,552)</u>	<u>(75,000)</u>		<u>(733,552)</u>
Principal balance, end of year	2,534,374	534,785	150,000	3,219,159
Allowance for doubtful loans	<u>(849,904)</u>	<u>(45,000)</u>		<u>(894,904)</u>
Net balance, end of year	<u>\$ 1,684,470</u>	<u>\$ 489,785</u>	<u>\$ 150,000</u>	<u>\$ 2,324,255</u>

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

6. LOANS AND MORTGAGES RECEIVABLE (continued)

The activity in the Allowance for Doubtful Loans account is as follows:

	Loans * <u>Fund</u>	NWOIP Non-host <u>Loans</u>	Other ** <u>Funds</u>	<u>Total</u>
Balance, beginning of year	\$ 1,476,922	\$ 59,375	\$	\$ 1,536,297
Written-off during the year	(718,016)	(14,375)		(732,391)
Recovery of loans written-off in previous periods	(1,163)			(1,163)
Current year's provision for impairment	<u>92,161</u>	<u></u>	<u></u>	<u>92,161</u>
Balance, end of year	\$ <u>849,904</u>	\$ <u>45,000</u>	\$ <u></u>	\$ <u>894,904</u>

* Loans include the host CFDC's portion of NWOIP loans

** Other funds include loan guarantees

The Corporation determines the Provision for Uncollectible Loans by providing for specific investment losses after reviewing outstanding investments on a loan-by-loan basis plus the use of an estimated general provision based on past experience for all loans for which no specific provision has been established.

Investments in default are generally defined as any loan which has missed regular payments during the year and/or has defaulted on one or more of the loan agreement terms.

As collateral for the investments, the Corporation generally requires either promissory notes, general security agreements, registered security charges over specific assets, conditional sales contracts, personal guarantees, postponements of claims or some combination thereof depending on the investment circumstances. Investments generally are not fully secured.

The loan principal repayments due to be received over the next year is \$345,923.

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

7. EQUITY INVESTMENTS

Equity investments are made to eligible investees. The investments in common shares consists of three Northwestern Ontario Investment Pool (NWOIP) investments.

The loans and mortgages receivable balance is comprised of:

	<u>Equity *</u>	<u>NWOIP Non-host Equity</u>	<u>Total</u>
Balance, beginning of year	\$	\$ 179,166	\$ 179,166
Purchased during the year			
Redeemed during the year			
Balance, end of year		179,166	179,166
Allowance for doubtful investment		(31,250)	(31,250)
Net balance, end of year	\$	\$ 147,916	\$ 147,916

* equity includes the host CFDC's portion of pooled investments in shares.

8. DUE TO MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES

The Corporation entered into an agreement beginning April 1, 2012 and ending on March 31, 2013 to deliver employment services for Atikokan and the surrounding area to a maximum cost of \$607,698. Current year advances exceed the necessary funding to provide the program services and these funds will be repayable as of March 31, 2013 which is the program year-end. Therefore, the excess funding estimated in the amount of \$115,494 (2012 - \$284,948) is to be repaid to the Ministry of Training, Colleges and Universities.

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTED IN CAPITAL ASSETS

(a) Investment in capital asset is calculated as follows:

	<u>2012</u>	<u>2011</u>
Invested in capital assets, beginning of year	\$ 50,870	\$ 56,118
Net change in capital assets for the year	<u>(6,859)</u>	<u>(5,248)</u>
Invested in capital assets, end of year	<u>\$ 44,011</u>	<u>\$ 50,870</u>

(b) Changes in net assets invested in capital assets is comprised of the following:

	<u>2012</u>	<u>2011</u>
Depreciation of capital assets	\$ (12,518)	\$ (12,874)
Purchase of capital assets	<u>5,659</u>	<u>7,626</u>
Net change in capital assets	<u>\$ (6,859)</u>	<u>\$ (5,248)</u>

10. RESTRICTED FUND BALANCES

Operating Fund

In prior years, the Corporation had an excess of revenues over eligible expenditures in the amount of \$12,202 for FedNor purposes which FedNor allowed the Corporation to retain to be spent on specific activities. During 2011, the Corporation had a shortfall of revenue over eligible expenditures for FedNor purposes in the amount of \$10,671 and the Corporation has requested to apply this shortfall against the \$12,202 restricted fund balance. The remaining restricted funds of \$1,531 were used in the current year.

11. INDUSTRY CANADA COMMUNITY FUTURES PROGRAM - CONTRIBUTION AGREEMENTS

The Government of Canada renewed its funding agreement on January 2, 2013 for a one-year period ending December 31, 2013. The agreement provides a maximum of \$300,000 to the Operating Fund to cover the costs of providing business counselling and advisory services to the community and to maintain an Investment Capital Fund. This agreement contains specific restrictions on interest rates on Investment Capital Funds, how the funds are to be invested and how surplus funds can be used.

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

12. COMMITMENTS

In June 2009, the Corporation entered into a 10-year office lease expiring on May 31, 2019 with an optional one-year renewal. The lease payment is for \$3,606 plus HST monthly and increases annually based on Consumer Price Index.

13. LINE OF CREDIT

The Corporation has negotiated a line of credit up to a maximum of \$40,000 with TD Canada Trust, none of which was drawn at year-end. The operating line of credit is secured by a general security agreement and bears interest at prime plus 2% (5.0% at December 31, 2012).

14. CAPITAL DISCLOSURES

The Corporation receives externally restricted funding from various funders for the delivery of specific programs. These funds are maintained and disbursed under the terms of the relevant funding agreements and management is responsible for adhering to the provisions of these agreements and adhering to the mission and goals of the Corporation.

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide delivery of its services to the community.

Management maintains its capital by ensuring that annual operating and capital budgets are developed (and approved by the Board of Directors) based on known or estimated sources of funding available each year. These budgets are shared with all management of the Corporation to ensure that the capital of the Corporation is maintained.

15. COMPARATIVE FIGURES

Certain prior year figures have been restated in order to comply with current year financial statement presentation.

16. CONTINGENCIES

The Corporation has been named in a lawsuit relating to the alleged improper seizure and sale of assets to which likelihood of any loss is not determinable and the amount, if any, is not reasonably estimable.

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF OPERATING FUND EXPENDITURES

YEAR ENDED

	Operating Fund	Partnership Fund	FedNor Projects Fund (Schedule B)	Ministry of Training, Colleges and Universities Projects Fund (Schedule C)	Total 2012	Total 2011
Salaries and Benefits						
Salaries	\$ 210,780	\$	\$	\$ 112,121	\$ 322,901	\$ 309,242
Benefits	<u>33,957</u>			<u>18,238</u>	<u>52,195</u>	<u>41,921</u>
	<u>244,737</u>			<u>130,359</u>	<u>375,096</u>	<u>351,163</u>
Occupancy and Equipment						
Rent, taxes and improvements	20,702			25,558	46,260	44,996
Equipment rental	4,313			11,412	15,725	14,645
Repairs, maintenance and cleaning	9,715			9,899	19,614	15,987
Insurance	7,875			3,005	10,880	11,259
Telephone and internet	8,463			5,361	13,824	13,629
Utilities	<u>2,858</u>			<u>2,923</u>	<u>5,781</u>	<u>5,679</u>
	<u>53,926</u>			<u>58,158</u>	<u>112,084</u>	<u>106,195</u>
Directors' Expense						
Meetings	6,197				6,197	6,459
Training	<u>376</u>				<u>376</u>	<u>171</u>
	<u>6,573</u>				<u>6,573</u>	<u>6,630</u>
Community Development						
Consulting fees	2,599				2,599	10,772
Training - clients				2,400	2,400	2,090
Training - employers				31,311	31,311	47,901
Local Initiative Projects (Schedule E)			74,992		74,992	72,840
Projects (Schedule D)	<u>10,796</u>	<u>2,598</u>		<u>4,089</u>	<u>17,483</u>	<u>38,957</u>
	<u>13,395</u>	<u>2,598</u>	<u>74,992</u>	<u>37,800</u>	<u>128,785</u>	<u>172,560</u>

SCHEDULE A

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF OPERATING FUND EXPENDITURES (Continued)

YEAR ENDED

	Operating Fund	Partnership Fund	FedNor Projects Fund (Schedule B)	Ministry of Training, Colleges and Universities Projects Fund (Schedule C)	Total 2012	Total 2011
Administration						
Advertising	3,845			4,829	8,674	9,876
Bank charges and interest	1,872				1,872	1,818
Employee training	2,559			4,062	6,621	11,860
Office supplies	5,640			6,979	12,619	15,206
Other expenses				728	728	312
Memberships and dues	4,230				4,230	4,382
Postage	513				513	1,595
Professional fees	11,586			4,399	15,985	17,863
Travel	10,531			2,358	12,889	18,767
	<u>40,776</u>			<u>23,355</u>	<u>64,131</u>	<u>81,679</u>
Total Expenditures	<u>\$ 359,407</u>	<u>\$ 2,598</u>	<u>\$ 74,992</u>	<u>\$ 249,672</u>	<u>\$ 686,669</u>	<u>\$ 718,227</u>

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FEDNOR PROJECTS REVENUE AND EXPENDITURES
YEAR ENDED

	Local Initiatives 842-508991 <u>2012</u>	Total <u>2011</u>
Revenue		
Industry Canada/FedNor	\$ <u>74,992</u>	\$ <u>72,840</u>
Expenditures		
Community Development		
Local Initiative Projects (Schedule E)	<u>74,992</u>	<u>72,840</u>
Excess of Revenue over Expenditures	\$ <u> </u>	\$ <u> </u>

SCHEDULE C

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES
PROJECTS REVENUE AND EXPENDITURES

	YEAR ENDED			
	Atikokan Employment Centre	Self Employment Benefit	Total 2012	Total 2011
Revenue				
Ministry of Training, Colleges and Universities	\$ 234,780	\$ 17,829	\$ 252,609	\$ 260,841
Other revenue	<u>615</u>	<u> </u>	<u>615</u>	<u>2,314</u>
	<u>235,395</u>	<u>17,829</u>	<u>253,224</u>	<u>263,155</u>
Expenditures				
Salaries and benefits				
Salaries	99,482	12,639	112,121	104,840
Benefits	<u>18,238</u>	<u> </u>	<u>18,238</u>	<u>13,347</u>
	<u>117,720</u>	<u>12,639</u>	<u>130,359</u>	<u>118,187</u>
Occupancy and Equipment				
Rent, taxes and improvements	22,968	2,590	25,558	24,204
Equipment rental	11,412		11,412	10,332
Insurance	1,650	1,355	3,005	2,593
Repairs, maintenance and cleaning	9,899		9,899	6,529
Telephone and internet	4,864	497	5,361	5,574
Utilities	<u>2,400</u>	<u>523</u>	<u>2,923</u>	<u>3,357</u>
	<u>53,193</u>	<u>4,965</u>	<u>58,158</u>	<u>52,589</u>

SCHEDULE C

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION SCHEDULE OF MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES PROJECTS REVENUE AND EXPENDITURES (continued)

	YEAR ENDED		
	Atikokan Employment Centre	Self Employment Benefit	Total 2012
Community Development			Total 2011
Training - clients	2,400		2,090
Training - employers	31,311		47,901
Project expenses - Career Fair	4,089		3,159
	37,800		53,150
Administration			
Advertising	4,723	106	5,307
Employee training	4,062		9,272
Office supplies	6,860	119	7,766
Bank charges	728		312
Professional fees	4,399		6,349
Travel	2,358		4,850
	23,130	225	33,856
Amortization	3,736		2,407
Total expenditures	235,579	17,829	260,189
Allocated to Partnership Fund			(1,045)
Excess of Revenue over Expenditures	\$ (184)	\$	\$ 4,011

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF PROJECT EXPENDITURES

YEAR ENDED

	<u>2012</u>	<u>2011</u>
<u>Operating Fund</u>		
Community Development Projects	\$ <u>10,796</u>	\$ <u>5,849</u>
<u>Partnership Fund</u>		
DARC		11,530
Northern Communities Investment Readiness		15,820
Telemerge Canada	<u>2,598</u>	<u>2,599</u>
	<u>2,598</u>	<u>29,949</u>
	\$ <u>13,394</u>	\$ <u>35,798</u>

SCHEDULE E

ATIKOKAN ECONOMIC DEVELOPMENT CORPORATION

OPERATING FUND

SCHEDULE OF LOCAL INITIATIVES PROGRAM EXPENDITURES

YEAR ENDED	2012	2011
2012 FedNor - #851-509919		
Atikokan Bass Classic Committee - reefer unit	\$ 5,000	\$
Atikokan Beaten Path Nordic Trail Committee - consultant	4,700	
Atikokan Beaten Path Nordic Trail Committee - install bridge on trail	10,000	
Atikokan Chamber of Commerce - advertising	1,600	
Atikokan Chamber of Commerce - display case	1,200	
Atikokan Chamber of Commerce - media stock photo project	4,996	
Atikokan Chamber of Commerce - the Atikokan song	4,990	
Atikokan Chamber of Commerce - trade show	718	
Investment Readiness Committee - consultant for housing study	1,000	
Investment Readiness Committee - consultant for phase 2 GIS project	1,875	
Investment Readiness Committee - consultant for prospectus sites	3,125	
Northwest Training & Adjustment Board - regional mining report	5,000	
Pictograph Gallery - signage	2,688	
Sportsman Conservation Club - extend walkway	5,000	
Sportsman Conservation Club - highway signs	5,000	
Town of Atikokan - community tent	10,000	
Town of Atikokan - signage	3,100	
Upsala Regional Development Association - event shelters	5,000	
	<u>74,992</u>	
2011 FedNor #842-508991		
Atikokan Bass Classic Committee - oxygen metre and stage improvements		4,910
Atikokan Chamber of Commerce - promote Atikokan		4,700
Atikokan Chamber of Commerce - implement ideas from Canoe Challenge		5,000
Atikokan Chamber of Commerce - bike racks		5,000
Atikokan Native Friendship Centre - Bass Classic promotion		650
Atikokan Sno-ho Snowmobile Club - signage		3,000
Atikokan Sportsmen's Conservation Club - Little Falls gazebo		10,000
Atikokan and Ahousal Student Cultural Exchange		5,000
Atikokan Native Friendship Centre - feasibility report		10,000
Beaten Path Nordic Ski Club - signage		3,000
Heart of the Continent Conference		5,000
Town of Atikokan - Lift Operator Booth		4,500
Town of Atikokan - produce 2 sided town maps		2,080
Town of Atikokan - accommodation study		5,000
Upsala Snowbunnies - sliding hill development		5,000
		<u>72,840</u>
	<u>\$ 74,992</u>	<u>\$ 72,840</u>