LOUIS RIEL CAPITAL CORPORATION

Non-Consolidated Financial Statements

Year Ended March 31, 2016

Lazer Grant LLP
Chartered Professional
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Louis Riel Capital Corporation

We have audited the accompanying non-consolidated financial statements of Louis Riel Capital Corporation, which comprise the non-consolidated statement of financial position as at March 31, 2016 and the non-consolidated statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated 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 non-consolidated 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 non-consolidated financial statements.

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

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Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Louis Riel Capital Corporation as at March 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Lazer Grant LLP

Winnipeg, MB
June 15, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS

	2016	2015
ASSETS		
CURRENT		
Cash	$ 525,045	$ 1,721,482
Accounts receivable *(Note 7)*	592,389	113,184
Interest receivable *(Note 5)*	350,906	250,960
Prepaid expenses	8,642	6,898
	1,476,982	2,092,524
CAPITAL ASSETS *(Note 4)*	6,174	14,017
LOANS RECEIVABLE *(Note 5)*	4,275,136	3,925,165
LONG TERM INVESTMENTS *(Note 6)*	4,803	4,803
DUE FROM RELATED PARTIES *(Note 7)*	1,822,043	1,797,043
	$ 7,585,138	$ 7,833,552
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities *(Note 8)*	$ 72,692	$ 90,495
Undisbursed contributions *(Note 9)*	221,296	764,937
Deferred contribution *(Note 10)*	102,289	-
	396,277	855,432
DEFERRED CAPITAL GRANT *(Note 11)*	-	2,696
	396,277	858,128
NET ASSETS	7,188,861	6,975,424
	$ 7,585,138	$ 7,833,552

CONTINGENT LIABILITY *(Note 12)*

LEASE COMMITMENTS *(Note 13)*

ON BEHALF OF THE BOARD

James Bruce Director

Director

Non-Consolidated Statement of Revenues and Expenditures

For the Year Ended March 31, 2016

		2016		2015
REVENUES				
National Aboriginal Capital Corporations Association - PDP Equity	$	**1,414,771**	$	1,443,596
Interest *(Notes 5, 7)*		**380,171**		402,249
National Aboriginal Capital Corporations Association - PDP Operating		**232,018**		237,105
National Aboriginal Capital Corporations Association		**178,325**		123,246
Expense recovery *(Note 7)*		**137,853**		17,584
Metis Employment & Training - Training subsidy		**67,646**		-
Loan fees		**53,632**		66,805
Other		**43,723**		30,415
Management fees *(Note 7)*		**13,140**		13,140
Bad debt recovery		**6,191**		31,225
Aboriginal Business Canada		**-**		5,542
Deferred to subsequent years *(Note 10)*		**(102,289)**		-
		2,425,181		2,370,907
EXPENSES *(Schedule 1)*		**2,242,744**		2,248,334
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS		**182,437**		122,573
OTHER INCOME (EXPENSES)				
Dividend income *(Note 7)*		**19,000**		-
Legal settlement		**12,000**		10,000
Loss on disposal of capital assets		**-**		(2,300)
		31,000		7,700
EXCESS OF REVENUES OVER EXPENSES	$	**213,437**	$	130,273

	2016	2015
Administration	**$ 10,500**	$ 9,000
Advertising and promotion	**33,613**	29,763
Allocation of PDP equity funding	**1,265,075**	1,454,239
Amortization	**7,843**	11,543
Bad debts	**121,981**	55,963
Computer software and equipment	**20,895**	16,588
Consultants	**49,500**	91,347
Credit searches	**5,111**	3,459
Directors' honoraria	**19,638**	25,150
Directors' training	**-**	3,215
Directors' travel	**22,930**	23,050
Donations	**1,128**	328
Insurance	**8,175**	7,583
Interest and bank charges	**1,298**	1,257
Management oversight	**24,000**	23,000
Memberships	**11,730**	14,166
National Aboriginal Capital Corporations Association costs	**3,267**	4,672
Office	**19,155**	12,223
Professional fees	**22,990**	23,846
Rent *(Note 7)*	**42,471**	49,084
Repairs and maintenance	**23,168**	25,048
Staff travel	**13,089**	18,303
Telephone	**4,487**	5,869
Training	**6,415**	2,110
Wages and employee benefits	**504,285**	337,528
	$ 2,242,744	$ 2,248,334

	2016	2015
NET ASSETS - BEGINNING OF YEAR	**$ 6,975,424**	$ 6,845,151
Excess of revenues over expenses	**213,437**	130,273
NET ASSETS - END OF YEAR	**$ 7,188,861**	$ 6,975,424

LOUIS RIEL CAPITAL CORPORATION

Non-Consolidated Statement of Cash Flow

Year Ended March 31, 2016

	2016	2015 (reclassed)
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ **213,437**	$ 130,273
Items not affecting cash:		
Amortization	**7,843**	11,543
Loss on disposal of capital assets	**-**	2,300
Amortization of deferred capital grant	**(2,696)**	(5,391)
	218,584	138,725
Changes in non-cash working capital:		
Accounts receivable	**(479,205)**	(2,535)
Interest receivable	**(99,946)**	(19,850)
Accounts payable and accrued liabilities	**(17,803)**	61,867
Deferred contribution	**102,289**	-
Prepaid expenses	**(1,744)**	87,895
Undisbursed contributions	**(543,641)**	(92,932)
	(1,040,050)	34,445
Cash flow from (used by) operating activities	**(821,466)**	173,170
INVESTING ACTIVITIES		
Repayment of loans and notes receivable	**1,730,911**	1,285,049
Addition to loans and notes receivable	**(2,080,882)**	(1,467,799)
Advances to related parties	**(25,000)**	(304,659)
Cash flow used by investing activities	**(374,971)**	(487,409)
DECREASE IN CASH	**(1,196,437)**	(314,239)
Cash - beginning of year	**1,721,482**	2,035,721
CASH - END OF YEAR	$ **525,045**	$ 1,721,482
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest received	$ **380,171**	$ 402,249
Dividends received	$ **19,000**	$ -

1. DESCRIPTION OF BUSINESS

The organization was incorporated without share capital August 21, 1992 under the laws of the Province of Manitoba, and commenced operations October 1, 1992 as a not-for-profit Corporation and as such is exempt from income taxes. The Corporation was initially funded by the Government of Canada under its Canadian Aboriginal Economic Development Strategy (CAEDS). The mandate is to make certain loans and guarantees for the start-up, acquisition, or expansion of commercial businesses owned and controlled by the Metis people of Manitoba.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The non-consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Provision for potentially uncollectible loans

Management initially determines a 5% provision for potentially uncollectible loans for every loan balance. Subsequently, management individually identifies loans that should be allocated an additional provision. Provisions are reviewed and approved at every board meeting for the most recent month-end period. Management has justified all provision calculations which can actually range between 5% and 100% for any given account.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Furniture and fixtures	20%	declining balance method
Leasehold improvements	10%	declining balance method
Office equipment	33%	declining balance method
Office equipment	3 years	straight-line method

The organization regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

One-half the normal rate of amortization is recorded in the year of acquisition.

Revenue recognition

The organization follows the deferral method of accounting for grants and donations.

Contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

Loan interest and other revenues are recognized when the amount to be received can be reasonably estimated and collection is reasonably assured.

3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2016.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

4. CAPITAL ASSETS

	2016		2015	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Furniture and fixtures	**$ 45,990**	**$ 42,682**	$ 45,990	$ 41,283
Leasehold improvements	**15,374**	**12,849**	15,374	11,488
Office equipment	**62,448**	**62,107**	62,448	57,024
	$ 123,812	**$ 117,638**	$ 123,812	$ 109,795
Net book value		**$ 6,174**		$ 14,017

5. LOANS RECEIVABLE

	2016	2015
Loans receivable	**$ 4,810,137**	$ 4,347,482
Allowance for doubtful loans receivable	**(535,001)**	(422,317)
	$ 4,275,136	$ 3,925,165

The above loans were made at the normal terms and rates (7 1/4 to 14 1/4%) of the organization.

As at March 31, 2016, interest receivable from entities that are related through common directors totaled $215,334 (2015 - $113,720).

As at March 31, 2016, outstanding loans to entities that are related through common directors totaled $1,828,496 (2015 - $1,646,444).

During the year ended March 31, 2016, the entity recognized interest income from entities that are related through common directors totaling $140,109 (2015 - $127,841).

These loans were made at the normal terms and rates of the organization and are included in loans receivable.

6. LONG TERM INVESTMENTS

	2016	2015
5785066 Manitoba Ltd., (100 Class A voting common shares)	**$ 100**	$ 100
Metis Entrepreneurial Fund Inc., (100 Class A voting common shares plus additional contributions)	**4,643**	4,643
Louis Riel Capital Investments Inc., (100 Class A voting common shares)	**10**	10
6106111 Manitoba Ltd. (50 Class A voting common shares	**50**	50
	$ 4,803	$ 4,803

7. RELATED PARTIES

	2016	2015
<u>Related parties</u>		
5785066 Manitoba Ltd. *(a wholly owned subsidiary)*		
Accounts receivable	**$ 20,864**	$ -
Expense recovery income	**121,053**	-
6106111 Manitoba Ltd. *(a company jointly and equally owned by the organization and another entity)*		
Accounts receivable	**$ 26,280**	$ 26,280
Management fee income	**13,140**	13,140
Manitoba Metis Federation Inc. *(an entity related through common directors)*		
Accounts receivable	**$ 1,537**	$ -
Interest income	**1,528**	-
Rent and common area expenses	**42,471**	49,084
Metis Entrepreneurial Fund Inc. *(a company jointly and equally owned by the organization and two other entities)*		
Dividend income	**$ 19,000**	$ -

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2016, accounts receivable are due from related parties and are subject to normal trade terms. These amounts are included in accounts receivable.

<u>Due from related parties</u>

	2016	2015
Long term portion due from related parties		
5785066 Manitoba Ltd. (a wholly owned subsidiary)	**$ 1,578,771**	$ 1,578,771
6106111 Manitoba Ltd. (a company jointly and equally owned by the organization and another entity)	**196,817**	196,817
Louis Riel Capital Investments Inc. (a wholly owned subsidiary)	**46,455**	21,455
	$ 1,822,043	$ 1,797,043

Advances to related parties are unsecured and have no specified interest or repayment terms. The organization has postponed the right to demand repayment in the next year and accordingly the advances have been classified as long-term.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of $Nil (2015 - $5,559).

9. UNDISBURSED CONTRIBUTIONS

Louis Riel Capital Corporation entered into an agreement with the Minister of Indian Affairs and Northern Development under a program delivery approach called Program Delivery Partner (PDP). Under the program Louis Riel Capital Corporation will receive funds and make non-refundable contributions to eligible Aboriginal businesses that have viable business activities in a defined geographic area. The Minister of Indian Affairs and Northern Development also provides funding to cover expenses to operate the program.

Undisbursed contributions in the amount $221,296 (2015 - $764,937) have been approved but not disbursed by year-end. These amounts are expected to be disbursed by the end of the subsequent year.

10. DEFERRED CONTRIBUTION

	2016	2015
Balance, beginning of year	$ -	$ -
Deferred to subsequent years	102,289	-
	$ 102,289	$ -

11. DEFERRED CAPITAL GRANTS

A grant was received in 2012 towards office equipment from Aboriginal Affairs and Northern Development Canada under Community Economic Opportunities program and is being amortized at the same rate as the office equipment.

	2016	2015
Balance, beginning of year	$ 2,696	$ 8,087
Amortization	(2,696)	(5,391)
	$ -	$ 2,696

12. CONTINGENT LIABILITY

The organization guaranteed a mortgage taken by 6106111 Manitoba Ltd., a company jointly and equally owned by the organization and another entity, to a maximum of $250,000. As at March 31, 2016 the mortgage had an outstanding balance of $857,430 (2015 - $895,918).

13. LEASE COMMITMENTS

The organization has a long term lease with respect to its premises with an entity related through common directors. The lease contains renewal options and provides for payment of utilities, property taxes and maintenance costs. Future minimum lease payments as at March 31, 2016, are as follows:

2017	$ 31,244
2018	31,244
2019	31,244
2020	31,244
2021	31,244
Thereafter	36,451
	$ 192,671

14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

15. SCHEDULE TO THE FINANCIAL STATEMENTS

The accompanying schedule 2 to the financial statements is presented unaudited and is included for informational purposes only.

	(Unaudited) 2016	(Unaudited) 2015
REVENUE		
National Aboriginal Capital Corporations Association - PDP Equity	$ 1,414,771	$ 1,443,596
National Aboriginal Capital Corporations Association - PDP Operating	232,018	237,105
Interest	536	1,783
Deferred to subsequent years	(102,289)	-
	1,545,036	1,682,484
Equity Fund		
Allocation of PDP equity funding	(1,265,075)	(1,454,239)
EXPENSES		
Administration	10,500	9,000
Advertising and promotion	8,008	6,044
Computer software and equipment	20,895	16,588
Consultants	38,810	91,347
Directors' travel	5,928	-
Insurance	2,500	-
Interest and bank charges	116	96
Management oversight	24,000	23,000
Office	3,075	-
Professional fees	6,000	5,000
Rent	15,000	15,000
Staff travel	5,398	14,101
Training	538	400
Wages and employee benefits	91,703	70,245
	232,471	250,821
INCOME (LOSS) FROM OPERATIONS	$ 47,490	$ (22,576)

	2016	2015
ACCOUNTS RECEIVABLE		
Related parties	$ 48,681	$ 26,280
Other receivables	543,708	86,904
	$ 592,389	$ 113,184
INTEREST RECEIVABLE		
Entities with common directors	$ 215,334	$ 113,720
Other interest receivable	135,572	137,240
	$ 350,906	$ 250,960
EXPENSE RECOVERY		
5785066 Manitoba Ltd.	$ 121,053	$ -
Manitoba Economic Development Fund Inc.	16,800	17,584
	$ 137,853	$ 17,584