

Financial Statements of

**COMMUNITY FUTURES DEVELOPMENT
CORPORATION, CENTRAL OKANAGAN**

Year ended March 31, 2017



KPMG LLP
200 - 3200 Richter Street
Kelowna BC V1W 5K9
Canada
Tel (250) 979-7150
Fax (250) 763-0044

INDEPENDENT AUDITORS' REPORT

To the Board of Community Futures Development Corporation, Central Okanagan

We have audited the accompanying financial statements of Community Futures Development Corporation, Central Okanagan which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes comprising 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.

Auditors' 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 an 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 our 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, we consider 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 Community Futures Development Corporation, Central Okanagan as at March 31, 2017, and its results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, stylized font.

Chartered Professional Accountants

June 28, 2017

Kelowna, Canada

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	Restricted Loan and Program Funds	General Fund	2017	2016
Assets				
Cash	\$ 941,846	\$ 131,564	\$ 1,073,410	\$ 1,129,651
Accounts receivable	-	35,602	35,602	30,374
Prepaid expenses and deposits	-	7,044	7,044	3,354
Loans receivable (note 2)	2,196,157	-	2,196,157	1,929,162
Tangible capital assets (note 3)	-	13,296	13,296	283
Interfund balances	102,665	(102,665)	-	-
	<u>\$ 3,240,668</u>	<u>\$ 84,841</u>	<u>\$ 3,325,509</u>	<u>\$ 3,092,824</u>

Liabilities and Fund Balances

Liabilities:

Accounts payable and accrued liabilities	\$ -	\$ 60,313	\$ 60,313	\$ 56,230
Deferred revenue	-	-	-	23,695
Conditionally repayable contributions (note 4)	1,178,199	-	1,178,199	1,153,718
	<u>1,178,199</u>	<u>60,313</u>	<u>1,238,512</u>	<u>1,233,643</u>

Fund balances:

Restricted loan and program funds	2,062,469	-	2,062,469	1,832,067
Investment in tangible capital assets	-	13,296	13,296	283
General fund	-	11,232	11,232	26,831
	<u>2,062,469</u>	<u>24,528</u>	<u>2,086,997</u>	<u>1,859,181</u>

	<u>\$ 3,240,668</u>	<u>\$ 84,841</u>	<u>\$ 3,325,509</u>	<u>\$ 3,092,824</u>
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See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	Restricted Loan and Program Funds	General Fund	2017	2016
Revenue:				
Federal government				
agency contributions	\$ -	\$ 282,141	\$ 282,141	\$ 326,111
Administration recovery	-	10,137	10,137	9,620
Client fees and other revenue	324,969	23,238	348,207	322,775
Interest - loans	238,510	-	238,510	164,948
Interest - bank	1,326	-	1,326	982
Community economic				
development initiatives	-	705	705	1,335
Business development donation	5,749	-	5,749	-
	570,554	316,221	886,775	825,771
Expenses:				
Administration	-	5,215	5,215	24,383
Advertising	1,892	9,162	11,054	23,000
Allowances paid to participants	-	-	-	23,740
Amortization	-	5,151	5,151	345
Bank charges	50	1,951	2,001	1,947
Insurance	1,977	1,947	3,924	4,233
Loan impairment provision	22,626	-	22,626	30,330
Office and general	12,425	9,003	21,428	16,694
Professional development	686	-	686	-
Professional fees	6,625	19,431	26,056	29,147
Program costs	72,424	-	72,424	67,252
Rent and utilities	28,220	26,979	55,199	55,191
Repairs and maintenance	7,443	10,983	18,426	18,415
Telephone	1,300	427	1,727	2,671
Travel	5,642	5,559	11,201	4,528
Wages and benefits	154,360	222,999	377,359	331,279
Loss on write-down of tangible				
capital assets	-	-	-	4,429
	315,670	318,807	634,477	637,584
Excess (deficiency) of				
revenue over expenses	\$ 254,884	\$ (2,586)	\$ 252,298	\$ 188,187

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statements of Changes in Fund Balances

Year ended March 31, 2017, with comparative figures for 2016

	Restricted Loan and Program Funds	Investment in Tangible Capital Assets	General Fund	Total
Fund balances, March 31, 2015	\$ 1,660,509	\$ 5,057	\$ 25,882	\$ 1,691,448
Excess (deficiency) of revenue over expenses	192,012	(4,774)	949	188,187
Transfer of fund balances: Conditionally repayable contributions	(20,454)	-	-	(20,454)
Fund balances, March 31, 2016	1,832,067	283	26,831	1,859,181
Excess (deficiency) of revenue over expenses	254,884	(5,151)	2,565	252,298
Transfer of fund balances: Conditionally repayable contributions	(24,482)	-	-	(24,482)
Acquisition of tangible capital assets	-	18,164	(18,164)	-
Fund balances, March 31, 2017	\$ 2,062,469	\$ 13,296	\$ 11,232	\$ 2,086,997

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	Restricted Loan and Program Funds	General Fund	2017	2016
Cash flows from operating activities:				
Cash receipts from government and other sources	\$ 330,718	\$ 287,298	\$ 618,016	\$ 681,717
Cash paid to employees and suppliers	(293,044)	(313,263)	(606,307)	(586,513)
Interest received	242,916	-	242,916	174,079
	280,590	(25,965)	254,625	269,283
Cash flows from investing activities:				
Loans receivable issued	(1,157,070)	-	(1,157,070)	(630,460)
Repayment of loans receivable	864,368	-	864,368	654,122
Purchase of tangible capital assets		(18,164)	(18,164)	-
	(292,702)	(18,164)	(310,866)	23,662
Cash flows from financing activities:				
Net interfund advances	(32,064)	32,064	-	-
	(32,064)	32,064	-	-
Increase (decrease) in cash	(44,176)	(12,065)	(56,241)	292,945
Cash, beginning of year	986,022	143,629	1,129,651	836,706
Cash, end of year	\$ 941,846	\$ 131,564	\$ 1,073,410	\$ 1,129,651

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements

Year ended March 31, 2017

Community Futures Development Corporation, Central Okanagan (the "Corporation") was incorporated under the Canada Corporations Act on March 31, 1995 and transitioned to the Canada Not-For-Profit Corporations Act on September 18, 2014 and extraprovincially registered in British Columbia under the Society Act on February 27, 1997 for the purpose of providing loans, advice to regional businesses and assistance to individuals to become self-employed or start their own business. The Company is a non-profit organization under the Income Tax Act, and accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The Corporation's significant accounting policies are as follows:

The Corporation follows the restricted fund method of accounting for contributions. The Corporation's financial statements are presented in the following funds:

i) Restricted loan and program funds:

Restricted funds report the assets and liabilities and revenue and expenses of the Corporation's restricted loan investment fund and programs established by the Corporation's funding arrangements or by the Corporation's Board.

Restricted contributions from the Minister of Western Economic Diversification Canada ("WD") and other contributors that are to be used for specific purposes are reported in the restricted loan investment fund. The restricted loan investment fund includes the following loan investment funds:

- Conditionally repayable investment fund, which was created under the terms of a contribution agreement with WD (note 4). Loans issued from the fund are categorized as follows:
 - WD general loan investment funds, which are used to loan money for high-risk ventures.
 - Disabled entrepreneur loan investment fund, which is used for loans, loan guarantees and equity investments in businesses owned and operated by disabled entrepreneurs.
 - Youth loan investment fund, which is used for loans, loan guarantees and equity investments in businesses owned and operated by youths.
- Community business investment fund, which is used to provide loans, business counselling and training to small and medium sized enterprises operating in the following industries: clean and renewable energy, technology, aquaculture, manufacturing, tourism, and exporting.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(a) Basis of presentation: (continued):

i) Restricted loan and program funds:

- CFDC general investment fund, which the Corporation uses to fund loans for other ventures.
- Business development fund, which is a fund established by the Corporation's Board for future program development.
- Self Employment Program, which provides income support, business skills development workshops, one-on-one mentoring and counselling to Employment Insurance or Reachback eligible applicants who want to start their own business or purchase an existing business, in which they have had no prior ownership.

ii) General fund:

Revenues and expenses related to non-specified program delivery and administration are reported in the general fund. Other balances include the Corporation's investment in tangible capital assets.

(b) Tangible capital assets:

Tangible capital assets are recorded at cost, less accumulated amortization. When the Corporation's management determines that certain tangible capital assets no longer contribute to its ability to provide services, their carrying amount is written down to its net recoverable amount. Amortization is provided on a declining balance basis at the following annual rates:

Asset	Rate
Furniture and fixtures	20%
Computer equipment	55%

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(c) Revenue recognition:

Restricted contributions are recognized as revenue of the appropriate fund in the year received and in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue is recognized when received or receivable. Interest is not accrued on loans receivable classified as impaired.

(d) Loans receivable:

Loans receivable consists of loans made out of the Corporation's restricted loan investment funds and are measured at amortized cost. The Corporation maintains an allowance for impaired loans as estimated by management based on their assessment of the net recoverable amount of the Corporation's loans, which is determined on a loan by loan basis.

(e) Contributed services:

The Corporation receives a significant amount of services from volunteers each year. Because of the difficulty in determining their fair value, these contributed services are not recognized in these financial statements.

(f) Financial instruments:

The Corporation measures cash at fair value and accounts receivable, loans receivable and accounts payable and accrued liabilities and conditionally repayable contributions at amortized cost. Related party financial instruments are recorded at the transaction amount. Changes in fair value of cash are recognized in the statement of operations in the periods in which they arise.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring management estimates involve the net recoverable amounts of its loans receivable. Management reviews these estimates on a periodic basis and, where necessary, makes adjustments prospectively. Actual results could differ from these estimates.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Loans receivable:

March 31, 2017						
	<u>Conditionally repayable loan investment fund</u>			Community business investment fund	CFDC general investment fund	Total
	WD General	Disabled Entrepreneur	Youth			
Loan balance	\$ 690,871	\$ 181,361	\$ 126,859	\$ 261,368	\$ 1,135,618	\$ 2,396,077
Accrued interest and charges	3,098	714	700	1,331	5,344	11,187
	693,969	182,075	127,559	262,699	1,140,962	2,407,264
Less allowance	(78,624)	-	-	-	(132,483)	(211,107)
	\$ 615,345	\$ 182,075	\$ 127,559	\$ 262,699	\$ 1,008,479	\$ 2,196,157

March 31, 2016						
	<u>Conditionally repayable loan investment fund</u>			Community business investment fund	CFDC general investment fund	Total
	WD General	Disabled Entrepreneur	Youth			
Loan balance	\$ 798,033	\$ 115,969	\$ 94,945	\$ 213,850	\$ 966,130	\$ 2,188,927
Accrued interest and charges	5,442	546	361	765	4,174	11,288
	803,475	116,515	95,306	214,615	970,304	2,200,215
Less allowance	(118,872)	(7,026)	-	(19,672)	(125,483)	(271,053)
	\$ 684,603	\$ 109,489	\$ 95,306	\$ 194,943	\$ 844,821	\$ 1,929,162

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Loans receivable: (continued)

a) Conditionally repayable loan investment fund:

Loans outstanding in the Corporation's conditionally repayable loan investment fund consist of the following:

- WD general investment fund loans consists of twenty-two loans outstanding ranging from \$3,124 to \$112,772 with terms of three to five years and interest rates varying from 9.00% to 10.75%.
- Disabled entrepreneur investment fund loans consists of two loans outstanding of \$83,493 and \$97,868 with terms of five years and interest rates at 9.00%.
- Youth investment fund loans consists of seven loans ranging from \$6,230 to \$48,393 with terms of three and a half and five years and interest rates at 9.00%.

b) Community business loan investment fund:

Loans outstanding in the Corporation's community business loan investment fund consist of six loans ranging from \$2,423 to \$117,131 with terms of five years and interest rates at 9.00%.

c) CFDC general loan investment fund:

Loans outstanding in the Corporation's general loan investment fund consist of twenty-eight loans ranging from \$5,920 to \$149,841 with terms of two to five years and interest rates varying from 8.50% to 9.00%.

3. Tangible capital assets:

			2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value		
Furniture and fixtures	\$ 54,618	\$ 54,618	\$ -	\$ -		
Computer equipment	39,029	25,733	13,296	283		
	\$ 93,647	\$ 80,351	\$ 13,296	283		

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Conditionally repayable contributions:

Conditionally repayable contributions were initially financed by WD and the Province of British Columbia. Initial WD contributions consist of \$650,000 to the WD general fund, \$200,000 to the youth fund, and \$200,000 to the disabled entrepreneurs fund, and the initial Province of British Columbia contribution consists of a \$350,000 contribution, with a matching contribution of \$350,000 from the CFDC general investment fund. The balance of WD contributions as at March 31, 2017 is \$1,024,088 (2016 - \$1,009,354) and Province of British Columbia contributions of \$154,111 (2016 - \$144,364) which are described below.

i) WD

Conditionally repayable contributions with WD are provided pursuant to the Corporation's contribution agreement with WD, which expires on March 31, 2018. Conditionally repayable contributions from WD are accumulated in the Corporation's Conditionally Repayable Investment Fund, which includes loans issued from the contribution proceeds and uncommitted cash balances. Total assets in the Conditionally Repayable Investment Fund as at March 31, 2017 was \$1,273,728 (2016 - \$1,214,122). The contribution agreement provides that WD is entitled to take certain actions to recover its contributions if any of the following conditions occur:

- (a) The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in this agreement; or
- (b) Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund, the Conditionally Repayable Investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of community owned or controlled businesses, and strengthening of the Western Canadian economy; or
- (c) In the opinion of WD, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the Western Canadian economy; or
- (d) The agreement is terminated as described in the contribution agreement; or
- (e) An event of default occurs, as described in the contribution agreement; or
- (f) WD does not approve terms or conditions to extend the project beyond March 31, 2018.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Conditionally repayable contributions (continued):

(i) WD (continued)

Pursuant to the terms of contribution agreement, WD may take the following steps to recover its contributions to the Corporation:

- (a) Upon notice by WD, the Corporation agrees to immediately repay the lesser of:
 - (i) the uncommitted cash balance of the Conditionally Repayable Investment Fund, or
 - (ii) the total amount paid by WD for the establishment and maintenance of the Conditionally Repayable Investment Fund.
- (b) Upon notice by WD, the Corporation agrees to immediately give possession to WD all documentation evidencing investments made by the Corporation with the Conditionally Repayable Investment Fund and take immediate steps to assign all of its interest in all debts owing to the fund to WD.
- (c) Upon notice by WD, the Corporation agrees to liquidate all its debts owing to it via sale to a third party satisfactory to the Minister, or via other means satisfactory to the Minister, and to remit the proceeds of liquidation to the Minister.

The WD contribution agreement indicates that the contributions from WD will be deemed to have been fully repaid once the Corporation has repaid to WD, the lesser of the total assets in the Conditionally Repayable Investment Fund or the total conditionally repayable contribution from WD.

ii) Community Business Program

The repayable contributions for the Corporation's Community Business Program, reflects management's estimate of the repayable portion of its contributions under the terms of its contribution agreement. Under the terms and conditions of the Corporation's contribution agreement with the Province of British Columbia, the conditionally repayable contributions are repayable if any of the following conditions occur:

- (a) There is mutual agreement of the parties to terminate;
- (b) Either party giving the other party 90 days written notice of termination; or
- (c) The Province of British Columbia exercising its option to terminate the Agreement upon the occurrence or existence of any other events of default (as per the agreement).

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. Economic dependence:

The Corporation receives a significant portion of its annual operating revenues from WD and from contracts funded by the Province of BC through the Labour Market Development Agreement with the Federal Government. Future operations of the Corporation would be significantly adversely impacted by the discontinuation of this funding.

6. Financial risks:

The Corporation is exposed to interest rate risks with respect to its cash balances and loans receivable. The Company manages interest rate risk through its negotiations in setting the terms of its loans receivable. The maximum credit risk exposure of the Corporation's financial assets is the carrying value of the asset.

7. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.