

Community Futures Development Corporation, Central Okanagan
Financial Statements
And Independent Auditors' Report thereon
March 31, 2023

Independent Auditor's Report

To the Board of Directors of Community Futures Development Corporation, Central Okanagan

Opinion

We have audited the financial statements of Community Futures Development Corporation, Central Okanagan (the "Corporation"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2023, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

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

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

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

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Rice & Company LLP

Chartered Professional Accountants

Nelson, BC

June 28, 2023

Community Futures Development Corporation, Central Okanagan
Statement of Financial Position

As at March 31,	Note	Restricted	Unrestricted	2023	2022
Assets					
Current assets					
Cash		\$ 1,712,226	\$ 60,813	\$ 1,773,039	\$ 1,508,251
Accounts Receivable		-	19,577	19,577	23,975
Prepaid Expenses		-	-	-	1,802
		1,712,226	80,390	1,792,616	1,534,028
Small Business Investments	3	5,756,161	-	5,756,161	6,066,570
Tangible capital assets	4	-	5,134	5,134	10,436
Due to general fund	2	(3,984)	3,984	-	-
		\$ 7,464,403	\$ 89,508	\$ 7,553,911	\$ 7,611,034
Liabilities and Fund Balances					
Current liabilities					
Accounts payable and accrued liabilities		\$ -	\$ 23,279	\$ 23,279	\$ 69,757
Deferred income	2	-	-	-	23,512
Term Loan	6	3,745,970	-	3,745,970	3,869,720
Conditionally repayable contributions	7	1,152,823	-	1,152,823	1,125,425
		4,898,793	23,279	4,922,072	5,088,414
Fund Balances					
Restricted		2,565,610	-	2,565,610	2,414,832
Investment in tangible capital assets		-	5,134	5,134	10,436
Unrestricted		-	61,095	61,095	97,352
		2,565,610	66,229	2,631,839	2,522,620
		\$ 7,464,403	\$ 89,508	\$ 7,553,911	\$ 7,611,034

See accompanying notes to the financial statements.

Approved by the Board of Directors,

(Signed) "Barbra Johnston" , Director (Signed) "Larry Widmer" , Manager

**Community Futures Development Corporation, Central Okanagan
Statement of Operations**

For the year ended March 31,	2023			2022	
	Restricted	Unrestricted	Total	Total	
Revenue					
Federal government agency contributions	\$ -	\$ 282,141	\$ 282,141	\$	282,141
Client fees and other revenues	40,000	101,973	141,973		88,039
Administration recovery	-	-	-		20,454
Interest Income - bank	7,224	-	7,224		328
Interest Income - loans	211,665	-	211,665		246,030
Provincial government agency contributions	-	-	-		182,925
	258,889	384,114	643,003		819,917
Expenses					
Administration	-	3,818	3,818		11,997
Amortization	-	5,668	5,668		3,930
Consultants	-	-	-		60,902
Insurance	-	5,245	5,245		4,906
Interest and bank charges	-	5,529	5,529		3,770
Investment impairment provision	1,213	-	1,213		83,125
Office and general	-	9,842	9,842		11,265
Professional fees	3,930	42,580	46,510		31,838
Program costs	-	27,687	27,687		56,337
Rent and utilities	-	64,049	64,049		61,317
Communications and website	-	19,093	19,093		17,266
Professional development	-	10,741	10,741		7,292
Travel	-	3,764	3,764		289
Wages and benefits	35,570	267,657	303,227		354,729
	40,713	465,673	506,386		708,963
Excess (deficiency) of revenue over	\$ 218,176	\$ (81,559)	\$ 136,617	\$	110,954

See accompanying notes to the financial statements.

Community Futures Development Corporation, Central Okanagan
Statement of Changes in Fund Balances

Year ended March 31, 2023, with comparative figures for 2022

Year ended March 31, 2023	Restricted	Investment in tangible capital assets	Unrestricted	Total
Fund Balances, March 31, 2022	\$ 2,414,832	\$ 10,436	\$ 97,352	\$ 2,522,620
Excess (deficiency) of revenue over expenses	218,176	(5,668)	(75,891)	136,617
Transfer of fund balances:				
Interfund transfers	(40,000)	-	40,000	-
Conditionally repayable contributions	(27,398)	-	-	(27,398)
Acquisition of tangible capital assets	-	366	(366)	-
Fund Balances, March 31, 2023	\$ 2,565,610	\$ 5,134	\$ 61,095	\$ 2,631,839

Year ended March 31, 2022	Restricted	Investment in tangible capital assets	Unrestricted	Total
Fund Balances, March 31, 2021	\$ 2,337,195	\$ 7,162	\$ 102,394	\$ 2,446,751
Excess (deficiency) of revenue over expenses	162,722	(11,997)	(39,771)	110,954
Transfer of fund balances:				
Interfund transfers	(50,000)	-	50,000	-
Conditionally repayable contributions	(35,085)	-	-	(35,085)
Acquisition of tangible capital assets	-	15,271	(15,271)	-
Fund Balances, March 31, 2022	\$ 2,414,832	\$ 10,436	\$ 97,352	\$ 2,522,620

**Community Futures Development Corporation, Central Okanagan
Statement of Cash Flows**

For the year ended March 31,	Restricted		Unrestricted		2023	2022
Cash provided by (used in):						
Cash flows from operating activities						
Cash receipts from government and other	\$	-	\$	412,024	\$	412,653
Cash paid to employees and suppliers		-		(492,001)		(420,954)
Net interest received		215,137		-		237,913
Net interfund transfer		-		-		-
Net cash provided by operating activities		215,137		(79,977)		135,160
Cash flows from investing activities						
Small business investments		(845,670)		-		(1,611,762)
Repayment of small business investments		1,142,093		-		986,668
Purchase of tangible assets		-		(366)		(15,271)
Net cash provided by investing activities		296,423		(366)		296,057
Cash flows from financing activities						
Net proceeds from (repayments of) demand loan		-		-		-
Net proceeds from term loan		-		-		940,220
Net interfund advances		(206,429)		40,000		(1,150)
Net cash provided by financing activities		(206,429)		40,000		939,070
Increase in cash		305,131		(40,343)		264,788
Cash, beginning of year		1,407,095		101,156		1,508,251
Cash, end of year	\$	1,712,226	\$	60,813	\$	1,773,039
Non cash investing and financing transactions						
Forgiveness of grant portion of small business investments and term loan	\$	83,750	\$	-	\$	83,750
				\$	83,750	\$ 47,500

See accompanying notes to the financial statements.

Community Futures Development Corporation, Central Okanagan
Notes to the Financial Statements
Year ended March 31, 2023

1. Purpose of the Organization

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 extra-provincially registered in British Columbia under the Corporations 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 (Canada), and accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

2. Summary of Significant Accounting Policies

2.1 Basis of accounting

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

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

2.2 Fund accounting

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

Restricted contributions from Pacific Economic Development Canada ("PacifiCan") 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 PacifiCan (note 5). Loans issued from the fund are categorized as follows:
 - PacifiCan Conditionally Repayable Investment Funds, which are used to loan money for high-risk ventures.
 - PacifiCan Conditionally Repayable EDP Fund, which is used for loans, loan guarantees and equity investments in businesses owned and operated by disabled entrepreneurs.
 - PacifiCan Conditionally Repayable Youth Investment Fund, which is used for loans, loan guarantees and equity investments in businesses owned and operated by youths.
- RRRF Investment Fund which is used for loans in businesses that were unable to obtain other federal government COVID-19 support.
- Community business loans program, 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, eco/cultural tourism, and exporting.
- PacifiCan Non-repayable Investment Fund, which the Corporation uses to fund loans and equity investments for other ventures.

Community Futures Development Corporation, Central Okanagan
Notes to the Financial Statements
Year ended March 31, 2023

Unrestricted funds:

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

The Due to General Fund account balance for the year ended March 31, 2023 includes the pre-approved transfer of \$40,000 (\$50,000 in 2022) from the Pacifican Non Repayable Investment Fund to the General Operating Fund.

2.3 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, the asset is written down to its net recoverable amount. Amortization is provided on a declining balance basis at the following annual rates:

Asset	Rate
Computer equipment	55%
Furniture and Fixtures	20%

2.4 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. Funds received in advance of work performed are recorded as deferred income.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year 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 that are classified as impaired. Fee-for-service revenue is recognized upon delivery of the service to the customer. Loan administration fees are recognized at the time the loan is issued.

2.5 Small Business investments

Small business investments consist of commercial loans receivable and equity share interests in small business corporations.

- a) 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.

Community Futures Development Corporation, Central Okanagan
Notes to the Financial Statements
Year ended March 31, 2023

- b) Equity investments consist of non-controlling share interests in Canadian private small business corporations. The equity investments are recorded at amortized cost. Management assesses its equity investments for impairment on a periodic basis and, at least, annually.

2.6 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.

2.7 Financial instruments

The Corporation measures cash at fair value and accounts receivable, small business investments, accounts payable and accrued liabilities, demand and term loans 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.

2.8 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. Areas requiring management estimates involve the net recoverable amounts of its small business investments. As the Corporation's small business investments consists of loans and equity investments in small businesses, including start-up or developing entities, the Corporation's small business investments are exposed to various risk factors which may impact their net recoverable amount. These factors include the overall business environment of the Central Okanagan, Canadian interest rates and factors and risks specific to the relevant small businesses. Management regularly reviews and assesses the net recoverable amount of its small business investments and other estimates and, where necessary, makes adjustments prospectively. Actual results could differ from these

3 Small Business investments

The Corporation's small business investments are disclosed in Schedule 1 and are reflected in the following funds:

3.1 Conditionally repayable loan investment fund

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

- PacifiCan Conditionally Repayable Investment Fund loans consists of 18 loans outstanding ranging from \$2,087 to \$144,753 with terms of one to five years and interest rates at 9-10%.
- PacifiCan Conditionally Repayable EDP Fund loans consists of 3 loans outstanding ranging from \$2,565 to \$28,822 with terms of one to two years and interest rates at 9%.
- PacifiCan Conditionally Repayable Youth Investment Fund loan consisting of 2 loans ranging from \$1,526 to \$148,323 with terms of one to two years and interest rates at 9%.

Community Futures Development Corporation, Central Okanagan
Notes to the Financial Statements
Year ended March 31, 2023

3.2 RRRF investment fund

Loans outstanding in the Corporation's RRRF investment fund consist of 119 loans ranging from \$4,000 to \$40,000. These loans have no repayment terms and bear no interest until December 31, 2023. If the full amount of the outstanding loan is repaid prior to December 31, 2023, forgiveness will be granted at a rate of 25% of the first \$40,000 and 50% of amounts above \$40,000 and up to \$60,000. If the loan is not repaid by December 31, 2023, the loan will be converted to a three-year loan with interest at 5%.

During the year ended March 31, 2023, 14 loans were repaid and \$83,750 of loan principal was forgiven. The Corporation recognized a corresponding reduction of RRRF loan, in accordance with the RRRF loan agreement terms (note 5).

3.3 Community business loans program

Loans outstanding in the Corporation's community business loans program consist of 5 loans ranging from \$15,125 to \$87,420 with terms of one to three years and interest rates at 9%.

3.4 PacifiCan non-repayable investment fund

Loans outstanding in the Corporation's general investment fund consist of 24 loans ranging from \$4,620 to \$150,00 with terms of one to five years and interest rates of 9-11%. The fund also includes 2 syndicated loans with another Community Futures organization. The syndicated loans have an outstanding balance as at March 31, 2023 \$32,093 of (2022 - \$123,132), terms of four years and bear interest at 9.0% and 10%. The Corporation's portion of the syndicated loans as at March 31, 2023 is \$14,794 (2022 - \$71,943).

3.5 Loans Receivable	Loans Receivable	Less: AFDA	2023	2022
PacifiCan Conditionally Repayable Investment Fund	\$ 819,810	\$ 111,570	\$ 708,240	\$ 832,097
PacifiCan Conditionally Repayable Youth Fund	149,849	129,708	20,141	14,847
PacifiCan Conditionally Repayable EDP Fund	39,326	-	39,326	53,298
RRRF Investment Fund	3,345,273	-	3,345,273	3,656,000
CFDC General Investment Fund	1,495,312	14,794	1,480,518	1,285,310
Community Business Loans Program	178,321	15,658	162,663	225,019
	\$6,027,891	\$ 271,730	\$ 5,756,161	\$ 6,066,570

Community Futures Development Corporation, Central Okanagan
Notes to the Financial Statements
Year ended March 31, 2023

During the year, the following changes to the allowance for doubtful accounts occurred:

	Opening Balance	Provision	Write Offs	Reversals	2023	2022
PacifiCan Conditionally Repayable Investment Fund	\$ 111,570	\$ -	\$ -	\$ -	\$ 111,570	\$ 111,569
PacifiCan Conditionally Repayable Youth	129,708	-	-	-	129,708	129,708
CFDC General Investment Fund	58,344	825	(44,375)	-	14,794	58,344
Community Business Loans	15,658	-	-	-	15,658	15,658
	\$ 315,280	\$ 825	\$ (44,375)	\$ -	\$ 271,730	\$ 315,279

Included in the loan impairment provision are write offs, and reversals of \$nil (2022 - \$83,125). Calculated by taking the sum of the write offs, and reversals columns.

4. Tangible capital assets

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Computer	\$ 65,081	\$ (60,571)	\$ 4,510	\$ 9,656
Furniture and fixtures	55,972	(55,348)	624	780
	\$ 121,053	\$ (115,919)	\$ 5,134	\$ 10,436

5. Demand loan

The Corporation has an available demand line of credit facility with Community Futures Development Association of BC ("CFDABC") with a limit of \$500,000. Amounts borrowed bear interest at the Royal Bank of Canada's prime commercial lending rate and are secured by a general security agreement. The line of credit is repayable on demand, or no later than August 2024, with interest only payments due monthly. As at March 31, 2023, the Company has \$nil borrowed on this facility (2022 - \$nil).

Community Futures Development Corporation, Central Okanagan
Notes to the Financial Statements
Year ended March 31, 2023

6. Term loan

The Corporation has a non-revolving term loan facility with CFDABC for a maximum amount of \$4,540,000 (the "RRRF loan"). Advances received from CFDABC are accumulated in the Corporation's RRRF investment fund, which includes loans issued from the proceeds and uncommitted cash balances.

The RRRF loan does not bear interest and repayment is not required until December 31, 2023. Any available portion of the RRRF loan that has not been loaned by the Corporation by December 31, 2023 is due to CFDABC on that date. Repayment of the Corporation's RRRF investment fund loans are repayable to CFDABC as they are received.

Repayments received by the Corporation (note 2 (b)), and repayments to CFDABC, prior to December 31, 2023, are eligible for forgiveness at a rate of 25% of the first \$40,000 and 50% of amounts above \$40,000 and up to \$60,000. The repayable balance will be reduced by any amounts loaned by the Corporation that are determined to be uncollectible, in accordance with the RRRF loan agreement terms. The full amount of the RRRF loan is due on expiry of the RRRF loan agreement on December 31, 2025.

The RRRF loan proceeds received, net of amount forgiven, to March 31, 2023, is as follows:

	2023	2022
Total net loan proceeds	\$ 3,464,523	\$ 3,691,500
Total amount forgiven on repayment	119,250	35,500
	\$ 3,345,273	\$ 3,656,000

7. Conditionally repayable contributions

a) Conditionally repayable contributions were initially financed by PacifiCan and the Province of British Columbia. Initial PacifiCan contributions consist of \$650,000 to the PacifiCan Conditionally Repayable Investment Fund, \$200,000 to the Youth Loan Fund is conditionally repayable to PacifiCan, and \$200,000 to the PacifiCan Conditionally Repayable EDP Fund. The initial Province of British Columbia contribution consists of a \$350,000 contribution, with a matching contribution of \$350,000 from the PacifiCan Non-repayable Investment Fund. The balance of PacifiCan contributions as at March 31, 2023 is \$929,602 (2022 - \$911,612) and the Province of British Columbia contributions of \$223,221 (2022 - \$213,813) which are described below.

PacifiCan Conditionally Repayable Investment Fund Conditionally repayable contributions with PacifiCan are provided pursuant to the Corporation's contribution agreement with PacifiCan, which expired on March 31, 2021. This contribution agreement was subsequently amended with an amended expiry date of March 31, 2026. Conditionally repayable contributions from PacifiCan are accumulated in the Corporation's conditionally repayable loan investment fund, which includes loans issued from the contribution proceeds and uncommitted cash balances. Total assets in the PacifiCan conditionally repayable loan investment fund as at March 31, 2023 was \$1,424,954 (2022 - \$1,340,798). The contribution agreement provides that PacifiCan is entitled to take certain actions to recover its contributions if any of the following conditions occur:

Community Futures Development Corporation, Central Okanagan
Notes to the Financial Statements
Year ended March 31, 2023

- (a) The conditionally repayable loan investment fund is not administered according to the terms and conditions specified in the agreement; or
- (b) Based on reviews and evaluations of the operations and the conditionally repayable loan investment fund, the fund is not providing a satisfactory level of benefits in terms of employment creation, the development of small and medium sized business as defined in the contribution agreement and strengthening of the Western Canadian economy; or
- (c) In the opinion of PacifiCan, the conditionally repayable loan 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) PacifiCan does not approve terms or conditions to extend the project beyond the expiry date of the PacifiCan contribution agreement.

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

- (a) Upon notice by PacifiCan, the Corporation agrees to immediately repay the lesser of:
 - i) the uncommitted cash balance of the conditionally repayable loan investment fund, or
 - ii) the total amount paid by PacifiCan for the establishment and maintenance of the conditionally repayable loan investment fund.
- (b) Upon notice by PacifiCan, the Corporation agrees to immediately give possession to PacifiCan all documentation evidencing investments made by the Corporation with the conditionally repayable loan investment fund and take immediate steps to assign all of its interest in all debts owing to the fund to PacifiCan.
- (c) Upon notice by PacifiCan, 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 PacifiCan contribution agreement indicates that the contributions from PacifiCan will be deemed to have been fully repaid once the Corporation has repaid to PacifiCan, the lesser of the total assets in the conditionally repayable loan investment fund or the total conditionally repayable contribution from PacifiCan.

b) Community Business Loans Program

The repayable contributions for the Corporation's Community Business Loans 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 the Financial Statements
Year ended March 31, 2023

8. Commitments

The Corporation has a lease agreement for its premises expiring March 2024. The annual minimum lease payments for the 2023 year were approximately \$53,960.

9. Economic dependence

The Corporation receives a significant portion of its annual operating revenues from PacifiCan and from contracts funded by the Province of British Columbia 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.

10. Financial risks and concentration of risk

a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a counterparty were to default on its contractual obligations. The Corporation's policy is to regularly assess the credit worthiness of its counterparties to mitigate the risk of financial loss from defaults. The Corporation reviews its small business investment loan balances regularly and amounts are written down to their expected realizable value when outstanding amounts are determined not to be fully collectible. The maximum credit risk exposure of the Corporation's financial assets is the carrying value of the assets.

Credit risk for 2022 was impacted in relation to the effects of the COVID-19 pandemic on the recipients of the Corporation's loans. To mitigate the impacts, the Corporation provided principal and/or interest payment deferrals and increased the level of detail and frequency of investment loan reviews.

b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budgets and cash flow forecasts to ensure that it has sufficient funds to fulfil its obligations. Liquidity risk for 2023 was impacted as a result of, and in relation to, the RRRF loan received in the year.

c) Interest rate risk:

Interest rate risk refers to the risk that changes in interest rates will affect the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk related to the demand loan (note 4) and the small business investments. The Corporation manages these risk through negotiation with its lenders and through negotiations in setting the terms of the small business investments. Although there were increases to interest rates during the year, the Corporation was able to issue loans at higher rates to offset interest costs.