

**COMMUNITY FUTURES DEVELOPMENT
CORPORATION OF OKANAGAN SIMILKAMEEN**

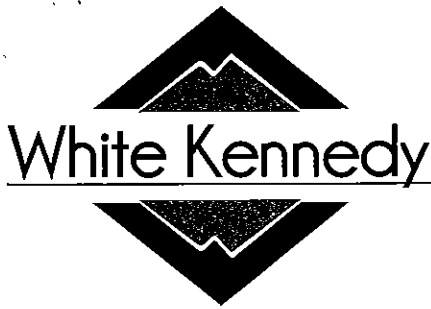
Non-Consolidated Financial Statements

March 31, 2016

Contents

	Page
Independent Auditors' Report	1 - 2
Non-Consolidated Statement of Financial Position	3
Non-Consolidated Statement of Operations	4
Non-Consolidated Statement of Changes in Fund Balances	5
Non-Consolidated Statement of Cash Flows	6
Notes to Non-Consolidated Financial Statements	7 - 17
Schedule of Operating fund	19 - 22
Schedule of Loan Fund	23 - 26





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INDEPENDENT AUDITORS' REPORT

To the Directors of Community Futures Development Corporation of Okanagan Similkameen

We have audited the accompanying non-consolidated financial statements of Community Futures Development Corporation of Okanagan Similkameen, which comprises the non-consolidated statement of financial position as at March 31, 2016, and the non-consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility

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 of 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.

(continues)

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INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Community Futures Development Corporation of Okanagan Similkameen as at March 31, 2016, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

White Kennedy LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Penticton, British Columbia
June 27, 2016

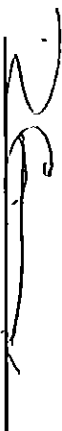
COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN


Non-Consolidated Statement of Financial Position
March 31, 2016

	Operating Fund	Loan Fund	2016	2015 (restated)
ASSETS				
CURRENT				
Cash (Note 2)	\$ 35,419	\$ 311,821	\$ 347,240	\$ 369,490
Accounts receivable (Note 3)	45,662	-	45,662	13,231
Prepaid expenses	3,407	-	3,407	4,416
Due from related parties (Note 4)	-	451,446	451,446	709,955
LOANS RECEIVABLE (Note 5)	84,488	763,267	847,755	1,097,092
INVESTMENT IN SUBSIDIARIES (Note 6)	-	6,478,643	6,478,643	4,889,926
PROPERTY AND EQUIPMENT (Note 7)	9,841	-	2	2
	2	-	9,841	4,082
	<u>94,331</u>	<u>7,241,910</u>	<u>7,336,241</u>	<u>5,991,102</u>
LIABILITIES AND FUND BALANCES				
CURRENT				
Accounts payable and accrued liabilities (Note 9)	47,179	11,345	58,524	31,569
Interfund balances	32,765	(32,765)	-	-
Deferred revenue	25,542	-	25,542	1,432
Current portion of long term debt (Note 10)	-	177,397	177,397	48,047
	105,486	155,977	261,463	81,048
	-	1,916,223	1,916,223	686,742
	<u>105,486</u>	<u>2,072,200</u>	<u>2,177,686</u>	<u>767,790</u>
FUND BALANCES				
Investment in Capital Assets	9,841	-	9,841	4,082
Externally Restricted Funds (Note 11)	103,040	5,169,710	5,272,750	5,246,281
Unrestricted	(124,036)	-	(124,036)	(27,051)
	(11,155)	5,169,710	5,158,555	5,223,312
	<u>94,331</u>	<u>7,241,910</u>	<u>7,336,241</u>	<u>5,991,102</u>

ECONOMIC DEPENDENCE (Note 12)
PRIOR PERIOD ADJUSTMENT (Note 13)

On behalf of the Board:

 Director

 Director

(3)

See accompanying notes to the non-consolidated financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMIEEN
Non-Consolidated Statement Of Operations
Year Ended March 31, 2016

	Operating Fund	Loan Fund	2016	2015 (restated)
REVENUE				
Operating contributions	\$ 398,005	\$ -	\$ 398,005	\$ 361,325
Interest from loans	-	391,784	391,784	309,817
Miscellaneous (Note 14)	88,253	-	88,253	24,618
Project funding	62,938	-	62,938	7,750
Interest transfers (Note 15)	-	-	-	82,000
Interest from bank and investments	814	1,933	2,747	7,106
	<u>550,010</u>	<u>393,717</u>	<u>943,727</u>	<u>792,616</u>
EXPENSES				
Bad debts (Note 16)	-	293,530	293,530	46,098
Wages and benefits	278,871	-	278,871	313,753
Interest	-	88,448	88,448	36,050
Rent	45,764	-	45,764	53,556
Facilitators	45,234	-	45,234	5,976
Training	30,913	-	30,913	287
Project expenses	27,185	-	27,185	-
Client loan expenses	25,249	-	25,249	6,761
Professional fees	20,287	-	20,287	20,952
Director's expenses	12,657	-	12,657	7,198
Advertising and promotion	11,806	-	11,806	5,795
Travel	11,497	-	11,497	11,455
Office and sundry	8,301	-	8,301	4,288
Repairs and maintenance	7,056	-	7,056	5,869
Telephone	3,955	-	3,955	3,590
Licenses, dues and fees	3,464	-	3,464	3,638
Strategic planning expense	3,248	-	3,248	734
Amortization	2,545	-	2,545	2,370
Bank charges and interest	2,014	-	2,014	911
Insurance	1,647	-	1,647	348
Website development	298	-	298	-
Investment management fees	-	61	61	-
Interest transfers (Note 15)	-	-	-	82,000
	<u>541,991</u>	<u>382,039</u>	<u>924,030</u>	<u>611,629</u>
EXCESS OF REVENUE OVER EXPENSES, before other expense	8,019	11,678	19,697	180,987
OTHER EXPENSE				
Loss on loan to subsidiary (Note 16)	(53,136)	-	(53,136)	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>(45,117)</u>	<u>11,678</u>	<u>(33,439)</u>	<u>180,987</u>

(4)

See accompanying notes to the non-consolidated financial statements.



COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN

Non-Consolidated Statement of Changes In Fund Balances
 March 31, 2016

	Operating Fund	Loan Fund	2016	2015 <i>(restated)</i>
	\$	\$	\$	\$
FUND BALANCES, beginning of year	33,962	5,189,350	5,223,312	5,160,062
Excess (deficiency) of revenue over expenses	(45,117)	11,678	(33,439)	180,987
Reduction in externally restricted funds	-	(31,318)	(31,318)	(117,737)
FUND BALANCES, end of year	(11,155)	5,169,710	5,158,555	5,223,312
Included in Fund Balances:				
INVESTMENT IN CAPITAL ASSETS, beginning of year	4,082	-	4,082	5,954
Amortization of property and equipment	(2,544)	-	(2,544)	(2,370)
Purchase of property and equipment	8,303	-	8,303	498
INVESTMENT IN CAPITAL ASSETS, end of year	9,841	-	9,841	4,082

(5)

See accompanying notes to the non-consolidated financial statements.



COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN

Non-Consolidated Statement of Cash Flows
Year Ended March 31, 2016

	Operating Fund	Loan Fund	2016	2015 <i>(restated)</i>
	\$	\$	\$	\$
CASH GENERATED FROM (USED IN)				
OPERATING ACTIVITIES				
Operations:				
Excess (deficiency) of revenue over expenses	(45,117)	11,678	(33,439)	180,987
Amortization	2,545	-	2,545	2,370
	<u>(42,572)</u>	11,678	<u>(30,894)</u>	183,357
Net change in non-cash working capital items				
Accounts receivable	(32,430)	-	(32,430)	6,805
Prepaid expenses	1,009	-	1,009	(2,509)
Accounts payable and accrued liabilities	19,548	7,389	26,937	(54,055)
Interfund balances	(17,127)	17,127	-	-
Deferred revenue	24,110	-	24,110	-
	<u>(4,890)</u>	24,516	19,626	(49,759)
INVESTING ACTIVITIES				
Property and equipment acquired	(8,304)	-	(8,304)	(498)
Increase in loans receivable	-	(1,576,887)	(1,576,887)	(599,407)
Decrease in allowance for doubtful accounts	-	(11,830)	(11,830)	(599,407)
	<u>(8,304)</u>	(1,588,717)	(1,597,021)	(1,199,312)
FINANCING ACTIVITIES				
Repayment of fund loans	-	(31,318)	(31,318)	(117,737)
Proceeds from long term financing	-	1,408,275	1,408,275	176,534
Repayment of long term financing	-	(49,428)	(49,428)	(41,745)
Received from related parties	50,136	208,374	258,510	55,000
	<u>50,136</u>	1,535,903	1,586,039	72,052
NET CASH INFLOW (OUTFLOW)	<u>(5,630)</u>	<u>(16,620)</u>	<u>(22,250)</u>	<u>(993,662)</u>
CASH AND CASH EQUIVALENTS, beginning of year	41,049	328,441	369,490	763,745
CASH AND CASH EQUIVALENTS, end of year	<u>35,419</u>	<u>311,821</u>	<u>347,240</u>	<u>(229,917)</u>

(6)

See accompanying notes to the non-consolidated financial statements.



COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS Year Ended March 31, 2016

NATURE OF OPERATIONS

Community Futures Development Corporation of Okanagan Similkameen (the "company") is incorporated under Part 2 of the Canada Corporations Act without share capital.

The company has entered into agreements with Western Economic Diversification (WED) whereby investment funds and contributions are provided to support the community's plans for the generation of additional private sector employment through the provision of advisory counselling, technical services and investment services to small businesses and to individuals in accordance with the Community Futures Committee's overall economic development plan and strategy for employment growth and recovery.

The company may administer investment funds in the form of loans, loan guarantees and equity participation to create small businesses and to expand, stabilize and protect existing businesses resulting in the generation and maintenance of permanent employment.

The Self-Employment (SE) Program is designed to assist individuals in becoming self-employed. The SE program targets employment insurance and social benefits recipients and provides training and consulting services for self-employment and small business.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian Accounting Standards for not-for-profit organizations (ASNPO).

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. 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.

Cash and cash equivalents policy

Cash includes regular bank accounts as well as investment related cash accounts.

Loans receivable

Interest income is recorded on an accrual basis. The company ceases to accrue interest on doubtful loans.

An allowance for doubtful loans is determined in the following manner:

Loans in Default - If there is significant doubt as to the ultimate collection of principal, a specific provision is established at a level sufficient to provide for the estimated impairment of the loan principal.

The establishment of the allowance for doubtful loans relies on the judgment of management, on historical precedent and expectations as to the future collections. It is reasonably possible that changes in future conditions could require a material change in the recognized amount of the allowance for doubtful loans.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS Year Ended March 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in Subsidiaries

Investments in Southern Interior Development Corporation and Canadian Centre for Economic Gardening Corporation, wholly owned subsidiaries, are recorded using the cost method. The company also has a one-third interest in Community Resources Development Corporation of the Okanagan Valley.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided over the estimated useful life of the property and equipment using the declining balance method at the following annual rates:

Furniture and equipment	20%
Computer hardware	55%
Computer software	30%

Revenue recognition

Community Futures Development Corporation of Okanagan Similkameen follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue earned on term loans is accrued on a daily basis. Revenue earned on equity loans is deferred until the date of maturity of the loan.

Fund Accounting

The Operating Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Loan Fund reports restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Loan Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

Measurement uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the organization's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of property and equipment;
- the estimated useful lives of assets; and
- the allowance for doubtful accounts.

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN
SIMILKAMEEN**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
Year Ended March 31, 2016**

2. CASH

	<u>2016</u>	<u>2015</u>
	\$	\$
Loan accounts	311,821	328,441
Operating account	35,269	40,899
Petty cash	150	150
	<u>347,240</u>	<u>369,490</u>

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
	\$	\$
Trade receivable	44,279	12,771
GST receivable	1,383	460
	<u>45,662</u>	<u>13,231</u>

Included in the trade receivable balance is a balance owing from Southern Interior Development Corporation, a wholly owned subsidiary, in the amount of nil (2015 - \$3,238). The balance receivable from the related party relates to transactions that occur in the normal course of business.

4. DUE FROM RELATED PARTIES

	<u>2016</u>	<u>2015</u>
	\$	\$
Southern Interior Development Corporation, relates to the purchase of a building. It is repayable at a minimum of \$60,000 per year, due April 1st of each year, plus 1% interest, due on demand if funds are required for client loans.	451,446	509,820
Canadian Centre for Economic Gardening Corporation, related party loan written off in the current year (see Note 16).	-	150,000
Canadian Centre for Economic Gardening Corporation, related to related party transactions that took place in the normal course of business and has no set terms of repayment. Amounts due from party written off in the current year (see Note 16).	-	50,135
	<u>451,446</u>	<u>709,955</u>

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN
SIMILKAMEEN**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
Year Ended March 31, 2016**

5. LOANS RECEIVABLE

	2016	2015
	\$	\$
Non-repayable	2,840,293	1,199,485
Community business	2,999,847	2,734,092
Partnerships	260,365	560,190
Youth	679,417	691,548
Disabled entrepreneur investment	22,498	40,219
	<u>6,802,420</u>	<u>5,225,534</u>
Less allowance for doubtful loans:		
Specific provision	<u>(323,777)</u>	<u>(335,608)</u>
	<u>6,478,643</u>	<u>4,889,926</u>
Allowance for doubtful loans		
Balance, beginning of year	335,608	386,020
Additional provision during the year	217,869	223,116
Amounts recovered	(44,057)	(62,185)
Written off during the year	<u>(185,643)</u>	<u>(211,343)</u>
Balance, end of year	<u>323,777</u>	<u>335,608</u>

The loans receivable are due in monthly payments including interest at rates varying from 5.00% to 8.75% and are secured by one, or a combination, of debentures, personal guarantees, promissory notes, general security agreements, mortgages and other charges on property. During the year, a new 1% annual mentorship fee was applied to all new loans. Included in the loans receivable are amounts related to partnership loans with various other Community Futures in the amount of \$2,093,619 (2015 - \$734,789).

A significant portion of the loans are to individuals or corporations involved in or starting a small business and as such, the company is exposed to all of the risks associated with that segment of the industry.

The allowance as a percentage of total loans is 4.76% (2015 - 6.42%).

6. INVESTMENT IN SUBSIDIARIES

Southern Interior Development Corporation

Southern Interior Development Corporation, a wholly owned subsidiary, is incorporated under the British Columbia Business Corporations Act and is a non-profit organization not subject to income tax under Section 149(1) of the Income Tax Act. The subsidiary's principal business activity consist of the rental of real property principally to CFDC of Okanagan Similkameen.

Southern Interior Development Corporation has not been consolidated into the company's financial statements. Financial summaries of this unconsolidated entity as at March 31, 2016 and 2015 and for the years then ended have been presented below. The following supplementary information has not been subject to audit procedures; however, as the investment in this wholly owned subsidiary is recorded at cost, there is no impact on the value of the investment.

Financial position:

	2016	2015
	\$	\$
Total assets	1,041,896	1,073,254
Total liabilities	461,070	521,024
Total net assets	<u>580,826</u>	<u>552,230</u>

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN
SIMILKAMEEN**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
Year Ended March 31, 2016**

6. INVESTMENT IN SUBSIDIARIES (Continued)

Southern Interior Development Corporation (continued)

Results of operations:

	<u>2016</u>	<u>2015</u>
	\$	\$
Total revenue	137,997	167,178
Total expenses	(109,401)	(148,990)
Excess of revenues over expenses	<u>28,596</u>	<u>18,188</u>

Cash flows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Cash from operations	75,620	69,013
Cash from investing activity	-	(12,454)
Cash from financing activity	(58,374)	(55,800)
Increase in cash	<u>17,246</u>	<u>759</u>

Canadian Centre for Economic Gardening Corporation

Canadian Centre for Economic Gardening Corporation, a wholly owned subsidiary, is incorporated under the British Columbia Business Corporations Act and is a non-profit organization not subject to income tax under Section 149(1) of the Income Tax Act. The subsidiary ceased operations in September 2014 and has had no business activity in the current year.

Canadian Centre for Economic Gardening Corporation has not been consolidated into the company's financial statements. Financial summaries of this unconsolidated entity as at March 31, 2016 and 2015 and for the years then ended have been presented below. The following supplementary information has not been subject to audit procedures; however, as the investment in this wholly owned subsidiary is recorded at cost, there is no impact on the value of the investment.

Financial position:

	<u>2016</u>	<u>2015</u>
	\$	\$
Total assets	697	2,197
Total liabilities	1,500	204,188
Total net assets	<u>(803)</u>	<u>(201,991)</u>

Results of operations:

	<u>2016</u>	<u>2015</u>
	\$	\$
Total revenue	6	23,940
Total expenses	(2,004)	(72,019)
Other income	203,186	-
Excess of revenues over expenses	<u>201,188</u>	<u>(48,079)</u>

Cash flows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Cash from operations	198,636	(7,433)
Cash from financing activity	(200,136)	800
Decrease in cash	<u>(1,500)</u>	<u>(6,633)</u>

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN
SIMILKAMEEN**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
Year Ended March 31, 2016**

6. INVESTMENT IN SUBSIDIARIES (Continued)

	Percent owned	Shares	2016	2015
			\$	\$
Southern Interior Development Corporation	100%	1	1	1
Canadian Centre for Economic Gardening Corporation	100%	1	1	1
		<u>2</u>	<u>2</u>	<u>2</u>

7. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
			2016	2015
	\$	\$	\$	\$
Computer software	7,790	1,169	6,621	-
Furniture and equipment	88,082	85,514	2,568	2,631
Computer hardware	69,981	69,329	652	1,451
	<u>165,853</u>	<u>156,012</u>	<u>9,841</u>	<u>4,082</u>

8. BANK INDEBTEDNESS

During the year the company obtained a demand line of credit in the amount of \$360,000. It is secured by general security agreement and is guaranteed by both mortgage and assignment of rents by a related party as well as assignment of leases by Southern Interior Development Corporation, a wholly owned subsidiary. Interest on draws will be calculated at prime plus 6%. As at March 31, 2016, no funds have been drawn.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
	\$	\$
Accounts payable and accruals	39,992	20,515
Employee deductions payable	5,642	6,186
WCB payable	51	53
GST payable	1,493	874
Loan Fund payable	11,346	3,941
	<u>58,524</u>	<u>31,569</u>

Included in accounts payable are amounts that will become repayable if the programs they relate to are not completed as well as amounts that are restricted to specific programs that have not been expended.

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN
SIMILKAMEEN**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
Year Ended March 31, 2016**

10. LONG TERM DEBT

	2016	2015
	\$	\$
<u>Agreement #1 participants</u>		
Community Futures Development Corporation of Boundary Area loan repayable in monthly blended payments of \$1,665.	131,656	139,564
Community Futures Development Corporation North Okanagan loan repayable in monthly blended payments of \$1,665.	131,656	139,564
Community Futures Development Corporation Caribou-Chilcotin loan repayable in monthly blended payments of \$1,110.	87,771	93,043
Community Futures Development Corporation Sun Country loan repayable in monthly blended payments of \$555.	43,886	46,521
Community Futures Development Corporation Revelstoke loan repayable in monthly blended payments of \$1,665.	131,656	139,564
<u>Agreement #2 participants</u>		
Community Futures Development Corporation Alberni-Clayoquot loan.	131,621	25,219
Community Futures Development Corporation Caribou-Chilcotin loan.	131,621	25,219
Community Futures Development Corporation East Kootenay loan.	131,621	25,219
Community Futures Development Corporation North Caribou loan.	131,621	25,219
Community Futures Development Corporation Peace River Laird loan.	131,621	25,219
Community Futures Development Corporation Powell River loan.	131,621	25,219
Community Futures Development Corporation Sun Country loan.	131,621	25,219
<u>Agreement #3 participants</u>		
Community Futures Development Corporation Caribou-Chilcotin loan.	125,000	-
Community Futures Development Corporation East Kootenay loan.	125,000	-
Community Futures Development Corporation Mount Waddington loan.	125,000	-
Community Futures Development Corporation Powell River loan.	125,000	-
<u>Agreement #4 participants</u>		
Community Futures Development Corporation Sun Country loan	145,648	-
	<u>2,093,620</u>	<u>734,789</u>
Amounts payable within one year	(177,397)	(48,047)
	<u>1,916,223</u>	<u>686,742</u>

Principal repayment terms are approximately:

2016	177,396
2017	194,473
2018	207,783
2019	221,957
2020	346,932
Thereafter	<u>945,079</u>
	<u>2,093,620</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS Year Ended March 31, 2016

10. LONG TERM DEBT (Continued)

Agreement #1

Community Futures Development Corporation of Okanagan Similkameen (CFDC OS) entered into a loan participation and administration agreement with a number of Community Futures, as listed above, in order to advance a loan in the amount of \$900,000. As per the agreement, CFDC OS will provide a portion of the loan to be advanced in the amount of \$300,000 and will administer the loan. CFDC OS has granted and assigned an undivided interest in the security held in respect of the loan proportionate to the respective shares of the participants which includes a 2nd mortgage on farm land held by the recipient of the loan, personal guarantees of the shareholders, a general security agreement over the assets of the corporation and a life insurance policy as first loss payee. The participants' share of the loan is repayable to the participants in monthly payments bearing interest at 6.00%; the first six payments being interest only payments, after which the remaining payments are blended in the amounts listed above. The loan matures on August 1, 2024.

Agreement #2

Community Futures Development Corporation of Okanagan Similkameen (CFDC OS) entered into a loan participation and administration agreement with a number of Community Futures, as listed above, in order to advance a loan in the amount of \$1,127,125. As per the agreement, CFDC OS will provide a portion of the loan to be advanced in the amount of \$189,125 and will administer the loan. CFDC OS has granted and assigned an undivided interest in the security held in respect of the loan proportionate to the respective shares of the participants which includes a 2nd mortgage on the building, personal guarantees of the shareholders, a general security agreement over the assets of the corporation. Interest only will be paid until the full amount has been disbursed, after which each participants' share of the loan is repayable in monthly blended payments of \$1,556, bearing interest at 7.00%. The loan matures on December 1, 2025.

Agreement #3

During the year Community Futures Development Corporation of Okanagan Similkameen (CFDC OS) entered into a loan participation and administration agreement with a number of Community Futures, as listed above, in order to advance a loan in the amount of \$650,000. As per the agreement, CFDC OS will provide a portion of the loan to be advanced in the amount of \$150,000 and will administer the loan. CFDC OS has granted and assigned an undivided interest in the security held in respect of the loan proportionate to the respective shares of the participants, personal guarantees of the shareholders, a general security agreement over the assets of the corporation. Interest only will be paid until the full amount has been disbursed and the first six months, after which the participants' share of the loan is repayable to the participants in monthly payments of \$1,886 bearing interest at 7.00%. The loan matures April 1, 2023.

Agreement #4

During the year Community Futures Development Corporation of Okanagan Similkameen (CFDC OS) entered into a loan participation and administration agreement with a number of Community Futures, as listed above, in order to advance a loan in the amount of \$300,000. As per the agreement, CFDC OS will provide a portion of the loan to be advanced in the amount of \$150,000 and will administer the loan. CFDC OS has granted and assigned an undivided interest in the security held in respect of the loan proportionate to the respective shares of the participants which includes a 2nd mortgage on the land and building, personal guarantees of the shareholders, a general security agreement over the assets of the corporation. Interest only will be paid until the full amount has been disbursed after which each participants' share of the loan is repayable in monthly blended payments of \$1,348 bearing interest at 6.00%. The loan matures June 1, 2020.

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN
SIMILKAMEEN**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
Year Ended March 31, 2016**

11. EXTERNALLY RESTRICTED FUNDS

Major categories of externally imposed restrictions on loan funds are as follows:

	2016	2015 <i>(restated)</i>
	\$	\$
Conditionally Repayable:		
Community Business Fund	547,048	547,048
Youth Investment Fund	110,486	110,486
Disabled Entrepreneur Fund	-	71,365
Contributed Capital:		
Loan Fund	2,004,314	2,004,315
Operating Fund	14,697	14,697
Accumulated Earnings:		
Non-Repayable Fund	1,823,897	1,859,322
Community Business Fund	504,707	419,046
Youth Investment Fund	73,623	142,432
Disabled Entrepreneur Fund	105,635	35,336
Self-Employment Program Fund	88,343	42,234
	<u>5,272,750</u>	<u>5,246,281</u>

Youth Investment Fund and Disabled Entrepreneur Fund

Western Economic Diversification's actual contributions to date are as follows:

Youth Investment Fund	\$ 200,000
Disabled Entrepreneur Fund	200,000

These funds are repayable if the following conditions occur:

- i) The Conditionally Repayable Fund ("Fund") is not administered according to the terms and conditions specified in the Agreement; or
- ii) Based on reviews and evaluations of the operations and the Fund of the Corporation, the Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of community-owned or controlled business, and strengthening of the Western Canadian economy; or
- iii) In the opinion of the Minister, the Fund is no longer necessary or relevant to the development of the Western Canadian economy; or
- iv) The Agreement is terminated; or
- v) An event of default occurs, as described in the Agreement; or
- vi) The Minister does not approve terms and conditions to extend the Project beyond the Completion Date.

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN
SIMILKAMEEN**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
Year Ended March 31, 2016**

11. EXTERNALLY RESTRICTED FUNDS (continued)

Community Business Fund Loan

On November 1, 2010, a new agreement was signed to transfer the Forest Renewal BC Fund to the Community Business Fund, with similar repayment terms. The company originally received \$650,000 from Forest Renewal BC which had been contributed to a fund along with the company's matching contribution. Upon termination of the agreement, the company must pay an amount equal to 50% of the funds not lent out and 50% of any subsequent receipts of interest or principal. One half of the loans that have been written off as bad debts are recorded as a reduction of the repayable amount.

Contributed Capital

This amount consists of the net asset balances transferred to the company by Okanagan Similkameen Community Futures Association, Okanagan Similkameen Community Development Association and Southern Interior Development Corporation on April 1, 1995 for consideration of \$1.

12. ECONOMIC DEPENDENCE

The company receives a substantial portion of its funding from Western Economic Diversification.

13. PRIOR PERIOD ADJUSTMENT

The company has restated its prior year non-consolidated statements of changes in financial position, operations, changes in fund balances and cash flows to reflect an adjustment recorded to reverse an overstatement in the excess of revenues over expenses in the amount of \$93,606. This amount is related to a loan written off which was recorded as a reduction of amounts repayable and contributed capital, however, the particular loan fund is non-repayable to Western Economic Diversification and should have been recorded as bad debt expense.

14. MISCELLANEOUS REVENUE

	2016	2015
	\$	\$
Loan administration fees	66,604	23,148
Loan legal fees recovered	14,525	1,385
Loan mentoring fees	6,746	-
Conferences	378	85
	88,253	24,618



**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN
SIMILKAMEEN**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
Year Ended March 31, 2016**

15. INTERFUND INTEREST TRANSFER

During the year, Western Economic Diversification Canada authorized a transfer of \$50,000 per year for the fiscal years ending 2016, 2017, 2018. Total transfers during the year were nil (2015 - \$82,000) from the Loan Fund to the General Operating fund to be used to provide assistance in the day to day operation.

16. LOSS ON LOAN TO SUBSIDIARY

During the year, the company wrote off amounts receivable from Canadian Centre for Economic Gardening, a wholly owned subsidiary. As the subsidiary is no longer active, the amounts were no longer considered recoverable. The amount written off to bad debt expense in the loan fund was \$150,000. As well, the amount written off as a loss on loan to subsidiary in the operating fund was \$53,136.

17. INCOME TAX

The company is exempt from income tax under Section 149(1) of the Income Tax Act.

18. RELATED PARTY TRANSACTIONS

Related Party	Type of Transaction	Received (Paid)	
		2016	2015
		\$	\$
Southern Interior Development Corporation (wholly owned subsidiary)			
	Rent	(36,456)	(36,456)
	Rent (Self-Employment program)	(9,000)	(17,100)
	Interest on debt	4,822	5,158
		<u>(40,634)</u>	<u>(48,398)</u>
Canadian Centre for Economic Gardening Corporation (wholly owned subsidiary)			
	Interest on debt	-	3,573
		<u>-</u>	<u>3,573</u>

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

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN
SIMILKAMEEN**

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
Year Ended March 31, 2016

19. FINANCIAL INSTRUMENTS

The company 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 company's risk exposure and concentration as of March 31, 2016.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company 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 company has a significant number of customers, which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its loans receivable and related sources and long-term debt.

20. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform with the current year's financial statement presentation.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMIEEN

Schedule of Operating Fund
Statement of Financial Position
March 31, 2016

	Operating Fund		2016	2015
	Employment Program	Self-Employment		
ASSETS				
CURRENT				
Cash	\$ 35,419	\$ -	\$ 35,419	\$ 41,049
Accounts receivable	36,761	8,901	45,662	13,231
Prepaid expenses	3,407	-	3,407	4,416
Due from related parties	-	-	-	50,136
	75,587	8,901	84,488	108,832
	2	-	2	2
	9,841	-	9,841	4,082
	85,430	8,901	94,331	112,916
INVESTMENT IN SUBSIDIARIES PROPERTY AND EQUIPMENT				
LIABILITIES AND FUND BALANCES				
CURRENT				
Accounts payable and accrued liabilities	45,687	1,492	47,179	27,628
Interfund balances	114,117	(81,352)	32,765	49,894
Deferred revenue	25,124	418	25,542	1,432
	184,928	(79,442)	105,486	78,954
FUND BALANCES				
Investment in Capital Assets	9,841	-	9,841	4,082
Externally Restricted Funds	14,697	88,343	103,040	56,931
Unrestricted	(124,036)	-	(124,036)	(27,051)
	(99,498)	88,343	(11,155)	33,962
	85,430	8,901	94,331	112,916

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN
Schedule of Operating Fund
Statement of Operations
Year Ended March 31, 2016

	Operating Fund	Self- Employment Program	2016	2015
REVENUE				
Operating contributions	\$ 284,306	\$ 113,699	\$ 398,005	\$ 361,325
Miscellaneous (Note 14)	88,253	-	88,253	24,618
Project funding	62,938	-	62,938	7,750
Interest from bank and investments	814	-	814	626
Interest transfers (Note 15)	-	-	-	82,000
	<u>436,311</u>	<u>113,699</u>	<u>550,010</u>	<u>476,319</u>
EXPENSES				
Wages and benefits	270,824	8,047	278,871	313,753
Rent	36,456	9,308	45,764	53,556
Facilitators	-	45,234	45,234	5,976
Training	27,276	3,637	30,913	287
Project expenses	27,185	-	27,185	-
Client loan expenses	25,249	-	25,249	6,761
Professional fees	20,287	-	20,287	20,952
Director's expenses	12,657	-	12,657	7,198
Advertising and promotion	10,691	1,115	11,806	5,795
Travel	11,497	-	11,497	11,455
Office and sundry	8,052	249	8,301	4,288
Repairs and maintenance	7,056	-	7,056	5,869
Telephone	3,955	-	3,955	3,590
Licenses, dues and fees	3,464	-	3,464	3,638
Strategic planning expense	3,248	-	3,248	734
Amortization	2,545	-	2,545	2,370
Bank charges and interest	2,014	-	2,014	911
Insurance	1,647	-	1,647	348
Website development	298	-	298	-
	<u>474,401</u>	<u>67,590</u>	<u>541,991</u>	<u>447,481</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, before other expense	(38,090)	46,109	8,019	28,838
OTHER EXPENSE				
Loss on loan to subsidiary (Note 16)	(53,136)		(53,136)	
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(91,226)	46,109	(45,117)	28,838



COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN

**Schedule of Operating Fund
Statement of Changes in Fund Balances
March 31, 2016**

	Operating Fund	Self- Employment Program	2016	2015
FUND BALANCES, beginning of year	\$ (8,272)	\$ 42,234	\$ 33,962	\$ 5,124
Excess (deficiency) of revenues over expenses	(91,226)	46,109	(45,117)	28,838
FUND BALANCES, end of year	(99,498)	88,343	(11,155)	33,962

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN

Schedule of Operating Fund
Statement of Cash Flows
Year Ended March 31, 2016

	Operating Fund	Self- Employment Program	2016	2015
	\$	\$	\$	\$
CASH GENERATED FROM (USED IN)				
OPERATING ACTIVITIES				
Operations:				
Excess (deficiency) of revenue over expenses	(91,226)	46,109	(45,117)	28,838
Amortization	2,545	-	2,545	2,370
	(88,681)	46,109	(42,572)	31,208
Net change in non-cash working capital items:				
Accounts receivable	(28,998)	(3,432)	(32,430)	6,805
Prepaid expenses	558	451	1,009	(2,509)
Accounts payable and accrued liabilities	18,935	613	19,548	(54,882)
Interfund balances	27,032	(44,159)	(17,127)	2,256
Deferred revenue	23,692	418	24,110	-
	41,219	(46,109)	(4,890)	(48,330)
INVESTING ACTIVITIES				
Property and equipment acquired	(8,304)		(8,304)	(498)
FINANCING ACTIVITIES				
Paid to related parties	50,136	-	50,136	-
NET CASH OUTFLOW	(5,630)	-	(5,630)	(17,620)
CASH AND CASH EQUIVALENTS,				
beginning of year	41,049	-	41,049	58,669
CASH AND CASH EQUIVALENTS, end of year	35,419	-	35,419	41,049

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN
 Schedule of Loan Fund
 Statement of Financial Position
 March 31, 2016

ASSETS	Non-				2016	2015
	repayable & Partnership	Community Business Fund	Youth Investment Fund	Disabled Entrepreneur Fund		
CURRENT	\$	\$	\$	\$	\$	\$
Cash	211,452	80,120	5,899	14,350	311,821	328,441
Due from related parties	451,446	-	-	-	451,446	659,819
LOANS RECEIVABLE	662,898	80,120	5,899	14,350	763,267	988,260
	2,972,376	2,999,847	498,138	8,282	6,478,643	4,889,926
	3,635,274	3,079,967	504,037	22,632	7,241,910	5,878,186
LIABILITIES						
CURRENT	3,554	7,791	-	-	11,345	3,941
Accounts payable and accrued liabilities	(842,139)	572,449	319,928	(83,003)	(32,765)	(49,894)
Interfund balances	58,817	118,580	-	-	177,397	48,047
Current portion of long term debt	(779,768)	698,820	319,928	(83,003)	155,977	2,094
LONG TERM DEBT	586,831	1,329,392	-	-	1,916,223	686,742
	(192,937)	2,028,212	319,928	(83,003)	2,072,200	688,836
FUND BALANCES						
Externally Restricted Funds	3,828,211	1,051,755	184,109	105,635	5,169,710	5,189,350
	3,828,211	1,051,755	184,109	105,635	5,169,710	5,189,350
	3,635,274	3,079,967	504,037	22,632	7,241,910	5,878,186



COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN
 Schedule of Loan Fund
 Statement of Operations
 Year Ended March 31, 2016

	Non-repayable & Partnership	Community Business Fund	Youth Investment Fund	Disabled Entrepreneur Fund	2016	2015 (restated)
REVENUE						
Interest from loans	\$ 148,642	\$ 199,012	\$ 42,236	\$ 1,894	\$ 391,784	\$ 309,817
Interest from bank and investments	584	687	169	493	1,933	6,480
	<u>149,226</u>	<u>199,699</u>	<u>42,405</u>	<u>2,387</u>	<u>393,717</u>	<u>316,297</u>
EXPENSES						
Bad debts (recovered)	161,617	24,282	111,214	(3,583)	293,530	46,098
Interest	22,974	65,474	-	-	88,448	36,050
Investment management fees	61	-	-	-	61	-
Interest transfers (Note 15)	-	-	-	-	-	82,000
	<u>184,652</u>	<u>89,756</u>	<u>111,214</u>	<u>(3,583)</u>	<u>382,039</u>	<u>164,148</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>(35,426)</u>	<u>109,943</u>	<u>(68,809)</u>	<u>5,970</u>	<u>11,678</u>	<u>152,149</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN
Schedule of Loan Fund
Statement of Changes in Fund Balances
March 31, 2016

	Non- repayable & Partnership	Community Business Fund	Youth Investment Fund	Disabled Entrepreneur Fund	2016	2015 <i>(restated)</i>
FUND BALANCE, beginning of year	\$ 3,863,637	\$ 966,094	\$ 252,918	\$ 106,701	\$ 5,189,350	\$ 5,154,938
Excess (deficiency) of revenues over expenses	(35,426)	109,943	(68,809)	5,970	11,678	152,149
Repayment of externally restricted funds	-	(24,282)	-	(7,036)	(31,318)	(117,737)
FUND BALANCES, end of year	3,828,211	1,051,755	184,109	105,635	5,169,710	5,189,350



COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN SIMILKAMEEN
Schedule of Loan Fund
Statement of Cash Flows
Year Ended March 31, 2016

	Non-repayable & Partnership	Community Business Fund	Youth Investment Fund	Disabled Entrepreneur Fund	2016	2015
	\$	\$	\$	\$	\$	\$
CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES						(restated)
Operations:						
Excess (deficiency) of revenue over expenses	(35,426)	109,943	(68,809)	5,970	11,678	152,149
Net change in non-cash working capital items:						
Marketable securities	3,553	4,063	(227)	-	7,389	827
Accounts payable and accrued liabilities	689,465	(480,220)	(62,116)	(130,002)	17,127	(2,256)
Interfund balances	693,018	(476,157)	(62,343)	(130,002)	24,516	(1,429)
INVESTING ACTIVITIES						
Increase in loans receivable	(1,340,984)	(265,755)	12,130	17,722	(1,576,887)	(599,407)
Decrease in allowance for doubtful accounts	(119,462)	-	111,214	(3,582)	(11,830)	(599,407)
	(1,460,446)	(265,755)	123,344	14,140	(1,588,717)	(1,198,814)
FINANCING ACTIVITIES						
Repayment of fund loans	-	(24,282)	-	(7,036)	(31,318)	(117,737)
Proceeds from long term financing	650,000	758,275	-	-	1,408,275	176,534
Repayment of long term financing	(4,352)	(45,076)	-	-	(49,428)	(41,745)
Received from (paid to) related parties	208,374	-	-	-	208,374	55,000
	854,022	688,917	-	(7,036)	1,535,903	72,052
NET CASH INFLOW (OUTFLOW)	51,168	56,948	(7,808)	(116,928)	(16,620)	(976,042)
CASH AND CASH EQUIVALENTS, beginning of year	160,284	23,172	13,707	131,278	328,441	705,076
CASH AND CASH EQUIVALENTS, end of year	211,452	80,120	5,899	14,350	311,821	(270,966)