

**COMMUNITY FUTURES
DEVELOPMENT CORPORATION OF
OKANAGAN-SIMILKAMEEN**

Non-Consolidated Financial Statements

Year Ended March 31, 2020

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

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Year Ended March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Community Futures Development Corporation of Okanagan-Similkameen

Report on the Non-consolidated Financial Statements

Opinion

We have audited the non-consolidated financial statements of Community Futures Development Corporation of Okanagan-Similkameen (the Corporation), which comprise the non-consolidated statement of financial position as at March 31, 2020, and the non-consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Non-consolidated 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 non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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Omland Heal LLP
Chartered Professional Accountants
200 - 498 Ellis Street
Penticton, B.C. V2A 4M2

Telephone: (250) 492-8444
Fax: (250) 492-8688
www.omlandheal.com

Limited Liability Partnership of Corporations
Wayne Heal Ltd. Ryan Schulz Ltd.
Chris Newton Ltd. Kris Omland Ltd.
Andrew Nendick Inc.



Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated 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.
- 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 non-consolidated 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 non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

Omland Heal LLP

Chartered Professional Accountants

Penticton, BC
August 26, 2020

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Non-Consolidated Statement of Financial Position

March 31, 2020

	Operating Fund	WD Non-repayable Investment Fund	WD Non-repayable Community Business Fund	WD Conditionally Repayable Youth Investment Fund	WD Conditionally Repayable EDP Fund	Total 2020	(Restated) Total 2019
Assets							
Cash (Note 3)	\$ 27,792	\$ 1,995,971	\$ 268,705	\$ 192,457	\$ 8,749	\$ 2,493,674	\$ 2,647,957
Accounts receivable	18,020	-	-	-	-	18,020	14,565
Due from related party (Note 4)	53	127,896	-	(53)	-	127,896	220,249
Prepaid expenses	8,360	-	-	-	-	8,360	5,955
	54,225	2,123,867	268,705	192,404	8,749	2,647,950	2,888,726
Loans receivable (Note 5)	-	1,024,684	2,509,226	299,063	39,842	3,872,815	3,577,590
Tangible capital assets (Note 6)	720	-	-	-	-	720	900
Investment in subsidiaries (Note 7)	1	-	-	-	-	1	1
	\$ 54,946	\$ 3,148,551	\$ 2,777,931	\$ 491,467	\$ 48,591	\$ 6,521,486	\$ 6,467,217

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Non-Consolidated Statement of Financial Position

March 31, 2020

	Operating Fund	WD Non-repayable Investment Fund	WD Non-repayable Community Business Fund	WD Conditionally Repayable Youth Investment Fund	WD Conditionally Repayable EDP Fund	Total 2020	(Restated) Total 2019
Liabilities and Fund Balances							
Accounts payable and accrued liabilities <i>(Note 8)</i>	\$ 31,056	\$ (35)	\$ 4,647	\$ -	\$ -	\$ 35,668	\$ 49,335
Deferred income	32,563	-	-	-	-	32,563	23,692
Current portion of long term debt <i>(Note 9)</i>	-	-	187,465	-	-	187,465	175,607
Inter-fund balances payable <i>(Note 10)</i>	19,632	(114,606)	77,139	7,710	10,125	-	-
	83,251	(114,641)	269,251	7,710	10,125	255,696	248,634
Long term debt <i>(Note 9)</i>	-	-	666,212	-	-	666,212	797,428
	83,251	(114,641)	935,463	7,710	10,125	921,908	1,046,062
Fund balances							
Invested in tangible capital assets	720	-	-	-	-	720	1,872
Externally restricted funds <i>(Note 11)</i>	14,697	3,263,192	1,842,468	483,757	38,466	5,642,580	5,464,156
Unrestricted	(43,722)	-	-	-	-	(43,722)	(44,874)
	(28,305)	3,263,192	1,842,468	483,757	38,466	5,599,578	5,421,154
	\$ 54,946	\$ 3,148,551	\$ 2,777,931	\$ 491,467	\$ 48,591	\$ 6,521,486	\$ 6,467,216

Commitments *(Note 12)*

Approved by the Directors

_____ Director

_____ Director

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Non-Consolidated Statement of Operations

Year Ended March 31, 2020

	Operating Fund	WD Non-repayable Investment Fund	WD Non-repayable Community Business Fund	WD Conditionally Repayable Youth Investment Fund	WD Conditionally Repayable EDP Fund	Total 2020	(Restated) Total 2019
Revenue							
Interest from loans	\$ -	\$ 72,189	\$ 183,267	\$ 34,862	\$ 3,722	\$ 294,040	\$ 326,702
Operating contributions - WED	284,306	-	-	-	-	284,306	284,306
Operating contributions - SE	70,155	-	-	-	-	70,155	125,374
Interest transfers	71,181	-	-	-	-	71,181	49,355
Interest from bank and investments	690	31,806	3,548	2,581	111	38,736	31,044
Rental revenue	31,245	-	-	-	-	31,245	2,500
Loan administration fees	19,845	-	-	-	-	19,845	27,183
Bad debt recoveries	-	-	-	-	-	-	42,577
Management fees	-	-	-	-	-	-	18,000
Grants	-	-	-	-	-	-	9,135
	477,422	103,995	186,815	37,443	3,833	809,508	916,176

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See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Non-Consolidated Statement of Operations *(continued)*

Year Ended March 31, 2020

	Operating Fund	WD Non-repayable Investment Fund	WD Non-repayable Community Business Fund	WD Conditionally Repayable Youth Investment Fund	WD Conditionally Repayable EDP Fund	Total 2020	(Restated) Total 2019
Expenses							
Advertising and promotion	6,993	-	-	-	-	6,993	26,087
Amortization	2,222	-	-	-	-	2,222	396
Bad debts (recovery)	-	37,814	(19,358)	4,180	-	22,636	(73,879)
Bank charges	1,479	-	25	-	-	1,504	1,785
Business taxes, licences and memberships	1,608	-	-	-	-	1,608	1,893
Facilitators	29,471	-	-	-	-	29,471	76,482
Insurance	3,550	-	-	-	-	3,550	1,664
Interest on long term debt	-	-	59,782	-	-	59,782	131,511
Interest transfers	-	66,143	5,038	-	-	71,181	49,355
Meals and entertainment	3,753	-	-	-	-	3,753	3,383
Office	15,930	-	-	-	-	15,930	28,846
Professional fees	35,604	38	-	-	-	35,642	34,008
Rental	53,895	-	-	-	-	53,895	48,700
Repairs and maintenance	3,275	-	-	-	-	3,275	91
Salaries and wages	295,202	-	-	-	-	295,202	267,564
Telephone	3,304	-	-	-	-	3,304	5,113
Training	8,990	-	-	-	-	8,990	15,043
Travel	5,750	-	-	-	-	5,750	6,126
Utilities	6,396	-	-	-	-	6,396	-
	477,422	103,995	45,487	4,180	-	631,084	624,168
Excess of revenue over expenses	\$ -	\$ -	\$ 141,328	\$ 33,263	\$ 3,833	\$ 178,424	\$ 292,008

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Non-Consolidated Statement of Changes in Fund Balances

Year Ended March 31, 2020

	Operating Fund	WD Non-repayable Investment Fund	WD Non-repayable Community Business Fund	WD Conditionally Repayable Youth Investment Fund	WD Conditionally Repayable EDP Fund	Total 2020	(Restated) Total 2019
Fund balances - beginning of year	\$ (28,305)	\$ 3,263,192	\$ 1,701,140	\$ 450,494	\$ 34,633	\$ 5,421,154	\$ 5,129,146
Excess of revenue over expenses	-	-	141,328	33,263	3,833	178,424	292,008
Fund balances - end of year	\$ (28,305)	\$ 3,263,192	\$ 1,842,468	\$ 483,757	\$ 38,466	\$ 5,599,578	\$ 5,421,154

Invested in tangible capital assets is included in Operating Fund.

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Non-Consolidated Statement of Cash Flows

Year Ended March 31, 2020

	Operating Fund	WD Non-repayable Investment Fund	WD Non-repayable Community Business Fund	WD Conditionally Repayable Youth Investment Fund	WD Conditionally Repayable EDP Fund	Total 2020	(Restated) Total 2019
Operating activities							
Excess of revenue over expenses	\$ -	\$ -	\$ 141,328	\$ 33,263	\$ 3,833	\$ 178,424	\$ 292,008
Item not affecting cash:							
Amortization of tangible capital assets	2,222	-	-	-	-	2,222	396
	2,222	-	141,328	33,263	3,833	180,646	292,404
Changes in non-cash working capital:							
Accounts receivable	(4,298)	843	-	-	-	(3,455)	(3,578)
Accounts payable and accrued liabilities	(12,969)	(38)	(650)	-	-	(13,657)	(6,746)
Deferred income	8,871	-	-	-	-	8,871	22,747
Prepaid expenses	(2,405)	-	-	-	-	(2,405)	(2,741)
Interfund balances	15,158	(109,454)	77,139	7,657	9,500	-	-
	4,357	(108,649)	76,489	7,657	9,500	(10,646)	9,682
Cash flow from operating activities	6,579	(108,649)	217,817	40,920	13,333	170,000	302,086
Investing activities							
Purchase of tangible capital assets	(2,042)	-	-	-	-	(2,042)	(1,000)
Decrease (increase) in loans receivable	-	(95,944)	(239,086)	41,814	(7,655)	(300,871)	1,988,932
Increase (decrease) in allowance for doubtful loans	-	37,813	(19,358)	(12,820)	-	5,635	(95,277)
Cash flow from (used by) investing activities	(2,042)	(58,131)	(258,444)	28,994	(7,655)	(297,278)	1,892,655

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See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Non-Consolidated Statement of Cash Flows *(continued)*

Year Ended March 31, 2020

	Operating Fund	WD Non-repayable Investment Fund	WD Non-repayable Community Business Fund	WD Conditionally Repayable Youth Investment Fund	WD Conditionally Repayable EDP Fund	Total 2020	(Restated) Total 2019
Financing activities							
Due from related party	(53)	92,353	-	53	-	92,353	69,868
Repayment of long term financing	-	-	(119,358)	-	-	(119,358)	(1,401,963)
Cash flow from (used by) financing activities	(53)	92,353	(119,358)	53	-	(27,005)	(1,332,095)
Increase (decrease) in cash flow	4,484	(74,427)	(159,985)	69,967	5,678	(154,283)	862,646
Cash - beginning of year	23,308	2,070,398	428,690	122,490	3,071	2,647,957	1,785,311
Cash - end of year <i>(Note 3)</i>	\$ 27,792	\$ 1,995,971	\$ 268,705	\$ 192,457	\$ 8,749	\$ 2,493,674	\$ 2,647,957

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

1. Purpose of the Corporation

Community Futures Development Corporation of Okanagan-Similkameen (the "Corporation") is incorporated under Part 2 of the Canada Corporations Act without share capital. The Corporation is exempt from payment of income tax under Section 149(1) of the Income Tax Act.

The Corporation 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 Board's overall economic development plan and strategy for employment growth and recovery.

The Corporation 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.

2. Summary of significant accounting policies

Basis of presentation

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

Financial instruments policy

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

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

Financial assets measured at amortized cost on a straight-line basis include cash, accounts receivable and loans receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, deferred income and long-term debt.

Cash and cash equivalents

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

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COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

2. Summary of significant accounting policies (*continued*)

Loans receivable

Interest income is recorded on an accrual basis. The Corporation 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 on 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.

Investment in subsidiaries

The Corporation's investment in Southern Interior Development Corporation, a wholly owned subsidiary, is recorded using the cost method.

Tangible capital assets

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

Computer equipment	100% straight-line method
Furniture and fixtures	20% declining balance method

The Corporation regularly reviews its tangible capital assets to eliminate obsolete items.

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

Revenue recognition

The Corporation 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.

Revenue earned through sub-lease agreements is recognized in the period receivable and is included in the determination of net income over the lease term on a straight-line basis.

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COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

2. Summary of significant accounting policies (*continued*)

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 WD Conditionally Repayable EDP Fund 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.

Goods and Services Tax

Goods and service taxes ("GST") paid are recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

Use of estimates

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

Examples of significant estimates include:

- providing for amortization of tangible capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful loans;
- the recoverability of tangible assets;
- the recoverability of long-term loans.

3. Cash

	2020	2019
Loan accounts	\$ 2,465,882	\$ 2,624,649
Operating account	27,778	23,158
Petty cash	14	150
	<u>\$ 2,493,674</u>	<u>\$ 2,647,957</u>

4. Due from related parties

Southern Interior Development Corporation amount of \$127,896 (2019 - \$220,249) relates to the purchase of a building. It is repayable at a minimum of \$60,000 per year plus 1% interest, due on demand if funds are required for client loans.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

5. Loans receivable

	2020	(Restated) 2019
WD Non-repayable Investment Fund	\$ 1,102,089	\$ 1,006,155
WD Non-repayable Community Business Fund	2,509,226	2,270,141
WD Conditionally Repayable Youth Investment Fund	412,230	454,043
WD Conditionally Repayable EDP Fund	39,842	32,187
	\$ 4,063,387	\$ 3,762,526
Less: allowance for doubtful loans:		
Specific provision	\$ (190,572)	\$ (184,936)
	\$ 3,872,815	\$ 3,577,590
Allowance for doubtful loans		
Balance, beginning of year	\$ 184,936	\$ 280,213
Change in provision during the year	22,636	(39,439)
Amounts recovered	-	(42,577)
Write off during the year	(17,000)	(13,261)
	\$ 190,572	\$ 184,936

The loans receivable are due in monthly payments including interest at rates varying from 5% to 9% and are secured by one, or a combination, of debentures, personal guarantees, promissory notes, general security agreements, mortgages, and other charges on property. Included in the loans receivable are amounts related to partnership loans with various other Community Futures in the amount of \$853,677 (2019 - \$973,035).

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

The allowance as a percentage of total loans is 4.69% (2019 - 4.92%).

Included in the loans receivable balances are exceptional loans which individually have a principal portion outstanding greater than \$150,000:

- The WD Non-repayable Investment Fund includes one loan with a principal balance outstanding of \$158,328;
- The WD Non-repayable Community Business Fund includes three loans with individual principal balances outstanding of \$272,515, \$280,028, and \$300,000; and
- The WD Non-repayable Community Business Fund also includes one loan held in collaboration with various other Community Futures having a total outstanding balance of \$461,107; the portion of this balance issued by the Corporation is \$153,704.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

6. Tangible capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 2,042	\$ 2,042	\$ -	\$ -
Furniture and fixtures	1,000	280	720	900
	<u>\$ 3,042</u>	<u>\$ 2,322</u>	<u>\$ 720</u>	<u>\$ 900</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

7. Investment in subsidiaries

Southern Interior Development Corporation

Southern Interior Development Corporation ("SIDCO"), 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 consists of the rental of real property principally to the Corporation.

SIDCO has not been consolidated into the Corporation's financial statements. Financial summaries of this unconsolidated entity as at March 31, 2020 and 2019 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:

	2020	2019
Total assets	\$ 908,105	\$ 940,635
Total liabilities	(143,552)	(248,751)
Total net assets	\$ 764,553	\$ 691,884

Results of operations:

	2019	2018
Total revenue	\$ 157,959	\$ 177,218
Total expenses	(85,290)	(139,314)
Other expenses	-	(5,833)
Excess of revenues over expenses	\$ 72,669	\$ 32,071

Cash Flows:

	2019	2018
Cash from operations	\$ 96,160	\$ 90,585
Cash from investing activity	-	-
Cash from financing activity	(92,356)	(69,865)
Increase in cash	\$ 3,804	\$ 20,720

	Percent owned	Shares	2020	2019
Southern Interior Development Corporation	100%	1	\$ 1	\$ 1

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

8. Government remittances payable other than income tax

Government remittances (other than income taxes) include, for example, federal and provincial sales taxes, payroll deductions, health taxes, and workers' safety insurance premiums. The following government remittances were payable at year end:

	2020	2019
GST payable	\$ 8,230	\$ 4,641
WCB Payable	-	110
	\$ 8,230	\$ 4,751

9. Long term debt

Agreement #1 participants:

Community Futures Development Corporation North Fraser loan bearing interest at 7% per annum, repayable in interest-only payments up to and including May 2020, followed by alternating monthly blended payments of \$5,187 from May through September and \$1,750 from October through April. The loan matures on July 1, 2024.

\$ 141,258 \$ 144,993

Community Futures Development Corporation North Okanagan loan bearing interest at 7% per annum, repayable in interest-only payments up to and including May 2020, followed by alternating monthly blended payments of \$20,750 from May through September and \$1,750 from October through April. The loan matures on July 1, 2024.

141,258 144,993

Community Futures Development Corporation Alberni-Clayoquot loan bearing interest at 7% per annum, repayable in interest-only payments up to and including May 2020, followed by alternating monthly blended payments of \$5,187 from May through September and \$1,750 from October through April. The loan matures on July 1, 2024.

141,258 144,876

Agreement #2 participants:

Community Futures Development Corporation Boundary Area loan bearing interest at 6% per annum, repayable in monthly blended payments of \$1,665. The loan matures on August 1, 2024.

76,851 91,774

Community Futures Development Corporation North Okanagan loan bearing interest at 6% per annum, repayable in monthly blended payments of \$1,665. The loan matures on August 1, 2024.

76,851 91,774

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

9. Long term debt (continued)

	2020	2019
Community Futures Development Corporation Revelstoke loan bearing interest at 6% per annum, repayable in monthly blended payments of \$1,665. The loan matures on August 1, 2024.	76,851	91,774
Community Futures Development Corporation Cariboo-Chilcotin loan bearing interest at 6% per annum, repayable in monthly blended payments of \$1,110. The loan matures on August 1, 2024.	51,234	61,173
Community Futures Development Corporation Sun Country loan bearing interest at 6% per annum, repayable in monthly blended payments of \$555. The loan matures on August 1, 2024.	25,616	30,602
Agreement #3 participants:		
Community Futures Development Corporation North Fraser loan bearing interest at 7% per annum, repayable in monthly blended payments of \$2,456. The loan matures on June 1, 2022.	61,250	85,538
Community Futures Development Corporation Peace Liard loan bearing interest at 7% per annum, repayable in monthly blended payments of \$2,456. The loan matures on June 1, 2022.	61,250	85,538
	853,677	973,035
Less: amounts due within one year	(187,465)	(175,607)
	<u>\$ 666,212</u>	<u>\$ 797,428</u>

Principal repayment terms are approximately:

2021	\$ 187,465
2022	217,062
2023	186,597
2024	183,540
2025	79,013
	<u>\$ 853,677</u>

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

9. Long term debt (*continued*)

Agreement #1

During a prior year the Corporation 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 \$600,000. As per the agreement, the Corporation provided a portion of the loan to be advanced in the amount of \$150,000 and will administer the loan. The Corporation 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 land and building of a shareholder, personal guarantees of the shareholders and a general security agreement over the assets of the Corporation.

Agreement #2

During a prior year the Corporation 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, the Corporation provided a portion of the loan to be advanced in the amount of \$300,000 and will administer the loan. The Corporation 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.

Agreement #3

During a prior year the Corporation 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 \$400,000. As per the agreement, the Corporation provided a portion of the loan to be advanced in the amount of \$150,000 and will administer the loan. The Corporation 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 personal guarantees of the shareholders and a general security agreement over the assets of the Corporation.

10. Inter-fund balances payable

The inter-fund balances payable is due to various transactions occurring throughout the year. These transactions were in the normal course of business and were recorded at their fair value. The amounts outstanding are non-interest bearing and have no set repayment terms.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

11. Externally restricted funds

	2020	2019
Contributed capital:		
WD Non-repayable Community Business Fund	\$ 1,300,000	\$ 1,300,000
WD Non-repayable Investment Fund	900,000	900,000
WD Conditionally Repayable Youth Investment Fund	200,000	200,000
WD Conditionally Repayable EDP Fund	200,000	200,000
Operating Fund	14,697	14,697
Accumulated earnings (deficits):		
WD Non-repayable Community Business Fund	542,468	401,140
WD Non-repayable Investment Fund	2,363,192	2,363,192
WD Conditionally Repayable Youth Investment Fund	283,757	250,494
WD Conditionally Repayable EDP Fund	(161,534)	(165,367)
	\$ 5,642,580	\$ 5,464,156

Non-repayable Investment Funds:

The Investment Fund amount consists of the net asset balances transferred to the Corporation by Okanagan-Similkameen Community Futures Association and Okanagan-Similkameen Community Development Association on April 1, 1995 for consideration of \$1. These funds consist of non-repayable contributions totaling \$1,550,000 from the Federal Government of Canada.

As part of the creation of the Community Business Fund (formerly Forest Renewal Fund), \$650,000 was transferred from the Investment Fund and matched with a non-repayable contribution totaling \$650,000 from the Province of British Columbia.

Conditionally Repayable Investment Funds:

The Youth Investment Fund and the Disabled Entrepreneur Investment Fund consists of conditionally repayable contributions totaling \$200,000 each from the Federal Government of Canada. According to the Corporation's agreement with the Minister of Western Economic Diversification, in the event that any of the following conditions occur, the Minister is entitled to take any or all of the steps described in sections 2, 3 or 4 until the debt owing as a result of the Conditionally Repayable Investment Fund is fully repaid as outlined below:

- 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 of the Corporation, the Conditionally Repayable Investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of SMEs, and strengthening of the western Canadian economy; or
- c) In the opinion of the Minister, 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 Section 7; or
- e) An event of default occurs, as described in Section 7 of the Agreement; or
- f) The Minister does not approve terms and conditions to extend the Project beyond the Completion Date or the Corporation does not agree to extend the Project beyond the Completion Date.

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COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

11. Externally restricted funds (*continued*)

Upon 30 days written notice by the Minister, the Corporation agrees to immediately repay the lesser of:

- a) The uncommitted cash balance of the Conditionally Repayable Investment Fund, or
- b) The total amount paid by WD to the Corporation for the establishment and maintenance of the Conditionally Repayable Investment Fund.

12. Commitments

The Corporation signed a letter of credit with Prospera Credit Union for \$150,000 on May 18, 2018 for one of their loan clients. The letter of credit automatically renews for one-year intervals until notification of cancellation is made to the Credit Union. As of March 31, 2020, this letter of credit is still in effect.

The Corporation leases premises under a long term lease that expires on March 31, 2021. Under the lease, the Corporation is required to pay a base rent of \$33,870. In addition to the above base rent, the Corporation must pay additional rent for its proportionate share of common costs including property taxes, utilities, and strata fees for a total annual amount of \$21,004. The lease contains a three year renewal option.

Future minimum lease payments as at year end are as follows:

2021	\$ 54,874
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13. Economic dependence

Operating grants received from the Western Economic Diversification account for 62.3% (2019 - 55.1%) of total Operating Fund revenues in the current year.

14. Interfund interest transfers

Effective November 1, 2019, Western Economic Diversification Canada authorized a transfer of up to 75% of net growth to a maximum of \$100,000 per year for the fiscal years ending 2020, 2021. Total transfers during the year were \$71,181 (2019 - \$49,355) from the Loan Fund to the General Operating fund to support increased investment activity or undertake community-based project initiatives.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

15. Related parties

	2020	2019
<u>Related party transactions</u>		
Southern Interior Development Corporation (wholly owned subsidiary)		
Rent	\$ (53,895)	\$ (46,500)
Interest on debt	1,523	2,666
Management fee	-	18,000
Rent (Self-Employment program)	-	(900)
	<u>\$ (52,372)</u>	<u>\$ (26,734)</u>
Southern Interior Development Corporation		
Principal loan repayment	\$ 92,352	\$ 69,868
Loan issuance	(30,500)	-
	<u>\$ 61,852</u>	<u>\$ 69,868</u>

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

The Corporation has a management agreement with Southern Interior Development Corporation that expired on March 31, 2020. During the year, the board decided to refund these management fees as the new rent agreement beginning April 1, 2019 covers similar expenses.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2020

16. Financial instruments

The Corporation 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 Corporation's risk exposure and concentration as of March 31, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from customers. In order to reduce its credit risk, the Corporation 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 Corporation 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 Corporation is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

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

17. Correction of error

The prior period comparative figures have been restated to correct an error. During the previous year, accumulated interest on loans receivable and adjustments to bad debts were not properly recorded, causing fund balances and loans receivable to be incorrectly stated. The overall effect of this adjustment on the prior year's closing fund balance is an decrease of \$4,254 in the WD Non-repayable Investment Fund, an increase of \$18,580 in the WD Non-repayable Community Business Fund, an increase of \$11,004 in the WD Conditionally Repayable Youth Investment Fund, and an increase of \$150 in the WD Conditionally Repayable EDP Fund. The line items "Loans receivable" increased \$25,480, "Interest from loans" increased \$15,314 and "Bad debts" has a negative increase of \$10,166 in the comparative figures.