

Financial Statements of

**COMMUNITY FUTURES DEVELOPMENT  
CORPORATION, CENTRAL OKANAGAN**

Year ended March 31, 2015



**KPMG LLP**  
200 - 3200 Richter Street  
Kelowna BC V1W 5K9  
Canada

Telephone (250) 979-7150  
Fax (250) 763-0044  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Community Futures Development Corporation, Central Okanagan which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Development Corporation, Central Okanagan as at March 31, 2015, and its results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations. As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceeding period.

A handwritten signature in black ink that reads "KPMG LLP". The letters are stylized and cursive.

Chartered Accountants

June 24, 2015

Kelowna, Canada

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

## Statement of Financial Position

March 31, 2015 with comparative information for 2014

	Restricted Loan and Program Funds	General Fund	2015	2014
<b>Assets</b>				
Cash	\$ 787,995	\$ 48,711	\$ 836,706	\$ 964,705
Accounts receivable	13,902	14,653	28,555	17,811
Prepaid expenses and deposits	-	6,171	6,171	6,367
Loans receivable (note 2)	1,991,306	-	1,991,306	1,947,081
Tangible capital assets (note 3)	-	5,057	5,057	7,462
Interfund balances	(14,006)	14,006	-	-
	<b>\$ 2,779,197</b>	<b>\$ 88,598</b>	<b>\$ 2,867,795</b>	<b>\$ 2,943,426</b>

## Liabilities and Fund Balances

### Liabilities:

Accounts payable and accrued liabilities	\$ -	\$ 43,084	\$ 43,084	\$ 37,810
Conditionally repayable contributions (note 4)	1,133,263	-	1,133,263	1,133,187
Advances from related party	-	-	-	23,508
	<b>1,133,263</b>	<b>43,084</b>	<b>1,176,347</b>	<b>1,194,505</b>

### Fund balances:


Restricted loan and program funds	1,645,934	-	1,645,934	1,764,218
Investment in tangible capital assets	-	5,057	5,057	7,462
General fund	-	40,457	40,457	(22,759)
	<b>1,645,934</b>	<b>45,514</b>	<b>1,691,448</b>	<b>1,748,921</b>

	<b>\$ 2,779,197</b>	<b>\$ 88,598</b>	<b>\$ 2,867,795</b>	<b>\$ 2,943,426</b>
--	---------------------	------------------	---------------------	---------------------

See accompanying notes to financial statements

On behalf of the Board:

  
Director

  
Director

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

## Statement of Operations

Year ended March 31, 2015 with comparative information for 2014

	Restricted Loan and Program Funds	General Fund	2015	2014
<b>Revenue:</b>				
Federal government				
agency contributions	\$ 105,393	\$ 282,141	\$ 387,534	\$ 412,931
Administration recovery	-	9,957	9,957	13,657
Client fees and other revenue	-	241,439	241,439	162,873
Interest income - loans	167,620	-	167,620	151,721
Interest income - bank	2,889	-	2,889	3,889
Community economic				
development initiatives	-	179	179	1,750
Business development donation (note 5)	62,188	-	62,188	-
	338,090	533,716	871,806	746,821
<b>Expenses:</b>				
Administration	-	13,388	13,388	15,737
Advertising	2,575	51,190	53,765	48,827
Allowances paid to participants	43,860	-	43,860	62,100
Amortization	-	2,405	2,405	3,578
Loan impairment provision	350,643	-	350,643	155,726
Office and general	1,413	11,002	12,415	13,464
Insurance	-	3,917	3,917	3,267
Interest and bank charges	32	937	969	66
Professional development	-	1,219	1,219	1,759
Professional fees	19,879	30,982	50,861	53,064
Rent and utilities	3,353	56,765	60,118	57,042
Repairs and maintenance	1,908	17,496	19,404	12,501
Telephone	598	2,500	3,098	4,834
Travel	343	3,690	4,033	5,629
Wages and benefits	31,181	277,927	309,108	330,779
	455,785	473,418	929,203	768,373
<b>Excess (deficiency) of</b>				
revenue over expenses	\$ (117,695)	\$ 60,298	\$ (57,397)	\$ (21,552)

See accompanying notes to financial statements.

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

## Statements of Changes in Fund Balances

Year ended March 31, 2015, with comparative figures for 2014

	Restricted and Program Funds	Investment in Tangible Capital Assets	General Fund	Total
Fund balances, March 31, 2013	\$ 1,794,937	\$ 10,414	\$ (17,138)	\$ 1,788,213
Excess (deficiency) of revenue over expenses	21	(3,578)	(17,995)	(21,552)
Transfer of fund balances:				
Loan interest transfer	(13,000)	-	13,000	-
Conditionally repayable contributions	(17,740)	-	-	(17,740)
Investment in tangible capital assets	-	626	(626)	-
Fund balances, March 31, 2014	1,764,218	7,462	(22,759)	1,748,921
Excess (deficiency) of revenue over expenses	(117,695)	(2,405)	62,703	(57,397)
Transfer of fund balances:				
Transfers	(513)	-	513	-
Conditionally repayable contributions	(76)	-	-	(76)
Fund balances, March 31, 2015	\$ 1,645,934	\$ 5,057	\$ 40,457	\$ 1,691,448

See accompanying notes to financial statements.

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

## Statement of Cash Flows

Year ended March 31, 2015 with comparative information for 2014

	Restricted Loan and Program Funds	General Fund	2015	2014
Cash flows from operating activities:				
Cash receipts from government and other sources	\$ 156,297	\$ 534,256	\$ 690,553	\$ 585,921
Cash paid to employees and suppliers	(105,142)	(464,606)	(569,748)	(624,893)
Interest paid	-	(937)	(937)	(28,066)
Interest received	170,509	-	170,509	186,130
	221,664	68,713	290,377	119,092
Cash flows from investing activities:				
Loans receivable issued	(938,024)	-	(938,024)	(818,553)
Repayment of loans receivable	543,156	-	543,156	536,987
Purchase of tangible capital assets	-	-	-	(626)
	(394,868)	-	(394,868)	(282,192)
Cash flows from financing activities:				
Net advances to related party	-	(23,508)	(23,508)	(3,608)
Net interfund advances	9,894	(9,894)	-	-
	9,894	(33,402)	(23,508)	(3,608)
Increase (decrease) in cash	(163,310)	35,311	(127,999)	(166,708)
Cash, beginning of year	951,305	13,400	964,705	1,131,413
Cash, end of year	\$ 787,995	\$ 48,711	\$ 836,706	\$ 964,705

See accompanying notes to financial statements.

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements

Year ended March 31, 2015

---

Community Futures Development Corporation, Central Okanagan (the "Corporation") was incorporated under the Society Act (British Columbia) on February 27, 1997 and registered with Industry Canada under the Canada Corporations Act on March 31, 1995 for the purpose of providing loans, advice to regional businesses and assistance to individuals to become self-employed or start their own business. The Company is a non-profit organization under the Income Tax Act, and accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

## 1. Significant accounting policies:

### (a) Basis of presentation:

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

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

#### i) Restricted loan and program funds:

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

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

- Conditionally repayable investment fund, which was created under the terms of a contribution agreement with WD (note 4). Loans issued from the fund are categorized as follows:
  - WD general loan investment funds, which are used to loan money for high-risk ventures.
  - Disabled entrepreneur loan investment fund, which is used for loans, loan guarantees and equity investments in businesses owned and operated by disabled entrepreneurs.
  - Youth loan investment fund, which is used for loans, loan guarantees and equity investments in businesses owned and operated by youths.
- Community business investment fund, which is used to provide loans, business counselling and training to small and medium sized enterprises operating in the following industries: clean and renewable energy, technology, aquaculture, manufacturing, tourism, and exporting. The fund was initially financed by a \$350,000 contribution from the Province of British Columbia.



# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2015

---

## 1. Significant accounting policies (continued):

### (a) Basis of presentation: (continued):

#### i) Restricted loan and program funds:

- CFDC general investment fund, which the Corporation uses to fund loans for other ventures.
- Youth Means Business program, which provides entrepreneurial training for youth starting a new small business and employment skills training for youth who are not eligible for employment insurance.
- Business development fund, which is a fund established by the Corporation's Board for future program development.

#### ii) General fund:

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

### (b) Tangible capital assets:

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

Asset	Rate
Furniture and fixtures	20%
Computer equipment	30 - 55%

### (c) Revenue recognition:

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

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

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2015

---

## 1. Significant accounting policies (continued):

### (d) Loans receivable:

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

### (e) Contributed services:

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

### (f) Financial instruments:

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

### (g) Use of estimates:

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

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 2. Loans receivable:

<b>March 31, 2015</b>						
	<u>Conditionally repayable loan investment fund</u>			Community business investment fund	CFDC general investment fund	Total
	WD General	Disabled Entrepreneur	Youth			
Loan balance	\$ 715,452	\$ 11,817	\$ 120,557	\$ 250,264	\$ 1,196,067	\$ 2,294,157
Accrued interest and charges	3,672	146	518	890	14,212	19,438
	719,124	11,963	121,075	251,154	1,210,279	2,313,595
Less allowance	(96,297)	(7,026)	-	(63,399)	(155,567)	(322,289)
	\$ 622,827	\$ 4,937	\$ 121,075	\$ 187,755	\$ 1,054,712	\$ 1,991,306

<b>March 31, 2014</b>						
	<u>Conditionally repayable loan investment fund</u>			Community business investment fund	CFDC general investment fund	Total
	WD General	Disabled Entrepreneur	Youth			
Loan balance	\$ 554,201	\$ 22,119	\$ 130,750	\$ 204,944	\$ 1,288,381	\$ 2,200,395
Accrued interest and charges	2,233	167	595	708	7,770	11,473
	556,434	22,286	131,345	205,652	1,296,151	2,211,868
Less allowance	(27,800)	(7,026)	-	(39,941)	(190,020)	(264,787)
	\$ 528,634	\$ 15,260	\$ 131,345	\$ 165,711	\$ 1,106,131	\$ 1,947,081

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2015

---

## 2. Loans receivable: (continued)

### a) Conditionally repayable loan investment fund:

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

- WD general investment fund loans consists of sixteen loans outstanding ranging from \$686 to \$130,185 with terms of five years and interest rates varying from 8.50% to 10.75%.
- Disabled entrepreneur loan investment fund consists of two loans of \$7,026 and \$4,792 with terms of five years and interest rates of 10.00% and 9.00% respectively.
- Youth loan investment fund consists of nine loans ranging from \$2,323 to \$37,117 with terms of five years and interest rates varying from 8.50% to 9.00%.

### b) Community business loan investment fund:

Loans outstanding in the Corporation's Community business loan investment fund consist of seven loans ranging from \$3,716 to \$144,296 with terms of five years and interest rates varying from 8.50% to 10.75%.

### c) CFDC general loan investment fund:

Loans outstanding in the Corporation's general loan investment fund consist of twenty loans ranging from \$6,619 to \$146,160 with terms of five years and interest rates varying from 8.50% to 10.50%. The fund also include a syndicated loan with other Community Futures organizations. The syndicated loan has an outstanding balance as at March 31, 2015 of \$374,432, a term of five years and bears interest at 9.0%. The Corporation's portion of the syndicated loan as at March 31, 2015 amounted to \$149,778.

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 3. Tangible capital assets:

				2015	2014
	Cost	Accumulated amortization		Net book value	Net book value
Furniture and fixtures	\$ 57,662	\$ 56,202	\$	1,460	\$ 1,825
Computer equipment	33,368	29,771	\$	3,597	5,637
	\$ 91,030	\$ 85,973	\$	5,057	7,462

## 4. Conditionally repayable contributions:

Conditionally repayable contribution balances consist of WD contributions of \$999,931 (2014 - \$997,379) and Province of British Columbia contributions of \$133,332 (2014 - \$135,808) which are described below.

### i) WD

Conditionally repayable contributions with WD are provided pursuant to the Corporation's contribution agreement with WD, which expired on March 31, 2015. A new three-year agreement with WD was signed on April 1, 2015. Conditionally repayable contributions from WD are accumulated in the Corporation's Conditionally Repayable Investment Fund, which includes loans issued from the contribution proceeds and uncommitted cash balances. The Conditionally Repayable Investment Fund balance as at March 31, 2015 was \$1,171,669 (2014 - \$1,194,238). The contribution agreement provides that WD is entitled to take certain actions to recover its contributions if any of the following conditions occur:

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

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2015

---

## 4. Conditionally repayable contributions (continued):

### (i) WD (continued)

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

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

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

### ii) Community Business Program

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

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

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2015

---

## **5. Related party transactions:**

The Corporation is related to the Central Okanagan Business Development Centre Association ("COBDC"), as the majority of the Corporation's directors are also directors of the COBDC. COBDC is a non-profit organization under the Income Tax Act, and accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met. As at March 31, 2015, by way of a Board motion, COBDC ceased operations and donated its net cash assets to the Corporation.

Transactions with COBDC for the year consist of rent expense of \$40,536 (2014 - \$47,743) and donation revenue of \$62,188.

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.

## **6. Economic dependence:**

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

## **7. Financial risks:**

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