

Financial Statements of

**COMMUNITY FUTURES DEVELOPMENT
CORPORATION, CENTRAL OKANAGAN**

Year ended March 31, 2016



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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, 2016, 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, 2016, 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' in a cursive, stylized font.

Chartered Professional Accountants

June 28, 2016

Kelowna, Canada

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statement of Financial Position

March 31, 2016 with comparative information for 2015

	Restricted Loan and Program Funds	General Fund	2016	2015
Assets				
Cash	\$ 986,022	\$ 143,629	\$ 1,129,651	\$ 836,706
Accounts receivable	-	30,374	30,374	28,555
Prepaid expenses and deposits	-	3,354	3,354	6,171
Loans receivable (note 2)	1,929,162	-	1,929,162	1,991,306
Tangible capital assets (note 3)	-	283	283	5,057
Interfund balances	70,601	(70,601)	-	-
	<u>\$ 2,985,785</u>	<u>\$ 107,039</u>	<u>\$ 3,092,824</u>	<u>\$ 2,867,795</u>

Liabilities and Fund Balances

Liabilities:

Accounts payable and accrued liabilities	\$ -	\$ 56,230	\$ 56,230	\$ 43,084
Deferred revenue	-	23,695	23,695	-
Conditionally repayable contributions (note 4)	1,153,718	-	1,153,718	1,133,263
	<u>1,153,718</u>	<u>79,925</u>	<u>1,233,643</u>	<u>1,176,347</u>

Fund balances:

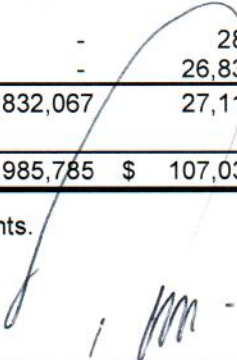
Restricted loan and program funds	1,832,067	-	1,832,067	1,660,509
Investment in tangible capital assets	-	283	283	5,057
General fund	-	26,831	26,831	25,882
	<u>1,832,067</u>	<u>27,114</u>	<u>1,859,181</u>	<u>1,691,448</u>
	<u>\$ 2,985,785</u>	<u>\$ 107,039</u>	<u>\$ 3,092,824</u>	<u>\$ 2,867,795</u>

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, 2016 with comparative information for 2015

	Restricted Loan and Program Funds	General Fund	2016	2015
Revenue:				
Federal government				
agency contributions	\$ 43,970	\$ 282,141	\$ 326,111	\$ 387,534
Administration recovery	-	9,620	9,620	9,957
Client fees and other revenue	289,217	33,558	322,775	241,439
Interest income - loans	164,948	-	164,948	167,620
Interest income - bank	982	-	982	2,889
Community economic development initiatives	-	1,335	1,335	179
<u>Business development donation (note 5)</u>	-	-	-	62,188
	499,117	326,654	825,771	871,806
Expenses:				
Administration	-	24,383	24,383	3,733
Advertising	250	22,750	23,000	19,123
Allowances paid to participants	23,740	-	23,740	43,860
Amortization	-	345	345	2,405
Insurance	1,577	2,656	4,233	3,917
Interest and bank charges	30	1,917	1,947	969
Loan impairment provision	30,330	-	30,330	350,643
Office and general	9,735	6,959	16,694	16,581
Professional development	-	-	-	1,219
Professional fees	8,540	20,607	29,147	45,825
Program costs	67,252	-	67,252	52,566
Rent and utilities	29,345	25,846	55,191	52,718
Repairs and maintenance	6,388	12,027	18,415	19,404
Telephone	1,917	754	2,671	3,098
Travel	1,090	3,438	4,528	4,033
Wages and benefits	126,911	204,368	331,279	309,109
Loss on write-down of tangible capital assets	-	4,429	4,429	-
	307,105	330,479	637,584	929,203
Excess (deficiency) of revenue over expenses	\$ 192,012	\$ (3,825)	\$ 188,187	\$ (57,397)

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statements of Changes in Fund Balances

Year ended March 31, 2016, with comparative figures for 2015

	Restricted Loan and Program Funds	Investment in Tangible Capital Assets	General Fund	Total
Fund balances, March 31, 2014	\$ 1,731,137	\$ 7,462	\$ 10,322	\$ 1,748,921
Excess (deficiency) of revenue over expenses	(70,039)	(2,405)	15,047	(57,397)
Transfer of fund balances:				
Transfers	(513)	-	513	-
Conditionally repayable contributions	(76)	-	-	(76)
Fund balances, March 31, 2015	1,660,509	5,057	25,882	1,691,448
Excess (deficiency) of revenue over expenses	192,012	(4,774)	949	188,187
Transfer of fund balances:				
Conditionally repayable contributions	(20,454)	-	-	(20,454)
Fund balances, March 31, 2016	\$ 1,832,067	\$ 283	\$ 26,831	\$ 1,859,181

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statement of Cash Flows

Year ended March 31, 2016 with comparative information for 2015

	Restricted Loan and Program Funds	General Fund	2016	2015
Cash flows from operating activities:				
Cash receipts from government and other sources	\$ 361,664	\$ 320,053	\$ 681,717	\$ 690,553
Cash paid to employees and suppliers	(276,741)	(307,825)	(584,566)	(569,748)
Interest paid	(30)	(1,917)	(1,947)	(937)
Interest received	174,079	-	174,079	170,509
	258,972	10,311	269,283	290,377
Cash flows from investing activities:				
Loans receivable issued	(630,460)	-	(630,460)	(938,024)
Repayment of loans receivable	654,122	-	654,122	543,156
	23,662	-	23,662	(394,868)
Cash flows from financing activities:				
Net advances to related party	-	-	-	(23,508)
Net interfund advances	(84,607)	84,607	-	-
	(84,607)	84,607	-	(23,508)
Increase (decrease) in cash	198,027	94,918	292,945	(127,999)
Cash, beginning of year	787,995	48,711	836,706	964,705
Cash, end of year	\$ 986,022	\$ 143,629	\$ 1,129,651	\$ 836,706

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements

Year ended March 31, 2016

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 Corporation's significant accounting policies are as follows:

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

i) Restricted loan and program funds:

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

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

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

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(a) Basis of presentation: (continued):

i) Restricted loan and program funds:

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

ii) General fund:

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

(b) Tangible capital assets:

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

Asset	Rate
Furniture and fixtures	20%
Computer equipment	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.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

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

(d) Loans receivable:

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

(e) Contributed services:

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

(f) Financial instruments:

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

(g) Use of estimates:

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

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Loans receivable:

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

March 31, 2015						
	<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

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2016

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 nineteen loans outstanding ranging from \$264 to \$117,261 with terms of five years and interest rates varying from 8.50% to 10.75%.
- Disabled entrepreneur loan investment fund consists of three loans of \$2,241, \$7,025 and 106,703 with terms of two and a half to five years and interest rates of 9.00% to 10.00%.
- Youth loan investment fund consists of eight loans ranging from \$1,826 to \$27,912 with terms of five years and interest rates at 9.00%.

b) Community business loan investment fund:

Loans outstanding in the Corporation's Community business loan investment fund consist of six loans ranging from \$12,525 to \$125,181 with terms of five years and interest rates varying from 9.00% to 10.75%.

c) CFDC general loan investment fund:

Loans outstanding in the Corporation's general loan investment fund consist of twenty three loans ranging from \$10,350 to \$120,694 with terms of two to five years and interest rates varying from 8.50% to 10.50%.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Tangible capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 57,662	\$ 57,662	\$ -	\$ 1,460
Computer equipment	33,368	33,085	283	3,597
	\$ 91,030	\$ 90,747	\$ 283	\$ 5,057

4. Conditionally repayable contributions:

Conditionally repayable contribution balances consist of WD contributions of \$1,009,354 (2015 - \$999,931) and Province of British Columbia contributions of \$144,364 (2015 - \$133,332) which are described below.

i) WD

Conditionally repayable contributions with WD are provided pursuant to the Corporation's contribution agreement with WD, which expires on March 31, 2018. Conditionally repayable contributions from WD are accumulated in the Corporation's Conditionally Repayable Investment Fund, which includes loans issued from the contribution proceeds and uncommitted cash balances. Total assets in the Conditionally Repayable Investment Fund as at March 31, 2016 was \$1,214,122 (2015 - \$1,171,669). 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, 2016

4. Conditionally repayable contributions (continued):

(i) WD (continued)

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

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

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

ii) Community Business Program

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

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

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Economic dependence:

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

6. Financial risks:

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

7. Comparative figures:

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