

Financial Statements of

**COMMUNITY FUTURES DEVELOPMENT  
CORPORATION, CENTRAL OKANAGAN**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the financial statements of Community Futures Development Corporation, Central Okanagan (the "Corporation"), which comprise:

- the statement of financial position as at March 31, 2020
  - the statement of operations for the year then ended
  - the statement of changes in fund balances for the year then ended
  - the statement of cash flows for the year then ended
  - and notes to the financial statements, including a summary of significant accounting policies
- (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and its results of operations and its cash flows 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.



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

### **Responsibilities of Management and Those Charged With Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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.

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- 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.

*KPMG LLP*

Chartered Professional Accountants

June 24, 2020

Kelowna, Canada

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	Restricted	Unrestricted	2020	2019
<b>Assets</b>				
Cash	\$ 833,944	\$ 149,305	\$ 983,249	\$ 1,429,128
Accounts receivable	-	25,058	25,058	25,070
Prepaid expenses and deposits	-	3,426	3,426	1,922
Small business investments (note 2)	2,825,959	-	2,825,959	2,117,207
Tangible capital assets (note 3)	-	5,043	5,043	3,557
Interfund balances	(100)	100	-	-
	<u>\$ 3,659,803</u>	<u>\$ 182,932</u>	<u>\$ 3,842,735</u>	<u>\$ 3,576,884</u>

## Liabilities and Fund Balances

### Liabilities:

Accounts payable and accrued liabilities	\$ -	\$ 66,523	\$ 66,523	\$ 62,582
Demand loan (note 4)	227,259	-	227,259	-
Deferred revenue	-	23,512	23,512	23,512
Conditionally repayable contributions (note 5)	1,159,280	-	1,159,280	1,142,853
	<u>1,386,539</u>	<u>90,035</u>	<u>1,476,574</u>	<u>1,228,947</u>

### Fund balances:

Restricted	2,273,264	-	2,273,264	2,209,160
Investment in tangible capital assets	-	5,043	5,043	3,557
Unrestricted	-	87,854	87,854	135,220
	<u>2,273,264</u>	<u>92,897</u>	<u>2,366,161</u>	<u>2,347,937</u>

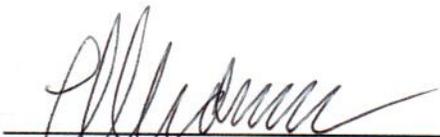
### Commitments (note 6)

	<u>\$ 3,659,803</u>	<u>\$ 182,932</u>	<u>\$ 3,842,735</u>	<u>\$ 3,576,884</u>
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See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
General Manager

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

## Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	Restricted	Unrestricted	2020	2019
<b>Revenue:</b>				
Federal government				
agency contributions	\$ -	\$ 282,141	\$ 282,141	\$ 282,141
Administration recovery	-	15,766	15,766	11,670
Client fees and other revenue	-	222,845	222,845	285,864
Interest - loans	221,641	-	221,641	193,692
Interest - bank	3,133	-	3,133	2,161
	<u>224,774</u>	<u>520,752</u>	<u>745,526</u>	<u>775,528</u>
<b>Expenses:</b>				
Administration	-	4,692	4,692	3,485
Amortization	-	2,935	2,935	3,619
Business development	-	8,984	8,984	8,567
Consultants	-	69,475	69,475	67,631
Insurance	-	3,650	3,650	3,697
Interest and bank charges	7,966	1,262	9,228	3,083
Investment impairment provision	111,277	-	111,277	44,920
Office and general	-	18,766	18,766	17,926
Professional fees	-	26,366	26,366	25,927
Program costs	-	1,571	1,571	6,896
Rent and utilities	-	55,975	55,975	57,146
Repairs and maintenance	-	13,080	13,080	12,696
Telephone	-	3,806	3,806	3,649
Travel	-	5,589	5,589	6,965
Wages and benefits	-	375,481	375,481	375,993
	<u>119,243</u>	<u>591,632</u>	<u>710,875</u>	<u>642,201</u>
Excess (deficiency) of				
revenue over expenses	\$ 105,531	\$ (70,880)	\$ 34,651	\$ 133,327

See accompanying notes to financial statements.

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

## Statements of Changes in Fund Balances

Year ended March 31, 2020, with comparative figures for 2019

<b>Year ended March 31, 2020</b>	Restricted	Investment in Tangible Capital Assets	Unrestricted	Total
Fund balances, March 31, 2019	\$ 2,209,160	\$ 3,557	\$ 135,220	\$ 2,347,937
Excess (deficiency) of revenue over expenses:	105,531	(2,935)	(67,945)	34,651
Transfer of fund balances:				
Loan interest transfer	(25,000)	-	25,000	-
Conditionally repayable contributions	(16,427)	-	-	(16,427)
Acquisition of tangible capital assets	-	4,421	(4,421)	-
<b>Fund balances, March 31, 2020</b>	<b>\$ 2,273,264</b>	<b>\$ 5,043</b>	<b>\$ 87,854</b>	<b>\$ 2,366,161</b>

<b>Year ended March 31, 2019</b>	Restricted	Investment in Tangible Capital Assets	Unrestricted	Total
Fund balances, March 31, 2018	\$ 1,993,433	\$ 5,983	\$ 148,500	\$ 2,147,916
Excess (deficiency) of revenue over expenses:	149,033	(3,619)	(12,087)	133,327
Transfer of fund balances:				
Conditionally repayable contributions	66,694	-	-	66,694
Acquisition of tangible capital assets	-	1,193	(1,193)	-
<b>Fund balances, March 31, 2019</b>	<b>\$ 2,209,160</b>	<b>\$ 3,557</b>	<b>\$ 135,220</b>	<b>\$ 2,347,937</b>

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

## Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	Restricted	Unrestricted	2020	2019
Cash flows from operating activities:				
Cash receipts from government and other sources	\$ -	\$ 520,765	\$ 520,765	\$ 598,968
Cash paid to employees and suppliers	-	(586,262)	(586,262)	(596,333)
Interest received	216,210	-	216,210	194,054
	216,210	(65,497)	150,713	196,469
Cash flows from investing activities:				
Small business investments	(1,852,958)	-	(1,852,958)	(434,720)
Repayment of small business investments	1,033,528	-	1,033,528	789,455
Purchase of tangible capital assets		(4,421)	(4,421)	(1,192)
	(819,430)	(4,421)	(823,851)	353,543
Cash flows from financing activities:				
Net proceeds from demand loan	227,259	-	227,259	-
Net interfund advances	(24,839)	24,839	-	-
	202,420	24,839	227,259	353,543
Increase (decrease) in cash	(400,800)	(45,079)	(445,879)	903,555
Cash, beginning of year	1,234,744	194,384	1,429,128	878,896
Cash, end of year	\$ 833,944	\$ 149,305	\$ 983,249	\$ 1,782,451

See accompanying notes to financial statements.

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements

Year ended March 31, 2020

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Community Futures Development Corporation, Central Okanagan (the "Corporation") was incorporated under the Canada Corporations Act on March 31, 1995 and transitioned to the Canada Not-For-Profit Corporations Act on September 18, 2014 and extra-provincially registered in British Columbia under the Society Act on February 27, 1997 for the purpose of providing loans, advice to regional businesses and assistance to individuals to become self-employed or start their own business. The Company is a non-profit organization under the Income Tax Act (Canada), and accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

The COVID-19 pandemic has led to a temporary disruption of the Corporation's operations - specifically related to the Corporation's small business investments. As a result of the current challenging economic climate, the Corporation has allowed for a temporary deferral of principal and/or interest payments scheduled for subsequent to March 31, 2020 for a significant number of loans outstanding.

Subsequent to March 31, 2020, the Corporation, in partnership with the Minister of Western Economic Diversification Canada, has opened a new Fund, the Regional Relief and Recovery Fund, to provide support to enterprises that are ineligible for other federal government COVID-19 support programming.

The extent to which COVID-19 impacts the Corporation's future operations and financial position will depend on numerous evolving factors including, but not limited to, the magnitude and duration of COVID-19; the extent to which it will impact worldwide macroeconomic conditions, including interest rates, and market prices; and governmental and business reactions to the pandemic. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and an estimate of the financial effect is not practicable at this time.

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

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

(a) Basis of presentation: (continued):

i) Restricted funds:

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

Restricted contributions from 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 5). 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 loans program, which is used to provide loans, business counselling and training to small and medium sized enterprises operating in the following industries: clean and renewable energy, technology, aquaculture, manufacturing, eco/cultural tourism, and exporting.
- Community Futures Development Corporation ("CFDC") general investment fund, which the Corporation uses to fund loans and equity investments for other ventures.

ii) Unrestricted funds:

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

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (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
Computer equipment	55%
Furniture and fixtures	20%

### (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 that are classified as impaired.

### (d) Small business investments:

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

i) Loans receivable consists of loans made out of the Corporation's restricted loan and 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.

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

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

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

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 2. Small business investments:

<b>March 31, 2020</b>						
	<u>Conditionally repayable loan investment fund</u>			Community business investment fund	CFDC general investment fund	Total
	WD General	Disabled Entrepreneur	Youth			
Loan balances	\$ 1,262,125	\$ 55,905	\$ 227,175	\$ 363,568	\$ 1,128,170	\$ 3,036,943
Accrued interest and charges	5,837	376	402	2,315	5,777	14,707
Equity investments	-	-	-	-	72,500	72,500
	1,267,962	56,281	227,577	365,883	1,206,447	3,124,150
Less allowance	(161,313)	-	-	-	(136,878)	(298,191)
	\$ 1,106,649	\$ 56,281	\$ 227,577	\$ 365,883	\$ 1,069,569	\$ 2,825,959

<b>March 31, 2019</b>						
	<u>Conditionally repayable loan investment fund</u>			Community business investment fund	CFDC general investment fund	Total
	WD General	Disabled Entrepreneur	Youth			
Loan balances	\$ 834,859	\$ 41,544	\$ 44,378	\$ 267,938	\$ 1,062,683	\$ 2,251,402
Accrued interest and charges	3,914	164	183	1,207	8,642	14,110
Equity investments	-	-	-	-	47,500	47,500
	838,773	41,708	44,561	269,145	1,118,825	2,313,012
Less allowance	(87,375)	-	-	-	(108,430)	(195,805)
	\$ 751,398	\$ 41,708	\$ 44,561	\$ 269,145	\$ 1,010,395	\$ 2,117,207

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 2. Small business investments: (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 twenty-eight loans outstanding ranging from \$1,779 to \$149,981 with terms of three to five years and interest rates varying from 9.00% to 10.75%.
- Disabled entrepreneur investment fund loans consists of two loans outstanding of \$10,450 and \$45,454 with terms of five years and interest rates at 9.00%.
- Youth investment fund loans consists of eight loans ranging from \$1,244 to \$129,708 with terms of three to five years and interest rates at 9.00%.

### b) Community business loans program:

Loans outstanding in the Corporation's community business loans program consist of six loans ranging from \$16,170 to \$150,000 with terms of five years and interest rates at 9.00%.

### c) CFDC general investment fund:

Loans outstanding in the Corporation's general investment fund consist of twenty-five loans ranging from \$3,571 to \$145,713 with terms of three to five years and interest rates of 9.00%. The fund also includes syndicated loans with other Community Futures organizations. The syndicated loans have an outstanding balance as at March 31, 2020 of \$245,433, terms of five years and bear interest at 9.0% - 10.0%. The Corporation's portion of the syndicated loans as at March 31, 2019 is \$96,672 (2019 - \$97,197).

Equity investments as at March 31, 2020 consists the following:

	2020	2019
15 common shares in a British Columbia community investment corporation	\$ 25,000	\$ -
105,442 common shares in a British Columbia private corporation	47,500	47,500
	\$ 72,500	\$ 47,500
Impairment allowance	(47,500)	-
	\$ 25,000	\$ 47,500

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2020

### 3. Tangible capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 43,290	\$ 39,465	\$ 3,825	\$ 3,557
Furniture and fixtures	55,972	54,754	1,218	-
	\$ 99,262	\$ 94,219	\$ 5,043	\$ 3,557

### 4. Demand loan:

The Corporation has an available demand line of credit facility, with a limit of \$500,000. Amounts borrowed bear interest at the Royal Bank of Canada's prime commercial lending rate and are secured by a general security agreement. The loan is repayable on demand, or no later than August 2024, with interest only payments due monthly.

### 5. Conditionally repayable contributions:

Conditionally repayable contributions were initially financed by WD and the Province of British Columbia. Initial WD contributions consist of \$650,000 to the WD general fund, \$200,000 to the youth fund, and \$200,000 to the disabled entrepreneurs fund. The initial Province of British Columbia contribution consists of a \$350,000 contribution, with a matching contribution of \$350,000 from the CFDC general investment fund. The balance of WD contributions as at March 31, 2020 is \$965,881 (2019 - \$960,240) and Province of British Columbia contributions of \$193,413 (2019 - \$182,613) 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, 2021. Conditionally repayable contributions from WD are accumulated in the Corporation's conditionally repayable loan investment fund, which includes loans issued from the contribution proceeds and uncommitted cash balances. Total assets in the conditionally repayable loan investment fund as at March 31, 2020 was \$1,546,972 (2019 - \$1,299,952). 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 loan investment fund is not administered according to the terms and conditions specified in this agreement; or

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 5. Conditionally repayable contributions (continued):

- (b) Based on reviews and evaluations of the operations and the conditionally repayable loan investment fund, the fund is not providing a satisfactory level of benefits in terms of employment creation, the development of small and medium sized business as defined in the contribution agreement and strengthening of the Western Canadian economy; or
- (c) In the opinion of WD, the conditionally repayable loan investment fund is no longer necessary or relevant to the development of the Western Canadian economy; or
- (d) The agreement is terminated as described in the contribution agreement; or
- (e) An event of default occurs, as described in the contribution agreement; or
- (f) WD does not approve terms or conditions to extend the project beyond the expiry date of the WD contribution agreement.

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 loan investment fund, or
  - (ii) the total amount paid by WD for the establishment and maintenance of the conditionally repayable loan 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 loan 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 loan investment fund or the total conditionally repayable contribution from WD.

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 5. Conditionally repayable contributions (continued):

### ii) Community Business Loans Program

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

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

## 6. Commitments:

The Corporation has a lease agreement for its premises expiring March 2021. The annual minimum lease payments to expiry are approximately \$53,400.

## 7. Economic dependence:

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

## 8. Financial risks and concentration of risk:

### (a) Credit risk:

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

# COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 8. Financial risks and concentration of risk (continued):

### (b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budgets and cash flow forecasts to ensure that it has sufficient funds to fulfil its obligations. Liquidity risk for 2020 was impacted compared to 2019 in relation to the new demand loan financing.

### (c) Interest rate risk:

Interest rate risk refers to the risk that changes in interest rates will affect the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk related to the demand loan (note 4) and the small business investments. The Corporation manages these risk through negotiation with its lenders and through negotiations in setting the terms of the small business investments.