

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

Non-Consolidated Financial Statements

Year Ended March 31, 2019

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Index to Non-Consolidated Financial Statements

Year Ended March 31, 2019

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
NON-CONSOLIDATED FINANCIAL STATEMENTS	
Non-Consolidated Statement of Financial Position	3 - 4
Non-Consolidated Statement of Revenues and Expenditures	5 - 6
Non-Consolidated Statement of Changes in Fund Balances	7
Non-Consolidated Statement of Cash Flows	8 - 9
Notes to Non-Consolidated Financial Statements	10 - 24



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, 2019, and the non-consolidated statements of revenues and expenditures, 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, 2019, 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.

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

(continues)

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.



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
July 29, 2019

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Non-Consolidated Statement of Financial Position

March 31, 2019

	Operating Fund	Investment Fund	Community Business Fund	Youth Investment Fund	Disabled Entrepreneur Investment Fund	Total 2019	Total 2018
Assets							
Cash (Note 3)	\$ 23,308	\$ 2,070,398	\$ 428,690	\$ 122,490	\$ 3,071	\$ 2,647,957	\$ 1,785,311
Accounts receivable	13,722	843	-	-	-	14,565	10,987
Due from related party (Note 4)	-	220,249	-	-	-	220,249	290,117
Prepaid expenses	5,955	-	-	-	-	5,955	3,214
	42,985	2,291,490	428,690	122,490	3,071	2,888,726	2,089,629
Loans and notes receivable (Note 5)	-	970,818	2,232,202	317,053	32,037	3,552,110	5,471,233
Capital assets (Note 6)	900	-	-	-	-	900	296
Investment in subsidiaries (Note 7)	1	-	-	-	-	1	2
	\$ 43,886	\$ 3,262,308	\$ 2,660,892	\$ 439,543	\$ 35,108	\$ 6,441,737	\$ 7,561,160

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Non-Consolidated Statement of Financial Position

March 31, 2019

	Operating Fund	Investment Fund	Community Business Fund	Youth Investment Fund	Disabled Entrepreneur Investment Fund	Total 2019	Total 2018
Liabilities and Fund Balances							
Accounts payable and accrued liabilities (Note 8)	\$ 44,036	\$ 3	\$ 5,297	\$ -	\$ -	\$ 49,336	\$ 56,072
Deferred income	23,692	-	-	-	-	23,692	945
Current portion of long term debt (Note 9)	-	-	175,607	-	-	175,607	377,391
Interfund transfers	4,463	(5,141)	-	53	625	-	-
	72,191	(5,138)	180,904	53	625	248,635	434,408
Long term debt (Note 9)	-	-	797,428	-	-	797,428	1,997,606
	72,191	(5,138)	978,332	53	625	1,046,063	2,432,014
Fund Balances							
Invested in capital assets	1,872	-	-	-	-	1,872	296
Externally restricted funds (Note 10)	14,697	3,267,446	1,682,560	439,490	34,483	5,438,676	5,146,716
Unrestricted	(44,874)	-	-	-	-	(44,874)	(17,866)
	(28,305)	3,267,446	1,682,560	439,490	34,483	5,395,674	5,129,146
	\$ 43,886	\$ 3,262,308	\$ 2,660,892	\$ 439,543	\$ 35,108	\$ 6,441,737	\$ 7,561,160

Commitments (Note 11)

Approved by the Directors

_____ Director

_____ Director

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Non-Consolidated Statement of Revenues and Expenditures

Year Ended March 31, 2019

	Operating Fund	Investment Fund	Community Business Fund	Youth Investment Fund	Disabled Entrepreneur Investment Fund	Total 2019	Total 2018
Revenue							
Interest from loans	\$ -	\$ 76,962	\$ 209,122	\$ 24,834	\$ 470	\$ 311,388	\$ 393,708
Operating contributions - WED	284,306	-	-	-	-	284,306	284,306
Operating contributions - SE	125,374	-	-	-	-	125,374	137,441
Bad debt recoveries	-	26,659	-	15,918	-	42,577	3,000
Management fees	18,000	-	-	-	-	18,000	-
Interest from bank and investments	857	23,014	4,731	2,057	385	31,044	9,421
Interest transfers	49,355	-	-	-	-	49,355	24,787
Miscellaneous	27,183	-	-	-	-	27,183	47,795
Grants	9,135	-	-	-	-	9,135	-
Rental revenue	2,500	-	-	-	-	2,500	-
	516,710	126,635	213,853	42,809	855	900,862	900,458

(continues)

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Non-Consolidated Statement of Revenues and Expenditures *(continued)*

Year Ended March 31, 2019

	Operating Fund	Investment Fund	Community Business Fund	Youth Investment Fund	Disabled Entrepreneur Investment Fund	Total 2019	Total 2018
Expenses							
Advertising and promotion	26,087	-	-	-	-	26,087	13,977
Amortization	396	-	-	-	-	396	6,686
Bad debts	-	(712)	(32,957)	(30,044)	-	(63,713)	45,476
Bank charges	1,664	21	-	100	-	1,785	11,732
Business taxes, licences and memberships	1,893	-	-	-	-	1,893	1,802
Client loan expense	-	-	-	-	-	-	6,095
Directors fees	-	-	-	-	-	-	7,037
Facilitators	76,482	-	-	-	-	76,482	80,512
Insurance	1,664	-	-	-	-	1,664	1,647
Interest on long term debt	-	392	131,119	-	-	131,511	159,463
Interest transfers	-	49,355	-	-	-	49,355	24,787
Meals and entertainment	3,383	-	-	-	-	3,383	-
Office	28,846	-	-	-	-	28,846	10,724
Professional fees	33,658	-	-	350	-	34,008	24,715
Project expenses	-	-	-	-	-	-	12,624
Rental	48,700	-	-	-	-	48,700	40,056
Repairs and maintenance	91	-	-	-	-	91	6,563
Salaries and wages	267,564	-	-	-	-	267,564	250,755
Strategic planning expense	-	-	-	-	-	-	2,151
Telephone	5,113	-	-	-	-	5,113	4,646
Training	15,043	-	-	-	-	15,043	5,291
Travel	6,126	-	-	-	-	6,126	7,769
	516,710	49,056	98,162	(29,594)	-	634,334	724,508
Excess of revenue over expenses from operations	-	77,579	115,691	72,403	855	266,528	175,950
Other expenses							
Loss on loan to subsidiary	-	-	-	-	-	-	22
Excess of revenue over expenses	\$ -	\$ 77,579	\$ 115,691	\$ 72,403	\$ 855	\$ 266,528	\$ 175,928

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, 2019

	Operating Fund	Investment Fund	Community Business Fund	Youth Investment Fund	Disabled Entrepreneur Investment Fund	Total 2019	Total 2018
Fund balances - beginning of year	\$ (2,873)	\$ 3,939,870	\$ 1,020,120	\$ 55,473	\$ 116,556	\$ 5,129,146	\$ 4,953,218
Excess of revenue over expenses	-	77,579	115,691	72,403	855	266,528	175,928
Transfer of contributed capital	(25,432)	(750,003)	546,749	311,614	(82,928)	-	-
Fund balances - end of year	\$ (28,305)	\$ 3,267,446	\$ 1,682,560	\$ 439,490	\$ 34,483	\$ 5,395,674	\$ 5,129,146

Invested in 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, 2019

	Operating Fund	Investment Fund	Community Business Fund	Youth Investment Fund	Disabled Entrepreneur Investment Fund	Total 2019	Total 2018
Operating activities							
Excess of revenue over expenses	\$ -	\$ 77,579	\$ 115,691	\$ 72,403	\$ 855	\$ 266,528	\$ 175,928
Item not affecting cash:							
Amortization of capital assets	396	-	-	-	-	396	6,686
	396	77,579	115,691	72,403	855	266,924	182,614
Changes in non-cash working capital:							
Accounts receivable	(2,735)	(843)	-	-	-	(3,578)	14,033
Accounts payable and accrued liabilities	1,430	(676)	(7,500)	-	-	(6,746)	11,245
Deferred income	22,747	-	-	-	-	22,747	(22,800)
Prepaid expenses	(2,741)	-	-	-	-	(2,741)	200
Interfund balances	27,509	747,856	(546,749)	(312,168)	83,552	-	-
	46,210	746,337	(554,249)	(312,168)	83,552	9,682	2,678
Cash flow from operating activities	46,606	823,916	(438,558)	(239,765)	84,407	276,606	185,292
Investing activities							
Purchase of capital assets	(1,000)	-	-	-	-	(1,000)	-
Decrease (increase) in loans receivable	-	756,322	1,367,564	(84,187)	(25,287)	2,014,412	572,781
Increase (decrease) in allowance for doubtful loans	-	(3,735)	(32,957)	(58,585)	-	(95,277)	37,326
Cash flow from (used by) investing activities	(1,000)	752,587	1,334,607	(142,772)	(25,287)	1,918,135	610,107

(continues)

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

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

Year Ended March 31, 2019

	Operating Fund	Investment Fund	Community Business Fund	Youth Investment Fund	Disabled Entrepreneur Investment Fund	Total 2019	Total 2018
Financing activities							
Due from related party	-	69,868	-	-	-	69,868	85,590
Proceeds from long term financing	-	-	-	-	-	-	700,000
Repayment of long term financing	-	(132,828)	(1,269,135)	-	-	(1,401,963)	(727,703)
Transfer of contributed capital	(25,424)	(750,011)	546,749	311,614	(82,928)	-	-
Cash flow from (used by) financing activities	(25,424)	(812,971)	(722,386)	311,614	(82,928)	(1,332,095)	57,887
Increase (decrease) in cash flow	20,182	763,532	173,663	(70,923)	(23,808)	862,646	853,286
Cash - beginning of year	3,126	1,306,866	255,027	193,413	26,879	1,785,311	932,025
Cash - end of year (Note 3)	\$ 23,308	\$ 2,070,398	\$ 428,690	\$ 122,490	\$ 3,071	\$ 2,647,957	\$ 1,785,311

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

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.

Cash and cash equivalents

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

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

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 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.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rate and method:

Furniture and fixtures	20% declining balance method
------------------------	------------------------------

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

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.

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

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 Disabled Entrepreneur Investment 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.

Measurement uncertainty

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 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

	2019	2018
Loan accounts	\$ 2,624,649	\$ 1,782,185
Operating account	23,158	2,976
Petty cash	150	150
	<u>\$ 2,647,957</u>	<u>\$ 1,785,311</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

4. Due from related parties

Southern Interior Development Corporation amount of \$220,249 (2018 - \$290,117), 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.

5. Loans receivable

	2019	2018
Investment Fund	\$ 1,010,409	\$ 1,766,722
Community Business Fund	2,251,561	3,619,124
Youth Investment Fund	443,039	358,851
Disabled Entrepreneur Investment Fund	32,037	6,749
	\$ 3,737,046	\$ 5,751,446
Less: allowance for doubtful loans:		
Specific provision	\$ (184,936)	\$ (280,213)
	\$ 3,552,110	\$ 5,471,233
Allowance for doubtful loans		
Balance, beginning of year	\$ 280,213	\$ 242,886
Change in provision during the year	(39,439)	48,477
Amounts recovered	(42,577)	(3,000)
Write off during the year	(13,261)	(8,150)
	\$ 184,936	\$ 280,213

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 \$973,035 (2018 - \$2,374,997).

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 4.95% (2018 - 4.87%).

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

6. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Furniture and fixtures	\$ 1,000	\$ 100	\$ 900	\$ 296

During the year management reviewed the capital assets of the Corporation to eliminate obsolete items. An impairment of \$296 has been recorded and included in amortization expense.

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 consist 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, 2019 and 2018 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.

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

7. Investment in subsidiaries (continued)

Financial Position:

	2019	2018
Total assets	\$ 940,635	\$ 969,305
Total liabilities	(248,751)	(309,492)
Total net assets	\$ 691,884	\$ 659,813

Results of operations:

	2019	2018
Total revenue	\$ 177,218	\$ 171,086
Total expenses	(139,314)	(130,892)
Other expenses	(5,833)	-
Excess of revenues over expenses	\$ 32,071	\$ 40,194

Cash Flows:

	2019	2018
Cash from operations	\$ 90,585	\$ 91,719
Cash from investing activity	-	(2,724)
Cash from financing activity	(69,865)	(85,590)
Increase in cash	\$ 20,720	\$ 3,405

	Percent owned	Shares	2019	2018
Southern Interior Development Corporation	100%	1	\$ 1	\$ 1
Canadian Centre for Economic Gardening Corporation	100%	1	0	1
		2	\$ 1	\$ 2

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

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:

	2019	2018
GST payable	\$ 4,641	\$ 550
WCB Payable	110	43
Payroll deductions	-	7,887
	<u>\$ 4,751</u>	<u>\$ 8,480</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

9. Long term debt

	2019	2018
Agreement #1 participants:		
Community Futures Development Corporation North Fraser loan bearing interest at 7% per annum, repayable in monthly blended payments of \$2,541. The loan matures on May 1, 2024.	\$ 144,993	\$ 149,972
Community Futures Development Corporation North Okanagan loan bearing interest at 7% per annum, repayable in monthly blended payments of \$2,541. The loan matures on May 1, 2024.	144,993	149,972
Community Futures Development Corporation Alberni-Clayoquot loan bearing interest at 7% per annum, repayable in monthly blended payments of \$2,541. The loan matures on May 1, 2024.	144,876	149,972
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.	91,774	105,848
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.	91,774	105,848
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.	91,774	105,848
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.	61,173	70,566
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.	30,602	35,283
Agreement #3 participants:		
Community Futures Development Corporation North Fraser loan bearing interest at 7% per annum, repayable in monthly blended payments of \$2,620. The loan matures on June 1, 2022.	85,538	108,247

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

9. Long term debt (continued)

	2019	2018
Community Futures Development Corporation Peace Liard loan bearing interest at 7% per annum, repayable in monthly blended payments of \$2,620. The loan matures on June 1, 2022.	85,538	108,247
Agreement #4 participant:		
Community Futures Development Corporation Sun Country loan repaid in April 2018.	-	132,828
Agreement #5 participants:		
Community Futures Development Corporation Alberni-Clayoquot loan repaid in January 2019.	-	128,041
Community Futures Development Corporation Boundary loan repaid in January 2019.	-	128,041
Community Futures Development Corporation Cariboo-Chilcotin loan repaid in January 2019.	-	128,041
Community Futures Development Corporation East Kootenay loan repaid in January 2019.	-	128,041
Community Futures Development Corporation Fraser Fort George loan repaid in January 2019.	-	128,041
Community Futures Development Corporation North Cariboo loan repaid in January 2019.	-	128,041
Community Futures Development Corporation Peace Liard loan repaid in January 2019.	-	128,041
Community Futures Development Corporation Powell River loan repaid in January 2019.	-	128,041
Community Futures Development Corporation Sun Country loan repaid in January 2019.	-	128,041
	973,035	2,375,005
Less: amounts due within one year	(175,607)	(377,391)
	\$ 797,428	\$ 1,997,614

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

9. Long term debt *(continued)*

Principal repayment terms are approximately:

2020	\$ 175,607
2021	187,575
2022	200,271
2023	168,548
2024	164,250
Thereafter	76,784
	<hr/>
	\$ 973,035

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 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 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.

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

9. Long term debt (*continued*)

Agreement #4

During a prior year the Corporation entered into a loan participation and administration agreement with another Community Futures, as listed above, in order to advance a loan in the amount of \$300,000. 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 the land and building, personal guarantees of the shareholders and a general security agreement over the assets of the Corporation.

In April 2018, the loan was settled early due to an early payout from the loanee.

Agreement #5

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 \$1,615,515. This loan consisted of \$1,045,515 from a previous loan agreement amalgamated with the additional funding of \$570,000. As per the agreement, the Corporation provided a portion of the loan to be advanced in the amount of \$265,515 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 the building, personal guarantees of the shareholders and a general security agreement over the assets of the Corporation.

In January 2019, the loans were settled early due to an early payout from the loanee.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

10. Externally restricted funds

	2019	2018
Contributed capital:		
Community Business Fund	\$ 1,300,000	\$ 1,300,000
Investment Fund	900,000	900,000
Youth Investment Fund	200,000	200,000
Disabled Entrepreneur Investment Fund	200,000	200,000
Operating Fund	14,697	14,697
Accumulated earnings (deficits):		
Community Business Fund	382,560	(279,880)
Investment Fund	2,368,418	3,039,870
Youth Investment Fund	239,490	(144,527)
Disabled Entrepreneur Investment Fund	(165,517)	(83,444)
	\$ 5,439,648	\$ 5,146,716

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

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

10. Externally restricted funds *(continued)*

- 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.

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.

11. 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 expires on May 18, 2019.

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 options.

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

2020	\$	54,874
2021		54,874

12. Economic dependence

Operating grants received from the Western Economic Diversification account for 55.1% (2018 - 63.8%) of total Operating Fund revenues in the current year.

13. Interfund interest transfer

During a prior year, Western Economic Diversification Canada authorized a transfer of \$50,000 per year for the fiscal years ending 2019, 2020, 2021. Total transfers during the year were \$49,355 (2018 - \$24,787) 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, 2019

14. Related parties

	2019	2018
<u>Related party transactions</u>		
Southern Interior Development Corporation (wholly owned subsidiary)		
Rent	\$ (46,500)	\$ (36,456)
Rent (Self-Employment program)	(900)	(3,600)
Interest on debt	2,666	3,410
Management fee	18,000	-
	<u>\$ (26,734)</u>	<u>\$ (36,646)</u>
Southern Interior Development Corporation		
Principal loan repayment	\$ 69,868	\$ 85,590

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 expires on March 31, 2020. Future management fees collectible as at year end are up to \$30,000, receivable in \$2,500 monthly payments.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF OKANAGAN-SIMILKAMEEN

Notes to Non-Consolidated Financial Statements

Year Ended March 31, 2019

15. 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, 2019.

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.

16. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.