

Financial Statements of

**COMMUNITY FUTURES DEVELOPMENT
CORPORATION, CENTRAL OKANAGAN**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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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, 2021
 - 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, 2021, 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.



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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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

June 30, 2021

Kelowna, Canada

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	Restricted	Unrestricted	2021	2020
Assets				
Cash	\$ 867,389	\$ 112,545	\$ 979,934	\$ 983,249
Accounts receivable	-	34,154	34,154	25,058
Prepaid expenses and deposits	-	1,421	1,421	3,426
Small business investments (note 2)	5,550,834	-	5,550,834	2,825,959
Tangible capital assets (note 3)	-	7,162	7,162	5,043
Interfund balances	(13,688)	13,688	-	-
	\$ 6,404,535	\$ 168,970	\$ 6,573,505	\$ 3,842,735

Liabilities and Fund Balances

Liabilities:

Accounts payable and accrued liabilities	\$ -	\$ 59,414	\$ 59,414	\$ 66,523
Deferred revenue	-	-	-	23,512
Demand loan (note 4)	-	-	-	227,259
Term loan (note 5)	2,977,000	-	2,977,000	-
Conditionally repayable contributions (note 6)	1,090,340	-	1,090,340	1,159,280
	4,067,340	59,414	4,126,754	1,476,574

Fund balances:

Restricted	2,337,195	-	2,337,195	2,273,264
Investment in tangible capital assets	-	7,162	7,162	5,043
Unrestricted	-	102,394	102,394	87,854
	2,337,195	109,556	2,446,751	2,366,161


Commitments (note 7)

	\$ 6,404,535	\$ 168,970	\$ 6,573,505	\$ 3,842,735
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See accompanying notes to financial statements.

On behalf of the Board:


Director


Manager

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	Restricted	Unrestricted	2021	2020
Revenue:				
Federal government				
agency contributions	\$ -	\$ 282,141	\$ 282,141	\$ 282,141
Administration recovery	-	69,850	69,850	15,766
Client fees and other revenue	-	221,815	221,815	222,845
Interest - loans	233,036	-	233,036	221,641
Interest - bank	348	-	348	3,133
	<u>233,384</u>	<u>573,806</u>	<u>807,190</u>	<u>745,526</u>
Expenses:				
Administration	-	3,932	3,932	4,692
Amortization	-	4,036	4,036	2,935
Business development	-	3,869	3,869	8,984
Consultants	-	58,695	58,695	69,475
Insurance	-	5,047	5,047	3,650
Interest and bank charges	1,492	1,257	2,749	9,228
Investment impairment provision	224,004	-	224,004	111,277
Office and general	-	16,686	16,686	18,766
Professional fees	-	31,506	31,506	26,366
Program costs	-	100	100	1,571
Rent and utilities	-	56,517	56,517	55,975
Repairs and maintenance	-	17,258	17,258	13,080
Telephone	-	3,841	3,841	3,806
Travel	-	543	543	5,589
Wages and benefits	-	366,757	366,757	375,481
	<u>225,496</u>	<u>570,044</u>	<u>795,540</u>	<u>710,875</u>
Excess of revenue over expenses	\$ 7,888	\$ 3,762	\$ 11,650	\$ 34,651

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statements of Changes in Fund Balances

Year ended March 31, 2021, with comparative figures for 2020

Year ended March 31, 2021	Restricted	Investment in tangible capital assets	Unrestricted	Total
Fund balances, March 31, 2020	\$ 2,273,264	\$ 5,043	\$ 87,854	\$ 2,366,161
Excess (deficiency) of revenue over expenses	7,888	(4,036)	7,798	11,650
Transfer of fund balances:				
Transfer to unrestricted	(12,897)	-	12,897	-
Conditionally repayable contributions	68,940	-	-	68,940
Acquisition of tangible capital assets	-	6,155	(6,155)	-
Fund balances, March 31, 2021	\$ 2,337,195	\$ 7,162	\$ 102,394	\$ 2,446,751

Year ended March 31, 2020	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)	-
Fund balances, March 31, 2020	\$ 2,273,264	\$ 5,043	\$ 87,854	\$ 2,366,161

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	Restricted	Unrestricted	2021	2020
Cash flows from operating activities:				
Cash receipts from government and other sources	\$ -	\$ 541,198	\$ 541,198	\$ 520,765
Cash paid to employees and suppliers	-	(571,112)	(571,112)	(586,262)
Net interest received	238,016	-	238,016	216,210
	238,016	(29,914)	208,102	150,713
Cash flows from investing activities:				
Small business investments	(3,612,645)	-	(3,612,645)	(1,852,958)
Repayment of small business investments	647,642	-	647,642	1,033,528
Purchase of tangible capital assets		(6,155)	(6,155)	(4,421)
	(2,965,003)	(6,155)	(2,971,158)	(823,851)
Cash flows from financing activities:				
Net proceeds from (repayments of) demand loan	(227,259)	-	(227,259)	227,259
Net proceeds received from term loan	2,987,000	-	2,987,000	-
Net interfund advances	691	(691)	-	-
	2,760,432	(691)	2,759,741	227,259
Net increase (decrease) in cash	33,445	(36,760)	(3,315)	(445,879)
Cash, beginning of year	833,944	149,305	983,249	1,429,128
Cash, end of year	\$ 867,389	\$ 112,545	\$ 979,934	\$ 983,249
Non-cash investing and financing transactions:				
Forgiveness of grant portion of small business investments and term loan	\$ 10,000	\$ -	\$ 10,000	\$ -

See accompanying notes to financial statements.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements

Year ended March 31, 2021

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.

In March 2020, COVID-19 was declared a pandemic by the World Health Organization. The pandemic led to significant impacts on the Corporation's operations - specifically related to the Corporation's small business investments. As a result of the challenging economic climate, the Corporation allowed for temporary deferrals of principal and/or interest payments scheduled for the year ended March 31, 2021. Additionally, the Corporation, in partnership with the Minister of Western Economic Diversification Canada, opened a new Fund, the Regional Relief and Recovery Fund ("RRRF"), 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, 2021

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..
- RRRF investment fund, which is used for loans, loan guarantees and equity investments in businesses that were unable to obtain other federal government COVID-19 support.
- 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 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, 2021

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, the asset 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 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, 2021

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 at fair value and accounts receivable, small business investments, accounts payable and accrued liabilities, demand and term loans 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. 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, 2021

2. Small business investments:

The Corporation's small business investments are disclosed in Schedule 1 and are reflected in the following funds:

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 26 loans outstanding ranging from \$1,984 to \$131,290 with terms of four to five years and interest rates at 9.00%.
- Disabled entrepreneur investment fund loans consists of 3 loans outstanding ranging from \$8,052 to \$38,678 with terms of three to five years and interest rates at 9.00%.
- Youth investment fund loans consists of 6 loans ranging from \$362 to \$129,708 with terms of three to five years and interest rates at 9.00%.

b) RRRF investment fund:

Loans outstanding in the Corporation's RRRF investment fund consist of 75 loans ranging from \$10,000 to \$60,000. These loans have no repayment terms and bear no interest until December 31, 2022. If the full amount of the outstanding loan is repaid prior to December 31, 2022, forgiveness will be granted at a rate of 25% of the first \$40,000 and 50% of amounts above \$40,000 and up to \$60,000. If the loan is not repaid by December 31, 2022, the loan will be converted to a three-year loan with interest at 5%.

During the year ended March 31, 2021, one loan was repaid and \$10,000 of loan principal was forgiven. The Corporation recognized a corresponding reduction of RRRF loan, in accordance with the RRRF loan agreement terms (note 5).

c) Community business loans program:

Loans outstanding in the Corporation's community business loans program consist of 6 loans ranging from \$15,658 to \$139,198 with terms of five years and interest rates at 9.00%.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Small business investments: (continued)

d) CFDC general investment fund:

Loans outstanding in the Corporation's general investment fund consist of 27 loans ranging from \$4,890 to \$139,685 with terms of two to five years and interest rates of 9.00%. The fund also includes 2 syndicated loans with other Community Futures organizations. The syndicated loans have an outstanding balance as at March 31, 2021 of \$206,315, terms of five years and bear interest at 9.0% - 10.0%. The Corporation's portion of the syndicated loans as at March 31, 2021 is \$82,125 (2020 - \$96,672).

Equity investments as at March 31, 2021 consists the following:

	2021	2020
15 common shares in a British Columbia community investment corporation	\$ 25,000	\$ 25,000
105,442 common shares in a British Columbia private corporation	47,500	47,500
	<u>72,500</u>	<u>72,500</u>
Impairment allowance	(72,500)	(47,500)
	<u>\$ -</u>	<u>\$ 25,000</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Tangible capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 49,444	\$ 43,257	\$ 6,187	\$ 3,825
Furniture and fixtures	55,972	54,997	975	1,218
	\$ 105,416	\$ 98,254	\$ 7,162	5,043

4. Demand loan:

The Corporation has an available demand line of credit facility with Community Futures Development Association of BC ("CFDABC") 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 line of credit is repayable on demand, or no later than August 2024, with interest only payments due monthly. As at March 31, 2021, the Company has \$nil borrowed on this facility (2020 - \$227,259).

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Term loan:

The Corporation has a non-revolving term loan facility with CFDABC for a maximum amount of \$4,540,000 (the "RRRF loan"). Advances received from CFDABC are accumulated in the Corporation's RRRF investment fund, which includes loans issued from the proceeds and uncommitted cash balances.

The RRRF loan does not bear interest and repayment is not required until December 31, 2022. Any available portion of the RRRF loan that has not been loaned by the Corporation by December 31, 2022 is due to CFDABC on that date. Repayment of the Corporation's RRRF investment fund loans are repayable to CFDABC as they are received.

Repayments received by the Corporation (note 2 (b)), and repayments to CFDABC, prior to December 31, 2022, are eligible for forgiveness at a rate of 25% of the first \$40,000 and 50% of amounts above \$40,000 and up to \$60,000. The repayable balance will be reduced by any amounts loaned by the Corporation that are determined to be uncollectible, in accordance with the RRRF loan agreement terms. The full amount of the RRRF loan is due on expiry of the RRRF loan agreement on December 31, 2025.

The RRRF loan proceeds received, net of amount forgiven, to March 31, 2021, is as follows:

	2021	2020
Total net loan proceeds	\$ 2,987,000	\$ -
Total amount forgiven on repayment	10,000	-
	<u>\$ 2,977,000</u>	<u>\$ -</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2021

6. 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, 2021 is \$896,313 (2020 - \$965,881) and the Province of British Columbia contributions of \$200,940 (2020 - \$193,413) which are described below.

i) WD

Conditionally repayable contributions with WD are provided pursuant to the Corporation's contribution agreement with WD, which expired on March 31, 2021. This contribution agreement was subsequently amended with an amended expiry date of March 31, 2026. 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, 2021 was \$1,255,701 (2020 - \$1,546,972). 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 the agreement; or
- (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.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2021

6. Conditionally repayable contributions (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 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.

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).

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Commitments:

The Corporation has a lease agreement for its premises expiring March 2021. The Corporation expects to renew its premises lease for a three-year period ending March 2024. The annual minimum lease payments for the 2021 year were approximately \$53,400.

8. 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.

9. 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.

Credit risk for 2021 was impacted in relation to the effects of the COVID-19 pandemic on the recipients of the Corporation's loans. To mitigate the impacts, the Corporation has provided principal and/or interest payment deferrals and increased the level of detail and frequency of investment loan reviews.

(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 2021 was impacted as a result of in relation to the RRRF loan received in the year.

COMMUNITY FUTURES DEVELOPMENT CORPORATION, CENTRAL OKANAGAN

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Financial risks and concentration of risk (continued):

(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. There were no changes in interest rate risk compared to 2020.

Community Futures Development Corporation, Central Okanagan

Small business investments

Schedule 1

March 31, 2021

	Conditionally repayable loan investment fund			RRRF investment fund	Community business loans program	CFDC general investment fund	Total 2021
	WD general	Disabled Entrepreneur	Youth				
Loan balance	\$ 1,015,230	\$ 71,110	\$ 202,028	\$ 2,897,000	\$ 344,678	\$ 1,437,329	\$ 5,967,375
Accrued interest and charges	306	-	6,915	-	-	1,361	8,582
Equity investments	-	-	-	-	-	72,500	72,500
	<u>1,015,536</u>	<u>71,110</u>	<u>208,943</u>	<u>2,897,000</u>	<u>344,678</u>	<u>1,511,190</u>	<u>6,048,457</u>
Less allowance	(190,379)	-	(129,708)	-	(15,658)	(161,878)	(497,623)
	<u>\$ 825,157</u>	<u>\$ 71,110</u>	<u>\$ 79,235</u>	<u>\$ 2,897,000</u>	<u>\$ 329,020</u>	<u>\$ 1,349,312</u>	<u>\$ 5,550,834</u>

March 31, 2020

	Conditionally repayable loan investment fund			RRRF investment fund	Community business loans program	CFDC general investment fund	Total 2020
	WD general	Disabled Entrepreneur	Youth				
Loan balance	\$ 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
	<u>1,267,962</u>	<u>56,281</u>	<u>227,577</u>	<u>-</u>	<u>365,883</u>	<u>1,206,447</u>	<u>3,124,150</u>
Less allowance	(161,313)	-	-	-	-	(136,878)	(298,191)
	<u>\$ 1,106,649</u>	<u>\$ 56,281</u>	<u>\$ 227,577</u>	<u>\$ -</u>	<u>\$ 365,883</u>	<u>\$ 1,069,569</u>	<u>\$ 2,825,959</u>