

**Community Futures Development
Corporation of Central Island
Non-Consolidated Financial Statements**
March 31, 2019

Community Futures Development Corporation of Central Island

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For the year ended March 31, 2019

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Independent Auditor's Report

To the Board of Community Futures Development Corporation of Central Island:

Report on the Audit of the Financial Statements

Opinion

We have audited the non-consolidated financial statements of Community Futures Development Corporation of Central Island (the "Organization"), which comprise the non-consolidated statement of financial position as at March 31, 2019, and the non-consolidated statements of operations, 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 non-consolidated financial position of the Organization as at March 31, 2019, and the results of its non-consolidated operations and its non-consolidated 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 Financial Statements section of our report. We are independent of the Organization 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 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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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 Organization'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

Organization'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 Organization 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.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Nanaimo, British Columbia

June 14, 2019

MNP LLP

Chartered Professional Accountants

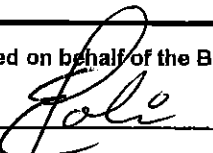
Community Futures Development Corporation of Central Island
Non-Consolidated Statement of Financial Position

As at March 31, 2019

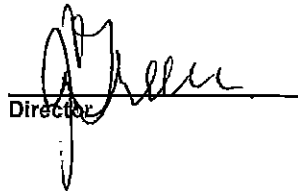
	<i>Operating Fund</i>	<i>Investment Fund</i>	<i>2019</i>	<i>2018</i>
Assets				
Current				
Cash	24,394	388,136	412,530	862,148
Accounts receivable (Note 4)	16,567	983	18,551	7,176
Accrued interest	-	21,504	21,504	23,034
Marketable securities	-	1,500,614	1,500,614	1,001,726
Prepaid expenses and deposits	3,484	201	3,685	-
Current portion of long-term notes receivable (Note 5)	-	559,728	559,728	502,188
	43,445	2,471,166	2,514,612	2,396,272
Investments	-	302,284	302,284	250,100
Loans receivable (Note 5)	-	2,922,451	2,922,451	2,811,113
	43,445	5,695,901	5,739,347	5,457,485
Liabilities				
Current				
Accounts payable and accruals	36,254	10,855	47,110	21,168
Deferred contributions	39,430	-	39,430	-
Due to Colville Investments Corporation (Note 7)	-	-	-	49,000
Repayable contributions (Note 8)	-	1,015,093	1,015,093	971,138
Current portion of long term debt (Note 9)	9,565	-	9,565	-
	85,249	1,026,948	1,111,198	1,041,306
Long term debt (Note 9)	31,992	-	31,992	-
Contingencies (Note 13)				
Fund Balances				
Externally restricted	-	3,836,776	3,836,776	3,664,227
Unrestricted	(73,796)	833,177	759,381	751,952
	(73,796)	4,669,953	4,596,157	4,416,179
	43,445	5,695,901	5,739,347	5,457,485

Approved on behalf of the Board

Director



Director



DIRECTOR

The accompanying notes are an integral part of these non-consolidated financial statements

Community Futures Development Corporation of Central Island
Non-Consolidated Statement of Operations

For the year ended March 31, 2019

	<i>Operating Fund</i>	<i>Investment Fund</i>	2019	2018
Revenue				
Western Economic Diversification contribution	273,482	-	273,482	273,480
Loan interest	-	253,303	253,303	218,333
Fee income	-	26,880	26,880	29,283
Miscellaneous income	26,185	-	26,185	24,349
Bank interest	3	24,713	24,716	26,028
Grants	10,860	-	10,860	-
Rental income	6,840	-	6,840	1,025
	317,370	304,896	622,266	572,498
Expenses				
Advertising	21,822	-	21,822	23,479
Bad debts <i>(Note 10)</i>	-	866	866	43,714
Bank charges and interest	1,294	213	1,507	1,359
Collection costs	-	4,636	4,636	828
Equipment rental	-	-	-	3,750
Hosted events	4,141	-	4,141	-
Insurance (recovery)	(5,145)	762	(4,383)	4,232
Interest on long-term debt	1,676	-	1,676	-
Licences and fees	2,314	505	2,819	2,104
Office	17,502	911	18,413	15,749
Professional fees and consulting	23,883	-	23,883	35,677
Rent	32,882	-	32,882	33,889
Repairs and maintenance	889	-	889	336
Salaries and benefits	252,655	-	252,655	209,880
Supplies	6,687	-	6,687	10,155
Telephone	7,189	-	7,189	8,618
Training and education	1,276	-	1,276	1,900
Travel and conference	19,100	-	19,100	8,933
Utilities	2,275	-	2,275	1,815
	390,440	7,893	398,333	406,418
Excess (deficiency) of revenue over expenses before other items	(73,070)	297,003	223,933	166,080
Other items				
Interest transfers <i>(Note 3)</i>	80,500	(80,500)	-	-
Change in fair value of conditionally repayable loans	-	(43,955)	(43,955)	28,289
	80,500	(124,455)	(43,955)	28,289
Excess of revenue over expenses	7,430	172,548	179,978	194,369

The accompanying notes are an integral part of these non-consolidated financial statements

Community Futures Development Corporation of Central Island
Non-Consolidated Statement of Changes in Fund Balances

For the year ended March 31, 2019

	<i>Operating Fund</i>	<i>Investment Fund</i>	2019	2018
Fund balances, beginning of year	(81,226)	4,497,405	4,416,179	4,221,810
Excess of revenue over expenses	7,430	172,548	179,978	194,369
Fund balances, end of year	(73,796)	4,669,953	4,596,157	4,416,179

The accompanying notes are an integral part of these non-consolidated financial statements

Community Futures Development Corporation of Central Island
Non-Consolidated Statement of Cash Flows

For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	179,978	194,369
Change in fair value of conditionally repayable loans	43,955	(28,289)
	223,933	166,080
Changes in working capital accounts		
Accounts receivable	(9,375)	(3,933)
Accrued interest	1,530	(10,482)
Prepaid expenses and deposits	(3,685)	-
Accounts payable and accruals	25,942	(35,441)
Deferred contributions	39,430	-
	277,775	116,224
Financing		
Repayment of advances from Colville Investments Corporation	(49,000)	-
Advances of repayable contributions	50,000	-
Repayment of repayable contributions	(8,443)	-
	(7,443)	-
Investing		
Purchase of marketable securities	(1,498,888)	(1,000,956)
Proceeds on disposal of marketable securities	1,000,000	2,000,000
Purchase of investments	(52,184)	-
Advances of notes receivable	(1,493,711)	(1,939,867)
Repayment of notes receivable	1,324,833	1,255,036
	(719,950)	314,213
Increase (decrease) in cash resources	(449,618)	430,437
Cash resources, beginning of year	862,148	431,711
Cash resources, end of year	412,530	862,148

The accompanying notes are an integral part of these non-consolidated financial statements

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2019

1. Incorporation and nature of the organization

Community Futures Development Corporation of Central Island (the "Organization") was established to promote employment and economic development in the Central Vancouver Island area. The activities of the Organization include delivering various economic development programs on behalf of the Government of Canada, specifically for Western Economic Diversification ("WED") and Fisheries and Oceans Canada. The Organization also operates programs to promote employment and economic development through loans and loan guarantees to qualifying local businesses. The Organization, incorporated without share capital under Part II of the Canada Corporations Act, is a not-for-profit corporation and is exempt for income tax purposes.

2. Significant accounting policies

The non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Investment in a not-for-profit subsidiary

The Organization's non-consolidated financial statements do not include the accounts of Colville Investments Corporation, which is controlled by the Organization and recorded at cost. The required disclosures have been provided in Note 6.

All transactions with the subsidiary are disclosed as related party transactions.

Fund accounting

The Organization follows the restricted fund method of accounting for contributions, and maintains two funds: the Operating Fund and the Investment Fund.

The Operating Fund provides the personnel and other facilities that enable the Organization to deliver the Community Futures contribution agreement with WED and other related programs. It accounts for the Organization's program delivery and administrative activities.

The Investment Fund promotes economic development in the community by providing assistance to small businesses in the form of loans or equity investments in accordance with the requirements of the agreement with WED. The assets, liabilities, revenue and expenses associated with providing these loans and equity investment are recorded in the Investment Fund.

Revenue recognition

The annual WED contribution is recognized as revenue in the year specified in the agreement with WED. Interest transfers are recognized as revenue in the period that the transfer is allowed by the agreement with WED. Interest is recognized in the period in which it is earned.

Contributed services

Contributions of services are recognized both as contributions and expenses in the non-consolidated statement of operations when a fair value can be reasonably estimated and when the services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Committee volunteers contribute many hours of time to the Organization. Because of the difficulty of determining the fair value, these contributed services are not recognized in the non-consolidated financial statements.

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2019

2. Significant accounting policies (Continued from previous page)

Measurement uncertainty (use of estimates)

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accrued interest receivable, accounts receivable and loans receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. Provision is made for a decline in fair value of long-term investments when the decline is not considered to be temporary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue and expenses in the periods in which they become known.

Financial Instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Handbook - Accounting Section 3840 *Related Party Transactions*.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not elected to subsequently measure repayable contributions at their fair value.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. With the exception of those financial instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment:

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenue over expenses in the year the reversal occurs.

Investments

Long-term investments are portfolio investments not quoted in an active market. They have been classified as long-term assets in concurrence with the nature of the investment.

Marketable securities

Marketable securities are short term deposits that mature within 12 months.

Community Futures Development Corporation of Central Island
Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2019

3. Interfund transactions

The Operating Fund received interest transfers of \$50,000 (2018 - \$50,000) from the non-repayable Investment Fund and \$30,500 (2018 - \$0) from the conditionally repayable Fisheries Legacy Fund. There were no other transfers between funds during the year.

The balances due from (to) other funds are non-interest bearing, unsecured and have no fixed terms of repayment.

4. Accounts receivable

	2019	2018
Accounts receivable	15,182	3,585
GST receivable	1,369	3,591
	16,551	7,176

5. Loans receivable

Loans receivable are repayable monthly at varying amounts including interest ranging from 5.95% to 12.5% and have maturities from February 3, 2020 to September 30, 2024. The interest rate on some loans are adjusted based on the bank prime rate, which was 3.95% at March 31, 2019.

	2019	2018
Loans receivable	3,482,179	3,313,301
Less: current portion of loans receivable	(559,728)	(502,188)
	2,922,451	2,811,113

Principal repayments on loans receivable in each of the next five years are estimated as follows:

2020	\$559,728
2021	\$527,929
2022	\$475,671
2023	\$421,219
2024	\$209,135

Community Futures Development Corporation of Central Island
Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2019

6. Investment in Colville Investments Corporation and transactions with Colville Investments Corporation

The Organization is the sole shareholder of Colville Investments Corporation (the "Company"). The Company is a not-for-profit corporation incorporated under the B.C. Company Act and is an exempt corporation for income tax purposes.

	2019	2018
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Assets	305,553	322,266
Liabilities	(1,831)	(29,405)
<hr/>		
Shareholder's equity	303,722	292,861
<hr/>		
Revenue	47,102	43,570
Expenses	(36,241)	(34,791)
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Excess of revenue over expenses	10,861	8,779
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Cash flows from activities:		
Operating (increase in cash)	32,287	7,863
Financing (decrease in cash)	(32,287)	(7,863)

Included in rent expense is \$31,143 (2018 - \$32,700) paid to Colville Investments Corporation for use of the building owned by Colville Investments Corporation. The expense is measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

7. Due to Colville Investments Corporation

The loan balance of \$49,000 due to Colville Investments Corporation as at March 31, 2018 was paid in full during the year.

Community Futures Development Corporation of Central Island
Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2019

8. Repayable contributions

The Organization has received repayable contributions from the Government of Canada and the Province of British Columbia. These contributions provided the capital through which loans, loan guarantees and equity investments can be made in businesses owned and operated by applicants eligible under the specific programs being managed by the Organization.

	2019	2018
Disabled Entrepreneur Investment Fund Under the original terms of this funding agreement, loans could be made to disabled entrepreneurs until March 31, 2004. This agreement was subsequently extended to March 31, 2005. Advances to the Organization were unsecured and did not bear interest. No further extension has been granted and accordingly funds must be repaid to WED on demand. The original amount of the loan was \$200,000.	161,109	147,674
Youth Entrepreneur Fund Under the original terms of this funding agreement, loans could be made to qualifying youths until March 31, 2003. This agreement was subsequently extended to March 31, 2005. Advances to the Organization were unsecured and did not bear interest. No further extension has been granted and accordingly funds must be repaid to WED on demand. The original amount of the loan was \$200,000.	200,000	200,000
Fisheries Legacy Fund Under the original terms of this funding agreement, loans could be made to small businesses in fishing related and ocean-based commercial ventures until March 31, 2003. This agreement was subsequently extended to March 31, 2005. Advances to the Organization were unsecured and did not bear interest. No further extension has been granted and accordingly funds must be repaid to WED on demand.	420,000	420,000
Community Business Fund Under the terms of this restated contribution agreement, loans may be made to small businesses carrying on business in the forest, aquaculture, manufacturing or tourism sectors. Advances to the Organization were unsecured and did not bear interest. In the event that the funding agreement is terminated, any uncommitted funds together with interest thereon must be repaid to the Province of British Columbia. Subsequent principal and interest repayments must be repaid to the Province of British Columbia in proportion to their share of such loans. The agreement can be terminated by either party with 90 days notice and accordingly is classified as a current liability. The original amount of the loan was \$250,000.	233,984	203,464
	1,015,093	971,138

9. Long term debt

	2019	2018
RBC term loan repayable monthly at \$920 per month including principal and interest at 3.95%. The loan is secured by cash collateral of \$50,000 held as a GIC with RBC. The loan is due on April 15, 2023.	41,557	-
Less: current portion	(9,565)	-
	31,992	-

Community Futures Development Corporation of Central Island
Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2019

9. Long term debt *(Continued from previous page)*

Future payments related to long term debt are as follows:

2020	9,565
2021	9,951
2022	10,352
2023	10,770
2024	919
	41,557

10. Bad debt (recovery)

The charge to income during the year related to impaired loans is comprised of the following:

	2019	2018
Recoveries	(6,427)	(7,000)
Loans written off	7,293	49,000
Adjustment to service contract	-	1,714
Bad debt (recovery)	866	43,714

11. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash, marketable securities, accrued interest receivable and loans receivable. The Organization has provided for credit risks by establishing allowances against the carrying value of certain impaired loans. Loans are considered impaired as soon as collection of the full principal and interest on the loan becomes doubtful. Each impaired loan is evaluated separately and written down to the fair value of any security held. Various forms of security are taken on loans ranging from promissory notes and personal guarantees of principals to chattel mortgages and mortgages over real property. Credit risk exposure is limited for cash due to the credit quality of the financial institution where the cash is held. Credit risk exposure is limited for marketable securities as they are fully insured. The maximum credit risk exposure is \$5,200,208 (2017 - \$5,073,503).

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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate cash flow risk with respect to loans receivable and interest receivable, which are subject to a range of interest rates ranging from 5.95% - 12.5% (2018 - 5.45% - 11.95%).

12. Economic dependence

The Organization is dependent on contributions from the Government of Canada; specifically operating fund contributions from WED.

Community Futures Development Corporation of Central Island
Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2019

13. Contingencies

The Organization participated 50% in a syndication loan which was led by a network partner; the loan has been non-performing in excess of one year. At the end of the fiscal year, the Lead office advised the Organization that they had come to an agreement with the principals which would forgive a total of \$30,000 of the outstanding balance, \$15,000 borne by each syndicator, once the loan was paid down to that sum.