

**Community Futures Development
Corporation of Central Island
Non-Consolidated Financial Statements**

March 31, 2020

Community Futures Development Corporation of Central Island

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For the year ended March 31, 2020

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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 Non-Consolidated Financial Statements

Opinion

We have audited the non-consolidated financial statements of Community Futures Development Corporation of Central Island (the "Corporation"), which comprise the non-consolidated statement of financial position as at March 31, 2020, and the non-consolidated statements of operations, changes in net assets 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 Corporation as at March 31, 2020, 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 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 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 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 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.

Auditor's Responsibilities for the Audit of the Non-Consolidated 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 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.

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 24, 2020

MNP LLP

Chartered Professional Accountants

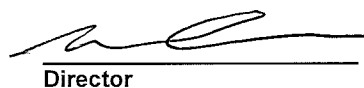
Community Futures Development Corporation of Central Island
Non-Consolidated Statement of Financial Position

As at March 31, 2020

	<i>Operating Fund</i>	<i>Investment Fund</i>	2020	2019
Assets				
Current				
Cash	32,539	475,992	508,531	412,530
Accounts receivable (Note 4)	9,222	51	9,273	16,551
Accrued interest	-	40,043	40,043	21,504
Marketable securities	-	715,242	715,242	1,500,614
Prepaid expenses and deposits	5,349	404	5,753	3,685
Current portion of long-term notes receivable (Note 5)	-	681,961	681,961	559,728
	47,110	1,913,693	1,960,803	2,514,612
Investments	-	50,100	50,100	302,284
Loans receivable (Note 5)	-	3,765,520	3,765,520	2,922,451
	47,110	5,729,313	5,776,423	5,739,347
Liabilities				
Current				
Accounts payable and accruals	34,486	189	34,675	47,110
Deferred contributions	40,290	-	40,290	39,430
Repayable contributions (Note 7)	-	1,015,093	1,015,093	1,015,093
Current portion of long term debt (Note 8)	9,951	-	9,951	9,565
	84,727	1,015,282	1,100,009	1,111,198
Long term debt (Note 8)	22,040	-	22,040	31,992
Subsequent events (Note 12)				
Fund Balances				
Externally restricted	-	3,880,853	3,880,853	3,836,776
Unrestricted	(59,657)	833,178	773,521	759,381
	(59,657)	4,714,031	4,654,374	4,596,157
	47,110	5,729,313	5,776,423	5,739,347

Approved on behalf of the Board


 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, 2020

	Operating Fund	Investment Fund	2020	2019
Revenue				
Western Economic Diversification contribution	273,482	-	273,482	273,482
Loan interest	-	313,751	313,751	253,303
Fee income	-	56,782	56,782	26,880
Miscellaneous income	15,130	-	15,130	26,185
Bank interest	5	28,829	28,834	24,716
Grants	13,137	-	13,137	10,860
Rental income	7,860	-	7,860	6,840
	309,614	399,362	708,976	622,266
Expenses				
Advertising	25,764	-	25,764	21,822
Bad debts <i>(Note 9)</i>	-	183,302	183,302	866
Bank charges and interest	948	230	1,178	1,507
Collection costs	-	2,361	2,361	4,636
Hosted events	5,322	-	5,322	4,141
Insurance (recovery)	3,922	9,594	13,516	(4,383)
Interest on long-term debt	1,473	-	1,473	1,676
Licences and fees	2,524	1,638	4,162	2,819
Office	21,947	777	22,724	18,413
Professional fees and consulting	28,534	-	28,534	23,883
Rent	38,683	-	38,683	32,882
Repairs and maintenance	256	-	256	889
Salaries and benefits	245,972	-	245,972	252,655
Supplies	10,567	-	10,567	6,687
Telephone	6,935	-	6,935	7,189
Training and education	7,570	-	7,570	1,276
Travel and conference	8,494	-	8,494	19,100
Utilities	1,564	-	1,564	2,275
	410,475	197,902	608,377	398,333
Excess (deficiency) of revenue over expenses before other items	(100,861)	201,460	100,599	223,933
Other items				
Interest transfers <i>(Note 3)</i>	115,000	(115,000)	-	-
Change in fair value of marketable securities	-	(42,382)	(42,382)	(43,955)
	115,000	(157,382)	(42,382)	(43,955)
Excess of revenue over expenses	14,139	44,078	58,217	179,978

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, 2020

	<i>Operating Fund</i>	<i>Investment Fund</i>	2020	<i>2019</i>
Fund balances, beginning of year	(73,796)	4,669,953	4,596,157	4,416,179
Excess of revenue over expenses	14,139	44,078	58,217	179,978
Fund balances, end of year	(59,657)	4,714,031	4,654,374	4,596,157

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, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	58,217	179,978
Change in fair value of conditionally repayable loans	-	43,955
Change in fair value of marketable securities	42,382	-
	100,599	223,933
Changes in working capital accounts		
Accounts receivable	7,278	(9,371)
Accrued interest	(18,539)	1,530
Prepaid expenses and deposits	(2,068)	(3,685)
Accounts payable and accruals	(12,435)	25,938
Deferred contributions	860	39,430
	75,695	277,775
Financing		
Repayment of advances from Colville Investments Corporation	-	(49,000)
Advances of long term debt	-	50,000
Repayments of long term debt	(9,566)	(8,443)
	(9,566)	(7,443)
Investing		
Purchase of marketable securities	(275,000)	(1,498,888)
Proceeds on disposal of marketable securities	1,017,990	1,000,000
Purchase of investments	-	(52,184)
Proceeds on disposal of investments	252,184	-
Advances of notes receivable	(2,167,194)	(1,493,711)
Repayment of notes receivable	1,201,892	1,324,833
	29,872	(719,950)
Increase (decrease) in cash resources	96,001	(449,618)
Cash resources, beginning of year	412,530	862,148
Cash resources, end of year	508,531	412,530

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, 2020

1. Incorporation and nature of the organization

Community Futures Development Corporation of Central Island (the "Corporation") was established to promote employment and economic development in the Central Vancouver Island area. The activities of the Corporation 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 Corporation also operates programs to promote employment and economic development through loans and loan guarantees to qualifying local businesses. The Corporation, 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 Corporation's non-consolidated financial statements do not include the accounts of Colville Investments Corporation, which is controlled by the Corporation 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 Corporation 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 Corporation to deliver the Community Futures contribution agreement with WED and other related programs. It accounts for the Corporation'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 Corporation's operations and would otherwise have been purchased.

Committee volunteers contribute many hours of time to the Corporation. 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, 2020

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. 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 Corporation recognizes its financial instruments when the Corporation 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 Corporation may irrevocably elect to subsequently measure any financial instrument at fair value. The Corporation has not elected to subsequently measure repayable contributions at their fair value.

The Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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, 2020

3. Interfund transactions

The Operating Fund received interest transfers of \$50,000 (2019 - \$50,000) from the non-repayable Investment Fund and \$65,000 (2019 - \$30,500) 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

	2020	2019
Accounts receivable	7,415	15,182
Goods and Services Tax receivable	1,858	1,369
	9,273	16,551

5. Loans receivable

Loans receivable are repayable monthly at varying amounts including interest ranging from prime plus 2.0% to 8.6% and have maturities from May 22, 2020 to March 27, 2027. The interest rate on some loans are adjusted based on the bank prime rate, which was 2.45% at March 31, 2020.

	2020	2019
Loans receivable	4,644,621	3,482,179
Less: allowance for doubtful accounts	(197,140)	-
Less: current portion of loans receivable	(681,961)	(559,728)
	3,765,520	2,922,451

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

2021	\$681,961
2022	\$632,378
2023	\$560,039
2024	\$423,060
2025	\$323,956

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2020

6. Investment in not-for-profit subsidiary and transactions with subsidiary

Unconsolidated not-for-profit subsidiary

The Corporation 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.

Summary financial information of Colville Investments Corporation as at March 31, 2020 and March 31, 2019 is as follows:

	2020	2019
Financial Position		
Total assets	319,566	305,553
Total liabilities	1,941	1,831
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Total net assets	317,625	303,722
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Results of Operations		
Total revenue	48,868	47,102
Total expenses	35,402	36,241
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Excess of revenue over expenses	13,466	10,861
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Cash Flows		
Operating activities	14,011	12,242
Financing activities	-	20,047
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Increase in cash	14,011	32,289

Included in rent expense is \$31,143 (2019 - \$31,585) 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.

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2020

7. Repayable contributions

The Corporation 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 Corporation.

	2020	2019
<p>Disabled Entrepreneur Investment Fund</p> <p>Under the original terms of this funding agreement, loans could be made to disabled entrepreneurs until March 31, 2004. Advances to the Corporation are unsecured and do not bear interest and are repayable to WED on demand. The original amount of the loan was \$200,000.</p>	161,109	161,109
<p>Youth Entrepreneur Fund</p> <p>Under the original terms of this funding agreement, loans could be made to qualifying youths until March 31, 2003. Advances to the Corporation are unsecured, do not bear interest and are repayable to WED on demand. The original amount of the loan was \$200,000.</p>	200,000	200,000
<p>Fisheries Legacy Fund</p> <p>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 Corporation were unsecured and did not bear interest. No further extension has been granted and accordingly funds must be repaid to WED on demand.</p>	420,000	420,000
<p>Community Business Fund</p> <p>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 Corporation 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.</p>	233,984	233,984
	1,015,093	1,015,093

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2020

8. Long term debt

	2020	2019
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.	31,991	41,557
Less: current portion	(9,951)	(9,565)
	22,040	31,992

Future payments related to long term debt are as follows:

2021	9,951
2022	10,352
2023	10,770
2024	918
	31,991

9. Allowance for doubtful accounts and bad debts

During the year there were the following changes to the allowance for doubtful accounts:

	2020	2019
Allowance for doubtful accounts, beginning of year	-	-
Provisions	197,140	-
Allowance for doubtful accounts, end of year	197,140	-
Bad debts		
Write-offs	-	7,293
Reversals of prior write-offs	(13,838)	(6,427)
Provisions for doubtful accounts	197,140	-
Net bad debts	183,302	866

10. Financial instruments

The Corporation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Corporation 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 Corporation to concentrations of credit risk consist primarily of cash, marketable securities, accrued interest receivable and loans receivable. The Corporation 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 \$5,711,296 (2019 - \$5,412,910).

Community Futures Development Corporation of Central Island

Notes to the Non-Consolidated Financial Statements

For the year ended March 31, 2020

10. Financial instruments *(Continued from previous page)*

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 Corporation 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 prime plus 2.0% - 8.6% (2019 - 5.95% - 12.5%).

11. Economic dependence

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

12. Subsequent events

In early 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and isolation/quarantine measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

While the extent of the impact is unknown, we anticipate this outbreak may cause reductions in the Corporation's scheduled collections of loans receivable, staff shortages/disruptions, and increased government regulations, all of which may negatively impact the Corporation's business and financial condition. Specifically, to assist in economic relief and recovery, the Corporation has agreed to deferred payment plans from a significant portion of its loans receivable clients. This will negatively impact the Corporation's cash flows for the year ending March 31, 2021.

In May of 2020, the Government of Canada, announced the initiation of the Regional Relief and Recovery Fund to support to small business affected by COVID-19. The Corporation has entered into an agreement with Community Futures British Columbia to borrow \$750,000 to disburse in repayable loans up to \$40,000 per applicant.