

**Community Futures Development
Corporation - Cowichan Region
Financial Statements**
March 31, 2018

**Community Futures Development
Corporation - Cowichan Region
Contents**

For the year ended March 31, 2018

	<i>Page</i>
Management's Responsibility	
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Operations.....	2
Statement of Changes in Fund Balances.....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements.....	5
Schedule	
Schedule 1 - Loans Receivable.....	12

Management's Responsibility

To the Directors of Community Futures Development Corporation - Cowichan Region:

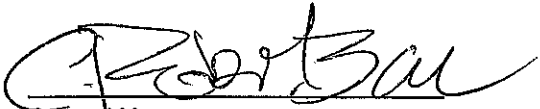
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to meet periodically with the Board and management to discuss their audit findings.

June 20, 2018



General Manager

Independent Auditors' Report

To the Directors of Community Futures Development Corporation - Cowichan Region:

We have audited the accompanying financial statements of Community Futures Development Corporation - Cowichan Region, which comprise the statement of financial position and schedule of loans receivable as at March 31, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Development Corporation - Cowichan Region as at March 31, 2018 and the results of its operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Duncan, British Columbia

June 20, 2018

MNP LLP

Chartered Professional Accountants

**Community Futures Development
Corporation - Cowichan Region
Statement of Financial Position**

As at March 31, 2018

	2018 Operating Fund	2018 Investment Fund	2018	2017
Assets				
Current				
Cash and cash equivalents	139,837	1,106,291	1,246,128	1,031,127
Interest and loan charges receivable (Note 3)	703	24,985	25,688	23,980
Goods and Services Tax receivable	29	-	29	623
Prepaid expenses and deposits	7,666	-	7,666	7,098
Short-term investments (Note 4)	-	558,318	558,318	876,286
Due to (from) other funds (Note 5)	(4,547)	4,547	-	-
Current portion of loans receivable (Note 6)	-	596,873	596,873	808,542
	143,688	2,291,014	2,434,702	2,747,656
Capital assets (Note 7)	270,410	-	270,410	285,907
Loans receivable (Note 6)	-	2,092,344	2,092,344	1,804,823
Community Futures BC pooled funds (Note 8)	-	250,000	250,000	-
Investments (Note 9)	1	-	1	2,001
	414,099	4,633,358	5,047,457	4,840,387
Liabilities				
Current				
Accounts payable and accruals (Note 11)	23,200	5,701	28,901	34,231
Deferred contributions (Note 12)	103,444	-	103,444	-
Goods and Services Tax payable	36	-	36	-
Repayable loans (Note 13)	-	1,270,000	1,270,000	1,270,000
	126,680	1,275,701	1,402,381	1,304,231
Fund balances				
Investment in capital assets	270,410	-	270,410	285,907
Externally restricted	-	3,357,657	3,357,657	3,243,922
Unrestricted	(59,714)	-	(59,714)	(70,396)
Internally restricted	76,723	-	76,723	76,723
	287,419	3,357,657	3,645,076	3,536,156
	414,099	4,633,358	5,047,457	4,840,387

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

**Community Futures Development
Corporation - Cowichan Region**
Statement of Operations
For the year ended March 31, 2018

	<i>2018 Operating Fund</i>	<i>2018 Investment Fund</i>	<i>2018</i>	<i>2017</i>
Revenues				
Western Economic Diversification contribution	305,955	-	305,955	305,956
Loan interest	-	209,826	209,826	202,856
Rental income	30,751	-	30,751	38,676
Leadership Vancouver Island project	25,710	-	25,710	28,571
Loan application fees	23,227	-	23,227	20,652
Bank interest	20	9,354	9,374	5,231
Cowichan Lake Region Economic Action Plan (Note 12)	2,469	-	2,469	-
Business revenue	461	-	461	4,054
Total revenues	388,593	219,180	607,773	605,996
Expenses				
Salaries and benefits	262,032	-	262,032	258,487
Professional fees	74,513	11,865	86,378	97,571
Provision for non-performing loans (Note 14)	-	35,418	35,418	46,222
Repairs and maintenance	24,846	-	24,846	16,221
Amortization	16,682	-	16,682	19,623
Office supplies	16,426	24	16,450	15,840
Training and education	11,669	-	11,669	8,844
Property taxes	9,452	-	9,452	9,333
Utilities	8,542	-	8,542	8,543
Insurance	8,074	-	8,074	9,445
Advertising and promotion	7,909	-	7,909	11,693
Goods and services tax	3,751	-	3,751	4,478
Cowichan Lake Region Economic Action Plan (Note 12)	2,469	-	2,469	-
Meals and meetings	2,439	-	2,439	4,466
Consulting	1,749	-	1,749	1,634
Bank charges and interest	774	-	774	1,380
Interest on short-term debt	81	138	219	462
Total expenses	451,408	47,445	498,853	514,242
Excess (deficiency) of revenue over expenses before other items	(62,815)	171,735	108,920	91,754
Other items				
Interest transfers (Note 5)	58,000	(58,000)	-	-
Excess (deficiency) of revenue over expenses	(4,815)	113,735	108,920	91,754

The accompanying notes are an integral part of these financial statements

**Community Futures Development
Corporation - Cowichan Region**
Statement of Changes in Fund Balances
For the year ended March 31, 2018

	<i>2018 Operating Fund</i>	<i>2018 Investment Fund</i>	<i>2018</i>	<i>2017</i>
Fund balances, beginning of year	292,234	3,243,922	3,536,156	3,444,402
Excess (deficiency) of revenue over expenses	(4,815)	113,735	108,920	91,754
Fund balances, end of year	287,419	3,357,657	3,645,076	3,536,156

The accompanying notes are an integral part of these financial statements

**Community Futures Development
Corporation - Cowichan Region**
Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating		
Western Economic Development	305,955	280,460
Other revenue received	90,859	126,016
Investment income	209,413	193,962
Cowichan Lake Region Economic Action Plan grant	105,913	-
Program service expenses	(190,400)	(192,218)
Salaries and benefits	(262,033)	(258,487)
Interest	(219)	(462)
	259,488	149,271
Financing		
Repayment of short-term debt	-	(70,948)
Decrease in line of credit	-	(23,962)
	-	(94,910)
Investing		
Purchase of capital assets	(1,185)	(7,499)
Loan advances	(1,203,552)	(1,015,794)
Loan repayments	1,092,282	1,276,173
Purchase of short-term investment	(558,318)	(850,183)
Repayments of short-term investment	876,286	-
Purchase of long-term investment	(250,000)	-
	(44,487)	(597,303)
Increase (decrease) in cash resources	215,001	(542,942)
Cash and cash equivalents, beginning of year	1,031,127	1,574,069
Cash and cash equivalents, end of year	1,246,128	1,031,127

The accompanying notes are an integral part of these financial statements

**Community Futures Development
Corporation - Cowichan Region**
Notes to the Financial Statements
For the year ended March 31, 2018

1. Incorporation and nature of the organization

Community Futures Development Corporation - Cowichan Region (the "Organization") was established to promote employment and economic development in the Cowichan region. 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 organization and is exempt for income tax purposes.

2. Significant accounting policies

The 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, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

Fund accounting

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

The Operating Fund reports the Organization's 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 approved by WED. Interest is recognized in the period in which it is earned. Administration fees, rental and other revenues are recognized as revenue in the year in which the revenue is earned or the service provided, the amount is determinable and collection is reasonably assured.

Province of British Columbia grant revenue with specific restrictions on use is recognized as revenue in the period in which the related expenses are incurred.

Contributed services

Contributions of services are recognized both as contributions and expenses in the 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 Corporation. Because of the difficulty in determining a fair value, these contributed services are not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

**Community Futures Development
Corporation - Cowichan Region**
Notes to the Financial Statements
For the year ended March 31, 2018

2. **Significant accounting policies** *(Continued from previous page)*

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings and building improvements	5-40 years
Computer equipment	3 years
Furniture and fixtures	5 years
Office equipment	5 years

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 financial statements, and the reported amounts of revenues and expenses during the reporting period.

Interest and loan charges receivable, accounts receivable and loans receivable are stated after evaluation as to their collectability 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 revenues and expenses in the periods in which they become known.

Investments

Long-term investments are comprised of enterprises not quoted in an active market and are recorded at cost less impairment. They have been classified as long-term assets in accordance with the nature of the investment.

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 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 made such an election during the year.

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. 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 revenues 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.

**Community Futures Development
Corporation - Cowichan Region**
Notes to the Financial Statements
For the year ended March 31, 2018

2. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. 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; the amount that could be realized by selling 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 revenues 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 revenues over expenses in the year the reversal occurs.

3. Interest and loan charges receivable

	2018	2017
GIC interest receivable	3,191	5,477
Accrued loan interest	22,497	18,453
Loan charges receivable	-	50
	25,688	23,980

4. Short-term investments

	2018	2017
Short-term investments consist of the following:		
GIC bearing interest at 1.40%, maturing July 5, 2018	26,470	-
GIC bearing interest at 1.40%, maturing July 13, 2018	26,948	-
GIC bearing interest at 1.57%, maturing November 14, 2018	253,500	-
GIC bearing interest at 1.40%, maturing November 14, 2018	101,400	-
GIC bearing interest at 1.87%, maturing March 7, 2019	150,000	-
GIC matured June 2017	-	26,286
GIC matured November 2017	-	300,000
GIC matured November 2017	-	250,000
GIC matured November 2017	-	200,000
GIC matured November 2017	-	100,000
	558,318	876,286

5. Interfund transactions

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

The Operating Fund received interest transfers of \$58,000 (2017 - \$61,598) from the Investment Fund.

**Community Futures Development
Corporation - Cowichan Region**
Notes to the Financial Statements
For the year ended March 31, 2018

6. Loans receivable

Loans receivable are repayable monthly at varying amounts including interest ranging from 0% to 10.5% and have maturities from June 1, 2018 to September 1, 2024.

	2018	2017
Loans receivable - Schedule 1	2,689,217	2,657,565
Less: Provision for non-performing loans	-	(44,200)
	2,689,217	2,613,365
Less: Current portion of loans receivable	(596,873)	(808,542)
	2,092,344	1,804,823

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

2019	596,873
2020	514,749
2021	420,101
2022	254,066
2023	178,554

7. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	93,500	-	93,500	93,500
Buildings and building improvements	409,168	239,743	169,425	183,586
Office equipment	83,053	83,053	-	-
Computer equipment	54,533	47,168	7,365	8,463
Furniture and fixtures	14,748	14,628	120	358
	655,002	384,592	270,410	285,907

8. Community Futures BC pooled funds

Community Futures BC pooled funds are used as a source of capital for all Community Futures offices in BC. Community Futures Cowichan contributed to the fund for a 2 year term starting on November 15, 2017.

**Community Futures Development
Corporation - Cowichan Region**
Notes to the Financial Statements
For the year ended March 31, 2018

9. Investments

	2018	2017
Venture Connect (1/6 interest held)	25,000	25,000
Less impairment allowance	(24,999)	(24,999)
NextSteps Enterprise West Society (1/4 interest held)	-	2,000
	1	2,001

10. Line of credit

A line of credit from Island Savings Credit Union is available for \$25,000 and is fully secured by a \$25,000 GIC held in the Investment Fund. An additional line of credit from Island Savings Credit Union is available for \$100,000 with a general security agreement. Interest is charged at prime rate on a per annum basis. Interest only repayments are required. No amounts have been drawn on either line of credit.

11. Accounts payable and accruals

Accounts payable consist of the following:

	2018	2017
Accrued liabilities	15,500	15,500
Trade payables	13,382	18,683
Worksafe British Columbia	19	48
	28,901	34,231

12. Deferred contributions

Deferred contributions consist of unspent funding. Recognition of these amounts as revenue is deferred to periods when the specified expenditure of these funds are made. Components of the deferred contribution balance are as follows:

	2018	2017
Cowichan Lake Region Economic Action Plan		
Funding received	105,913	-
Less expenses:		
Contract services	(1,180)	-
GST expense	(29)	-
Travel	(29)	-
Training	(1,231)	-
	(2,469)	-
Deferred contributions	103,444	-

**Community Futures Development
Corporation - Cowichan Region**
Notes to the Financial Statements
For the year ended March 31, 2018

13. Repayable loans

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.

	2018	2017
Community Business Fund		
Under the terms of this 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 BC. Subsequent principal and interest repayments must be repaid to the Province of BC 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.	450,000	450,000
Fisheries Legacy Loan 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, 2012. 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.	420,000	420,000
Youth Investment Loan Fund		
Under the original terms of this funding agreement, loans could be made to qualifying youth until March 31, 2004. 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.	200,000	200,000
Entrepreneurs with Disabilities Loan Fund		
Under the original terms of this funding agreement, loans could be made to disabled entrepreneurs until March 31, 2004. 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.	200,000	200,000
	1,270,000	1,270,000

14. Provision for non-performing loans

The charge to income during the year related to non-performing loans is comprised of the following:

	2018	2017
Additions to the provision - principal	-	40,000
Reversals of the provision - principal	(44,200)	(800)
Recoveries	(729)	-
Loans written off	80,347	7,022
Provision for non-performing loans	35,418	46,222

**Community Futures Development
Corporation - Cowichan Region**
Notes to the Financial Statements
For the year ended March 31, 2018

15. 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, interest and loan charges receivable, loans receivable, short-term investments and Community Futures BC pooled funds. 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. The maximum credit risk exposure is \$4,769,351 (2017 - \$4,546,758).

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 receivables, which are subject to a range of interest rates ranging from 0% - 10.5% (2017 - 0% - 10.7%).

16. Economic dependence

The Organization is dependent on contributions from the Government of Canada; specifically operating fund contributions from WED. During the year, the funding agreement with WED was renewed to March 31, 2021.

Rental income from tenants represents a significant portion of the operating fund cash flows.

Community Futures Development Corporation Cowichan
Schedule 1 - Loans Receivable
As at March 31, 2018

		WED Funds					Other Funds			
		General Loan Fund	Fisheries Legacy Loan Fund	Entrepreneurs with Disabilities Fund	WED Sub-total	Community Business Fund	Marine Communities Loan fund	Other Sub-total	Totals	
2018	Loans receivable	1,967,176	178,552	57,707	2,203,435	347,086	138,696	485,782	2,689,217	
	Less: Allowance for doubtful loans	-	-	-	-	-	-	-	-	
	Less: Current portion	(411,361)	(57,810)	(20,091)	(489,262)	(55,406)	(52,205)	(107,611)	(596,873)	
		1,555,815	120,742	37,616	1,714,173	291,680	86,491	378,171	2,092,344	
2017	Loans receivable	1,869,775	266,303	110,914	2,246,992	168,136	242,437	410,573	2,657,565	
	Less: Allowance for doubtful loans	-	-	(4,200)	(4,200)	-	(40,000)	(40,000)	(44,200)	
	Less: Current portion	(470,451)	(133,332)	(22,913)	(626,696)	(48,460)	(133,386)	(181,846)	(808,542)	
		1,399,324	132,971	83,801	1,616,096	119,676	69,051	188,727	1,804,823	