

**Community Futures Development Corporation of Central Island**  
**Non-Consolidated Financial Statements**  
*March 31, 2018*

## Management's Responsibility

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

Management is responsible for the preparation and presentation of the accompanying non-consolidated 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 non-consolidated 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 non-consolidated financial statements.

The Board of Directors is composed 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 non-consolidated financial statements. The Audit Committee assists the Board with fulfilling these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee is also responsible for recommending the appointment of the Corporation's 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, and meet periodically with, both the Audit Committee and management to discuss their audit findings.

June 15, 2018

  
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Executive Director

**Community Futures Development Corporation of Central Island**  
**Non-Consolidated Statement of Financial Position**  
*As at March 31, 2018*

	<i>Operating Fund</i>	<i>Investment Fund</i>	<i>2018</i>	<i>2017</i>
<b>Assets</b>				
<b>Current</b>				
Cash	(25,703)	887,851	862,148	431,711
Accrued interest receivable	-	23,034	23,034	12,552
Marketable securities	-	1,001,726	1,001,726	2,000,770
GST receivable	2,891	700	3,591	1,319
Accounts receivable	3,585	-	3,585	1,925
Due from (to) other funds (Note 3)	7,266	(7,266)	-	-
Loans receivable - current (Note 4)	-	502,188	502,188	549,267
	(11,961)	2,408,233	2,396,272	2,997,544
<b>Investments</b>	-	250,000	250,000	250,000
<b>Loans receivable (Note 4)</b>	-	2,811,113	2,811,113	2,079,203
<b>Investment in Colville Investments Corporation (Note 5)</b>	-	100	100	100
	(11,961)	5,469,446	5,457,485	5,326,847
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accruals	20,265	903	21,168	56,613
Due to Colville Investments Corporation (Note 6)	49,000	-	49,000	49,000
Repayable contributions (Note 7)	-	1,070,000	1,070,000	999,427
	69,265	1,070,903	1,140,168	1,105,040
<b>Fund Balances</b>				
Externally restricted	-	3,565,365	3,565,365	3,483,531
Unrestricted	(81,226)	833,178	751,952	738,276
	(81,226)	4,398,543	4,317,317	4,221,807
	(11,961)	5,469,446	5,457,485	5,326,847

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 Changes in Fund Balances**  
*For the year ended March 31, 2018*

	<i>Operating Fund</i>	<i>Investment Fund</i>	<i>2018</i>	<i>2017</i>
Fund balances, beginning of year	(94,900)	4,316,710	4,221,810	4,056,149
Excess (deficiency) of revenue over expenses	13,674	81,833	95,507	165,661
Fund balances, end of year	(81,226)	4,398,543	4,317,317	4,221,810

*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, 2018

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### 1. Incorporation and nature of the corporation

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 5.

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, 2018*

### 3. Interfund transactions

The Operating Fund received interest transfers of \$50,000 (2017 - \$50,000) from the non-repayable investment 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. Loans receivable

Loans receivable are repayable monthly at varying amounts including interest ranging from 5.45% to 11.95% and have maturities from April 1, 2018 to September 30, 2024. The interest rate on some loans are adjusted based on the bank prime rate, which was 3.45% at March 31, 2018.

	<i>March 31, 2018</i>	<i>March 31, 2017</i>
Loans receivable	3,313,301	2,628,470
Less: current portion of loans receivable	(502,188)	(549,267)
	2,811,113	2,079,203

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

2019	\$502,188
2020	\$529,694
2021	\$459,367
2022	\$385,156
2023	\$224,313

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

*For the year ended March 31, 2018*

**8. Bad debt recovery**

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

	<b>2018</b>	<b>2017</b>
Recoveries	(7,000)	(12,938)
Loans written off	49,000	-
Adjustment to service contract	1,714	-
Bad debt recovery	43,714	(12,938)

**9. 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 \$5,200,208 (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 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 5.45% - 11.95% (2017 - 0% - 11%).

**10. Economic dependence**

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