

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

*March 31, 2014*

**Community Futures Development  
Corporation of Central Island  
Contents**

*For the year ended March 31, 2014*

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## 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 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 and Audit Committee are 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 annual report. The Audit Committee fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The 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 and separately with, both the Committee and management to discuss their audit findings.

July 3, 2014

  
\_\_\_\_\_  
Executive Director

## Independent Auditors' Report

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

We have audited the accompanying non-consolidated financial statements of Community Futures Development Corporation of Central Island, which comprise the non-consolidated statement of financial position as at March 31, 2014 and the non-consolidated 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 in our audit 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 of Central Island as at March 31, 2014, 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.

Nanaimo, British Columbia


July 3, 2014

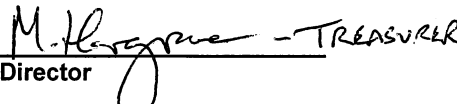
**MNP LLP**  
Chartered Accountants

**Community Futures Development  
Corporation of Central Island**  
**Non-Consolidated Statement of Financial Position**  
*As at March 31, 2014*

	Operating Fund	Investment Fund	2014	2013
<b>Assets</b>				
<b>Current</b>				
Cash	16,814	2,194,122	2,210,936	1,755,663
Accrued interest receivable	-	15,717	15,717	14,910
GST Receivable	1,438	-	1,438	4,795
Accounts receivable	3,662	-	3,662	9,066
Due from (to) other funds (Note 9)	8,239	(8,239)	-	-
Loans receivable - current (Note 3)	-	447,749	447,749	417,508
	30,153	2,649,349	2,679,502	2,201,942
Capital assets (Note 4)	2,576	-	2,576	8,852
Loans receivable (Note 3)	-	1,992,334	1,992,334	2,217,858
Long term equity investment	-	-	-	200,000
Investment in Colville Investments Corporation (Note 5)	-	100	100	100
	32,729	4,641,783	4,674,512	4,628,752
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accruals	25,045	-	25,045	26,681
Current portion of capital lease obligations (Note 6)	3,983	-	3,983	3,983
Deferred revenue	22,792	-	22,792	-
Due to Colville Investments Corporation (Note 7)	68,812	-	68,812	62,677
Repayable contributions (Note 8)	-	1,712,475	1,712,475	1,635,100
	120,632	1,712,475	1,833,107	1,728,441
Capital lease obligations (Note 6)	5,753	-	5,753	9,736
	126,385	1,712,475	1,838,860	1,738,177
<b>Fund balances</b>				
Investment in capital assets	2,576	-	2,576	8,853
Externally restricted assets	-	2,929,308	2,929,308	2,974,259
Operating deficiency	(96,232)	-	(96,232)	(92,537)
	(93,656)	2,929,308	2,835,652	2,890,575
	32,729	4,641,783	4,674,512	4,628,752

Approved on behalf of the Board

 Chair  
Director

 - TREASURER  
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, 2014*

	<i>Operating Fund</i>	<i>Investment Fund</i>	<b>2014</b>	<b>2013</b>
<b>Revenues</b>				
Western Economic Diversification contribution	273,480	-	273,480	273,480
Loan interest	-	212,269	212,269	225,321
Bank interest	-	21,705	21,705	21,869
Miscellaneous income	13,079	-	13,079	11,850
Fee income	11,690	10,917	22,607	10,564
Lease rental income	9,693	-	9,693	-
Rental income	1,900	-	1,900	3,116
<b>Total revenues</b>	<b>309,842</b>	<b>244,891</b>	<b>554,733</b>	<b>546,200</b>
<b>Expenses</b>				
Advertising	14,381	-	14,381	5,776
Amortization	9,171	-	9,171	9,611
Bad debt expense (recovery) (Note 10)	-	(54,561)	(54,561)	(220,580)
Collection costs	-	268	268	11,985
Bank charges and interest	2,108	56	2,164	2,088
CED activities	2,000	-	2,000	15,464
Colville	-	-	-	32,030
Equipment rental	2,872	-	2,872	2,799
Insurance	4,214	2,641	6,855	2,810
Licences and fees	7,001	-	7,001	2,512
Miscellaneous	-	-	-	13,021
Office	18,949	1,682	20,632	14,825
Professional fees and consulting	42,435	20,803	63,237	61,841
Rent (Note 5)	41,039	-	41,039	22,436
Repairs and maintenance	653	-	653	1,164
Salaries and benefits	191,036	-	191,036	189,353
Supplies	6,824	-	6,824	2,771
Telephone	6,797	-	6,797	5,956
Training and education	923	-	923	944
Travel and conference	9,875	-	9,875	14,785
Utilities	2,710	-	2,710	1,873
<b>Total expenses</b>	<b>362,988</b>	<b>(29,111)</b>	<b>333,877</b>	<b>193,464</b>
<b>Excess (deficiency) of revenues over expenses before other items</b>	<b>(53,146)</b>	<b>274,002</b>	<b>220,856</b>	<b>352,736</b>
<b>Other items</b>				
Gain (loss) on disposal of capital assets	-	1,596	1,596	-
Interest transfers (Note 9)	43,174	(43,174)	-	-
Loss on equity investment	-	(200,000)	(200,000)	-
Change in fair value of conditionally repayable loans	-	(77,375)	(77,375)	(42,930)
<b>Excess (deficiency) of revenues over expenses</b>	<b>(9,972)</b>	<b>(44,951)</b>	<b>(54,923)</b>	<b>309,806</b>

*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, 2014*

	<i>Operating Fund</i>	<i>Investment Fund</i>	<b>2014</b>	<b>2013</b>
<b>Fund balances, beginning of year</b>	<b>(83,684)</b>	<b>2,974,259</b>	<b>2,890,575</b>	2,580,769
<b>Excess (deficiency) of revenues over expenses</b>	<b>(9,972)</b>	<b>(44,951)</b>	<b>(54,923)</b>	309,806
<b>Fund balances, end of year</b>	<b>(93,656)</b>	<b>2,929,308</b>	<b>2,835,652</b>	2,890,575

*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, 2014*

	<b>2014</b>	<b>2013</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Cash received from contributions	329,926	366,633
Cash receipts from unrestricted investment income	274,558	310,189
Cash paid for program service expenses	(192,697)	(237,433)
Cash paid for salaries and benefits	(191,036)	(204,817)
Cash paid for interest	(935)	(1,655)
	<b>219,816</b>	<b>232,917</b>
<b>Financing</b>		
Repayment of advances from Colville Investments Corporation	(3,347)	(3,884)
Repayments of capital lease obligations	(3,983)	(3,981)
	<b>(7,330)</b>	<b>(7,865)</b>
<b>Investing</b>		
Purchase of Capital Assets	(2,895)	(338)
Advances of loans receivable	(623,540)	(535,073)
Repayments of loans receivable	869,252	469,568
	<b>242,817</b>	<b>(65,843)</b>
<b>Increase in cash resources</b>	<b>455,303</b>	<b>159,209</b>
<b>Cash resources, beginning of year</b>	<b>1,755,633</b>	<b>1,596,454</b>
<b>Cash resources, end of year</b>	<b>2,210,936</b>	<b>1,755,663</b>

*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, 2014*

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**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 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 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 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 corporations' 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.

***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 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 financial statements.

**Community Futures Development  
Corporation of Central Island**  
**Notes to the Non-Consolidated Financial Statements**  
*For the year ended March 31, 2014*

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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.

	<b>Method</b>	<b>Years</b>
Computer equipment	straight-line	3 years
Equipment	straight-line	5 years
Furniture and fixtures	straight-line	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.

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 revenues 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 CICA 3840 *Related Party Transactions* (refer to Note 5).

At initial recognition, the Corporation may irrevocably elect to subsequently measure any financial instrument at fair value. The Corporation has 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 amortized cost or cost.

**Community Futures Development  
Corporation of Central Island**  
**Notes to the Non-Consolidated Financial Statements**  
*For the year ended March 31, 2014*

**3. Loans receivable**

Loans receivable are repayable monthly at varying amounts including interest ranging from 0% to 11% and have maturities from May 3, 2014 to March 27, 2027. The interest rate on some loans are adjusted semi-annually based on the bank prime rate.

	<i>2014</i>	<i>2013</i>
Loans Receivable	<b>2,674,083</b>	3,016,366
Less: allowance for doubtful loans	<b>(234,000)</b>	(381,000)
	<b>2,440,083</b>	2,635,366
Less: current portion of loans receivable	<b>(447,749)</b>	(417,508)
	<b>1,992,334</b>	2,217,858

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

2015	\$447,749
2016	\$383,282
2017	\$369,731
2018	\$267,701
2019	\$144,975

**4. Capital assets**

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2014 Net book value</i>	<i>2013 Net book value</i>
Computer equipment	<b>117,410</b>	<b>117,410</b>	-	7,024
Furniture and fixtures	<b>28,937</b>	<b>26,513</b>	<b>2,424</b>	1,395
Equipment	<b>38,222</b>	<b>38,070</b>	<b>152</b>	433
	<b>184,569</b>	<b>181,993</b>	<b>2,576</b>	8,852

Included in computer equipment is equipment under capital lease with a net book value of nil (2013 - \$3,652).

**Community Futures Development  
Corporation of Central Island**  
**Notes to the Non-Consolidated Financial Statements**  
*For the year ended March 31, 2014*

**5. Investment in Colville Investments Corporation and transactions with Colville Investment Corporation**

The Corporation is the sole shareholder of Colville Investments Corporation. The company is a not-for-profit organization incorporated under the B.C. Company Act and is an exempt organization for income tax purposes. Information for the years ended March 2014 and 2013 presented below is unaudited.

	<b>March 31, 2014</b>	March 31, 2013
Assets	<b>\$ 334,215</b>	\$ 254,759
Liabilities	<b>82,611</b>	6,580
Shareholders' Equity	<b>251,604</b>	248,179
Revenues	<b>14,359</b>	32,915
Expenses	<b>10,934</b>	730
Excess of revenues over expenses	<b>3,425</b>	32,185
Cash flows from activities:		
Operating (decrease in cash )	<b>(13,709)</b>	(11,231)
Investing (decrease in cash)	<b>(240,403)</b>	-
Financing (increase in cash)	<b>79,612</b>	-

Included in Rent expense is \$15,270 paid to Colville Investments Corporation for use of the building owned by Colville. The expense is measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

**6. Capital lease obligations**

The Corporation's capital lease obligations are repayable in monthly installments of \$332 until June 15, 2015 and \$212 thereafter until June 15, 2017. No interest is being charged on these obligations. Payments over the next three years are as follows:

2015	3,983
2016	3,210
2017	2,543

**7. Due to Colville Investments Corporation**

\$34,000 (2013 - \$34,000) of the loan due to Colville Investments Corporations has no set terms of repayment and does not bear interest.

\$34,812 (2013 - \$28,677) due to Colville Investments Corporation is due on demand and is being repaid in monthly payments of \$324 including interest at 2%. Based on these repayment terms the principal payments due in the next five years are as follows:

2015	2,142
2016	2,170
2017	2,214
2018	2,259
2019	2,304

Interest charged during the year by Colville Investments Corporation was \$1,229 (2013 – \$602).

**Community Futures Development  
Corporation of Central Island**  
**Notes to the Non-Consolidated Financial Statements**  
*For the year ended March 31, 2014*

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**8. 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.

	<b>2014</b>	2013
<p>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 Corporation 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.</p>	<b>187,429</b>	114,228
<p>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 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>	<b>200,000</b>	200,000
<p>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 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>	<b>420,000</b>	420,000
<p>Fisheries Legacy Fund Under the original terms of this funding agreement, loans could be made to qualifying fishers until March 31, 2003 at which time the agreement was to be reviewed. Advances to the Corporation were unsecured and did not bear interest. On termination of the agreement, 90% of the outstanding balance of the fund is repayable to Fisheries and Oceans Canada ("DFO") together with 90% of subsequent principal and interest payments made by loan holders. No extension has been granted and accordingly the funds must be repaid to DFO on demand.</p>	<b>833,179</b>	833,179
<p>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 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. The original amount of the loan was \$250,000.</p>	<b>71,867</b>	67,693
	<b>1,712,475</b>	1,635,100

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**Community Futures Development  
Corporation of Central Island**  
**Notes to the Non-Consolidated Financial Statements**  
*For the year ended March 31, 2014*

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**9. Interfund transactions**

The Operating Fund received interest transfers of \$43,174 (2013 - \$50,090) from the non-repayable investment fund. There were no other transfers between funds during the year.

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

**10. Bad debts**

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

	2014	2013
Additions to the allowance - principal	-	116,000
Additions to the allowance - interest	-	831
Reversals of the allowance - principal	<b>(97,000)</b>	(316,000)
Reversals of the allowance - interest	<b>(1,346)</b>	(18,778)
Recoveries	<b>(26,620)</b>	(41,531)
Loans written off	<b>70,405</b>	38,898
<hr/>		
Bad debt recovery	<b>(54,561)</b>	(220,580)

**11. 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, 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. The maximum credit risk exposure is \$4,570,500 (2013 - \$4,415,005)

***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 0% - 11% (2013 - 0% - 11%).

**Community Futures Development  
Corporation of Central Island**  
**Notes to the Non-Consolidated Financial Statements**  
*For the year ended March 31, 2014*

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**12. Economic dependence**

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

**13. Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.