

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Financial Statements

Year Ended March 31, 2020

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

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Year Ended March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Community Futures Development Corporation of Sun Country

Report on the Financial Statements

Opinion

We have audited the financial statements of Community Futures Development Corporation of Sun Country (the Corporation), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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:

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Independent Auditor's Report to the Directors of Community Futures Development Corporation of Sun Country
(continued)

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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.



Kamloops, British Columbia
July 9, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Statement of Financial Position

March 31, 2020

	Operating Fund	SE Fund	Regular Investment Loan Fund	Youth Loan Fund	FCBP Loan Fund	Disabled Entrepreneur Loan Fund	Capital Fund	2020 Total	(Note 18) 2019 Total
ASSETS									
CURRENT									
Cash	\$ 58,983	\$ 41,958	\$ 361,365	\$ 67,843	\$ 66,039	\$ 48,414	\$ -	\$ 644,602	\$ 451,872
CFLIP investment (Note 4)	-	-	485,638	174,830	145,691	-	-	806,159	830,000
Accounts receivable (Note 5)	2,738	-	-	-	-	-	-	2,738	13,945
Interest receivable (Note 6)	-	-	3,692	112	-	93	-	3,897	3,621
	61,721	41,958	850,695	242,785	211,730	48,507	-	1,457,396	1,299,438
LOANS RECEIVABLE, NET (Note 7)	-	-	910,881	42,164	-	3,807	-	956,852	1,096,126
TANGIBLE CAPITAL ASSETS (Note 8)	-	-	-	-	-	-	9,067	9,067	6,239
	\$ 61,721	\$ 41,958	\$ 1,761,576	\$ 284,949	\$ 211,730	\$ 52,314	\$ 9,067	\$ 2,423,315	\$ 2,401,803
LIABILITIES AND NET ASSETS									
CURRENT									
Accounts payable and accruals (Note 9)	\$ 59,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,417	\$ 61,796
Deferred revenue (Note 10)	24,942	-	-	-	-	-	-	24,942	-
	84,359	-	-	-	-	-	-	84,359	61,796
GOVERNMENT ASSISTANCE (Note 11)	-	-	-	200,000	-	200,000	-	400,000	400,000
	84,359	-	-	200,000	-	200,000	-	484,359	461,796
FUND BALANCES									
Gov't contributions (Note 12)	-	-	864,052	-	100,000	-	-	964,052	964,052
Interfund transfers (Note 12)	-	-	(100,000)	-	100,000	-	-	-	-
Fund balances	(22,638)	41,958	997,524	84,949	11,730	(147,686)	9,067	974,904	975,955
	(22,638)	41,958	1,761,576	84,949	211,730	(147,686)	9,067	1,938,956	1,940,007
	\$ 61,721	\$ 41,958	\$ 1,761,576	\$ 284,949	\$ 211,730	\$ 52,314	\$ 9,067	\$ 2,423,315	\$ 2,401,803
COMMITMENTS (Note 16)									
SUBSEQUENT EVENTS (Note 17)									

See notes to financial statements



COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Statement of Changes in Fund Balances

Year Ended March 31, 2020

	Operating Fund	SE Fund	Regular Investment Loan Fund	Youth Loan Fund	FCBP Loan Fund	Disabled Entrepreneur Loan Fund	Capital Fund	2020 Total	2019 Total
BALANCE - BEGINNING OF YEAR	\$ 23,156	\$ 41,939	\$ 944,195	\$ 86,075	\$ 14,796	\$ (140,445)	\$ 6,239	\$ 975,955	\$ 882,461
Excess (deficiency) of revenues over expenses	(38,427)	19	53,329	(1,126)	(3,066)	(7,241)	(4,539)	(1,051)	93,494
Tangible capital asset purchases from operating fund	(7,367)	-	-	-	-	-	7,367	-	-
BALANCE - END OF YEAR	\$ (22,638)	\$ 41,958	\$ 997,524	\$ 84,949	\$ 11,730	\$ (147,686)	\$ 9,067	\$ 974,904	\$ 975,955

Approved on Behalf of the Board of Directors

 Director

Karma Kubberna Director

See notes to financial statements

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Statement of Operations

Year Ended March 31, 2020

	Operating Fund	SE Fund	Regular Investment Loan Fund	Youth Loan Fund	FCBP Loan Fund	Disabled Entrepreneur Loan Fund	Capital Fund	2020 Total	2019 Total
REVENUES									
Federal Government (WD) contributions	\$ 274,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 274,357	\$ 324,241
Interest from loans	-	-	76,775	2,817	-	850	-	80,442	91,979
Wildfire recovery (Note 13)	35,408	-	-	-	-	-	-	35,408	93,558
CFLIP investment income (Note 4)	-	-	13,187	4,748	3,956	-	-	21,891	-
Other contract revenue (Note 14)	16,000	-	-	-	-	-	-	16,000	28,500
Interest from investments	1,368	19	4,524	1,227	1,243	896	-	9,277	19,267
Administrative billings (Note 15)	6,692	-	-	-	-	-	-	6,692	5,594
Loan processing fee	3,185	-	-	-	-	-	-	3,185	1,405
	337,010	19	94,486	8,792	5,199	1,746	-	447,252	564,544

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See notes to financial statements



COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Statement of Operations (continued)

Year Ended March 31, 2020

	Operating Fund	SE Fund	Regular Investment Loan Fund	Youth Loan Fund	FCBP Loan Fund	Disabled Entrepreneur Loan Fund	Capital Fund	2020 Total	2019 Total
EXPENSES									
Advertising	10,238	-	-	-	-	-	-	10,238	28,040
Amortization	-	-	-	-	-	-	4,539	4,539	4,362
Conferences and seminars	18,259	-	-	-	-	-	-	18,259	18,212
Insurance	4,178	-	-	-	-	-	-	4,178	3,997
Licence, dues and fees	1,985	-	-	-	-	-	-	1,985	2,026
Loan impairment provisions and write-offs, net of recoveries	-	-	13,608	-	-	8,987	-	22,595	8,000
Office	15,183	-	-	-	-	-	-	15,183	18,029
Professional development	2,824	-	-	-	-	-	-	2,824	-
Professional fees	21,373	-	-	-	-	-	-	21,373	20,136
Rent	14,528	-	-	-	-	-	-	14,528	13,837
Repairs and maintenance	3,460	-	-	-	-	-	-	3,460	3,785
Telephone and utilities	11,065	-	-	-	-	-	-	11,065	12,095
Travel	10,208	-	-	-	-	-	-	10,208	9,304
Wages and benefits	226,728	-	-	-	-	-	-	226,728	235,669
Wildfire recovery (Note 13)	35,408	-	-	-	-	-	-	35,408	93,558
	375,437	-	13,608	-	-	8,987	4,539	402,571	471,050
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER EXPENSES	(38,427)	19	80,878	8,792	5,199	(7,241)	(4,539)	44,681	93,494
OTHER EXPENSES									
Unrealized change in market value of CFLIP (Note 4)	-	-	27,549	9,918	8,265	-	-	45,732	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (38,427)	\$ 19	\$ 53,329	\$ (1,126)	\$ (3,066)	\$ (7,241)	\$ (4,539)	\$ (1,051)	\$ 93,494

See notes to financial statements

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Statement of Cash Flows

Year Ended March 31, 2020

	Operating Fund	SE Fund	Regular Investment Loan Fund	Youth Loan Fund	FCBP Loan Fund	Disabled Entrepreneur Loan Fund	Capital Fund	2020 Total	2019 Total
OPERATING ACTIVITIES									
Excess (deficiency) of revenues over expenses	\$ (38,427)	\$ 19	\$ 53,329	\$ (1,126)	\$ (3,066)	\$ (7,241)	\$ (4,539)	\$ (1,051)	\$ 93,494
Item not affecting cash:									
Amortization	-	-	-	-	-	-	4,539	4,539	4,362
	(38,427)	19	53,329	(1,126)	(3,066)	(7,241)	-	3,488	97,856
Change in non-cash working capital:									
Accounts receivable	11,207	-	-	-	-	-	-	11,207	3,102
Inter-fund receivable	-	-	-	-	-	-	-	-	-
Accounts payable and accruals	(2,379)	-	-	-	-	-	-	(2,379)	5,363
Deferred revenue	24,942	-	-	-	-	-	-	24,942	(44,460)
	33,770	-	-	-	-	-	-	33,770	(35,995)
Cash flows from (used by) operating activities	(4,657)	19	53,329	(1,126)	(3,066)	(7,241)	-	37,258	61,861
INVESTING ACTIVITIES									
Decrease in CFLIP investment	-	-	14,362	5,170	4,309	-	-	23,841	(830,000)
Decrease (increase) in interest receivable	-	-	(266)	(59)	-	49	-	(276)	2,188
Decrease (increase) in loans receivable	-	-	145,179	(17,198)	-	11,293	-	139,274	325,478
Purchase of tangible capital assets	(7,367)	-	-	-	-	-	-	(7,367)	-
Cash flows used by investing activities	(7,367)	-	159,275	(12,087)	4,309	11,342	-	155,472	(502,334)
DECREASE IN CASH	(12,024)	19	212,604	(13,213)	1,243	4,101	-	192,730	(440,473)
CASH - BEGINNING OF YEAR	71,007	41,939	148,761	81,056	64,796	44,313	-	451,872	892,345
CASH - END OF YEAR	\$ 58,983	\$ 41,958	\$ 361,365	\$ 67,843	\$ 66,039	\$ 48,414	\$ -	\$ 644,602	\$ 451,872

See notes to financial statements

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

1. GENERAL

Community Futures Development Corporation of Sun Country (the "Corporation") is a community based Corporation that provides loans and financial services to small businesses that are otherwise unable to obtain financing. In addition, the Corporation delivers various programs for Federal and Provincial agencies. The Corporation serves communities in the Sun Country catchment area.

The Corporation was incorporated under the Canada Corporations Act on March 31, 1995. As a not-for-profit corporation, the Corporation is exempt from the payment of income tax.

A significant portion of the Corporation's revenue is derived from Federal Government contributions, primarily from Western Economic Diversification Canada ("WD") to deliver various economic development programs. The contributions received from WD account for 81.41% (2019 - 56.24%) of total Operating Fund revenues in the current year. The current agreement expires on March 31, 2021. The renewal is currently in negotiations as at the date of this report.

2. COVID-19 PANDEMIC

The COVID-19 global outbreak was declared a pandemic by the World Health Organization in March 2020. The negative impact of COVID-19 in Canada and on the global economy has been significant. The global pandemic has disrupted economic activities and supply chains resulting in governments worldwide, and in Canada and its provinces, enacting emergency measures to combat the spread of the virus and protect the economy. These measures, which include social distancing, the implementation of travel bans and closures of non-essential businesses, have caused material disruption to businesses globally and in British Columbia resulting in an economic slowdown.

These financial statements have been prepared based upon conditions existing as at March 31, 2020 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at that date. Although the disruption from the pandemic is expected to be temporary, given the dynamic nature of these circumstances, the duration and severity of the disruption to the Corporation and related financial impact cannot be reasonably estimated at this time. Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the Corporation's operations as at the date of these financial statements. However, given the majority of the Corporation's funding is from WD and an agreement is in place, there is no reason to believe this funding is not going to continue into the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

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COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Fund accounting

Community Futures Development Corporation of Sun Country follows the restricted fund method of accounting for contributions. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Current funds in use are as follows:

Operating Fund - To account for all financial resources, program delivery and administration expenses. This includes all loan expenses related to the ongoing management and administration of the loan fund such as staff salaries, credit reports, audit and legal fees related to the approval and monitoring of a loan.

SE Fund - To account for subcontract services performed for the Self Employment Program on behalf of an external provider.

Loan Funds - To account for loan funds received. The loan funds consist of contributions from WD or related entities for helping new and existing enterprises through promoting economic development in the community by providing assistance to small businesses in the form of loans in accordance with the requirements of the agreement with WD. This fund also includes contributions to the Conditionally Repayable Investment Funds.

Capital Fund - To account for all tangible capital assets of the Corporation.

Programs are as follows:

Youth Program - to account for monies loaned from the Government of Canada for youth investments.

Forest Community Business Program ("FCBP") - to account for contribution monies received from the Province of British Columbia for investments in the forest, aquaculture, manufacturing or tourism sector.

Disabled Entrepreneur Program - to account for monies loaned from the Government of Canada for small businesses operated by persons with disabilities.

Self Employment ("SE") Program - this program is to provide advice and temporary financial support to qualifying individuals who wish to develop a business and be self-employed.

(c) Cash

The Corporation's policy is to disclose bank balances under cash, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn.

(d) CFLIP investment

The Community Futures Lending and Investment Pool of British Columbia ("CFLIP") investment is a pooled investment that earns an investment income and is recorded at market value.

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COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Loans receivable

The loans receivable represent the outstanding principal at year end and are stated at net realizable value.

The Corporation has accounted for credit risk, as defined in *(Note 19)*, by establishing allowances for impaired loans and netting the allowances against the carrying value of certain impaired loans. The establishment of the allowances for impaired loans relies on judgment of management, on historical precedent and expectations as to the future collections. It is reasonably possible that changes in future conditions could require a material change in the recognized amount of the allowance for impaired loans.

Therefore, loans are considered impaired as soon as collection of the full principal and interest on the loan becomes doubtful. The allowance for losses on loans is determined on the basis of historical allowance requirements and specific loans which, in management's opinion, may not be fully collectible. Amounts considered uncollectible are written off through operating expenses and written down to the fair market value of any security held in the appropriate loan fund in the applicable period.

Loans are secured by one, or a combination, of debentures, personal guarantees, promissory notes, general security agreements, mortgages and other charges on property.

The allowance for loan impairment is provided for through specific identification. Management has evaluated all loans in arrears with any risk of loss. Specific loans are written off when they are identified by management as uncollectible.

(f) Tangible capital assets

Tangible capital assets are recorded at cost and are amortized over their estimated useful lives. Amortization is calculated on a straight-line basis over the following years:

Computer equipment	3 years
Furniture, fixtures and equipment	5 years

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

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COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) 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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of tangible capital assets;
- the estimated useful lives of tangible capital assets;
- the allowance for impaired loans;
- the recoverability of tangible capital assets; and
- the recoverability of loans.

(h) Revenue recognition

Community Futures Development Corporation of Sun Country follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year received or receivable. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The annual WD contribution is recognized as revenue in the year specified in the agreement with WD.

Interest on loans to clients is recognized as revenue of the applicable Loan Investment Fund when received or receivable. Interest is not accrued on loans which have been classified as impaired.

Investment interest earned on the CFLIP investment is recognized as revenue when earned.

Other revenue including administrative billings and fees, other contract revenue, write-offs recovered and loan processing fees are recognized when received.

The wildfire revenues are recognized when received.

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COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments policy

Measurement of financial instruments

The Corporation initially measures its financial assets and liabilities at fair value. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such financial instruments at fair value.

Financial assets measured at fair value include the CFLIP investment.

Financial assets measured at amortized cost include cash, accounts receivable, and loans receivable.

Financial liabilities measured at amortized cost include the accounts payable, deferred revenue and Government assistance.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenues over expenses.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

4. CFLIP INVESTMENT

	<u>2020</u>	<u>2019</u>
Regular Investment Loan Fund		
Opening investment balance	\$ 500,000	\$ 500,000
CFLIP unrealized change in market value	(27,549)	-
Accrued investment income	<u>13,187</u>	<u>-</u>
	<u>485,638</u>	<u>500,000</u>
Youth Fund		
Opening investment balance	180,000	180,000
CFLIP unrealized change in market value	(9,918)	-
Accrued investment income	<u>4,748</u>	<u>-</u>
	<u>174,830</u>	<u>180,000</u>
Forest Community Business Program Loan Fund		
Opening investment balance	150,000	150,000
CFLIP unrealized change in market value	(8,265)	-
Accrued investment income	<u>3,956</u>	<u>-</u>
	<u>145,691</u>	<u>150,000</u>
	<u>\$ 806,159</u>	<u>\$ 830,000</u>

The Community Futures Lending and Investment Pool of British Columbia ("CFLIP") was formed by Community Futures British Columbia to promote access to investment loan funds for members who do not have sufficient levels of cash on hand to meet local demands and for other members who have investment fund surpluses. The loans are non-interest bearing, have no set repayment terms, and have no collateral. The fund invests the monies and any investment income earned will accrue to the Corporation. If the Corporation wishes to withdrawal their proportionate share, the Corporation must give Community Futures British Columbia 14-days notice.

5. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Operating Fund		
G.S.T. rebate	\$ 2,460	\$ 2,215
Accounts receivable - general	278	5,768
Wildfire recovery program	<u>-</u>	<u>5,962</u>
	<u>\$ 2,738</u>	<u>\$ 13,945</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

6. INTEREST RECEIVABLE

	<u>2020</u>		<u>2019</u>
Regular Investment Fund			
Loan interest receivable	\$ 3,692	\$	3,426
Less: allowances for loan impairment	-		-
	<u>3,692</u>		<u>3,426</u>
Youth Loan Fund			
Loan interest receivable	112		53
Less: allowances for loan impairment	-		-
	<u>112</u>		<u>53</u>
Disabled Loan Fund			
Loan interest receivable	93		142
Less: allowances for loan impairment	-		-
	<u>93</u>		<u>142</u>
	<u>\$ 3,897</u>	\$	<u>3,621</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

7. LOANS RECEIVABLE, NET

	<u>2020</u>	<u>2019</u>
Regular Investment Loan Fund		
Loans receivable	\$ 996,489	\$ 1,139,060
Less: allowance for loan impairment	<u>(85,608)</u>	<u>(83,000)</u>
	\$ 910,881	\$ 1,056,060
Youth Loan Fund		
Loans receivable	\$ 42,164	\$ 24,966
Less: allowance for loan impairment	<u>-</u>	<u>-</u>
	\$ 42,164	\$ 24,966
Disabled Entrepreneur Loan Fund		
Loans receivable	\$ 3,807	\$ 15,100
Less: allowance for loan impairment	<u>-</u>	<u>-</u>
	\$ 3,807	\$ 15,100
Total		
Loans receivable	\$ 1,042,460	\$ 1,179,126
Less: allowance for loan impairment	<u>(85,608)</u>	<u>(83,000)</u>
	\$ 956,852	\$ 1,096,126

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COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

7. LOANS RECEIVABLE, NET (continued)

2020 2019

During the year, there were the following changes in the allowance for loan impairment that reduced the balance of the loans receivable:

ALLOWANCE FOR LOAN IMPAIRMENT

Regular Investment Loan Fund

Beginning balance	\$	83,000	\$	75,000
New provisions during the year		25,608		20,000
Reversals during the year		(20,250)		(2,000)
Recovered during the year		(2,750)		(10,000)
		<hr/>		<hr/>
Ending balance	\$	85,608	\$	83,000

Loans receivable are due in monthly payments including interest and principal. Some loans start as interest-only payments for a few months. Loans bear interest at rates established by contract varying from 4.95% to 10.00%. The minimum interest rate that can be charged is generally the bank prime rate plus 2.00%. The scheduled maturities range from a period of less than one year to a maximum of five years. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on land and building. The Corporation's revenue may be significantly impacted by the varying interest rates available.

During the year, there were no loan balances over \$150,000.

Included in the loans receivable are amounts related to partnership loans with various other Community Futures Development Corporations in the amount of \$378,796.50 (2019 - \$496,561.10).

The allowance for loan impairment as a percentage of total loans is 8.21% (2019 - 7.04%).

A significant portion of the loans are to individuals or corporations involved in or starting a small business and as such, the Corporation is exposed to all of the risks associated with that segment of the industry.

According to management, the COVID-19 pandemic has affected the loans receivable. Most of the businesses that were not considered essential services had to close their operations which caused a considerable loss in revenue. The allowance for loan impairment has factored in the impact of the COVID-19 pandemic.

8. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 42,779	\$ 36,640	\$ 6,139	\$ -
Furniture, fixtures and equipment	39,667	38,036	1,631	2,718
Leasehold improvements	11,119	9,822	1,297	3,521
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 93,565	\$ 84,498	\$ 9,067	\$ 6,239

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

9. ACCOUNTS PAYABLE AND ACCRUALS

	<u>2020</u>	<u>2019</u>
Operating Fund		
Accounts payable - general	\$ 4,567	\$ 4,694
Auditing accrual	16,000	16,000
Funds held on behalf of external entities:		
2010 Legacies Now Society -		
Literacy Now Communities Program	33,703	35,175
Accrued wages	3,645	4,427
McAbee Fossil Beds Heritage Site	<u>1,502</u>	<u>1,500</u>
	<u>\$ 59,417</u>	<u>\$ 61,796</u>

10. DEFERRED REVENUE

	<u>2020</u>	<u>2019</u>
Operating Fund		
<u>Federal Government Contributions (WD)</u>		
Opening balance, deferred revenue	\$ -	\$ -
Funding received during the year	299,299	-
Amounts recognized during the year	<u>(274,357)</u>	<u>-</u>
Ending balance, deferred revenue	<u>\$ 24,942</u>	<u>\$ -</u>
<u>McAbee Fossil Beds Heritage Site</u>		
Opening balance, deferred revenue	\$ -	\$ 44,460
Funds received	-	-
Funds spent	-	(42,960)
Transfer to accounts payable	<u>-</u>	<u>(1,500)</u>
Ending balance, deferred revenue	<u>\$ -</u>	<u>\$ -</u>

Deferred revenue in the Operating Fund are funds received from WD relating to the 2021 year end.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

11. GOVERNMENT ASSISTANCE

Youth Loan Fund

The Corporation received a repayable contribution in the amount of \$200,000 from the Government of Canada to administer, through the Youth Loan Fund, loans, loan guarantees and equity participation in businesses owned and operated by youths.

The contribution is conditionally repayable. Conditionally repayable contributions made by WD are non-interest bearing, unsecured, and repayable upon 60-days notice in the event of default, as defined in the contribution agreement. WD Conditionally Repayable Contributions are subject to certain conditions as stipulated in the contribution agreement.

Disabled Entrepreneur Loan Fund

The Corporation received a repayable contribution in the amount of \$200,000 from the Government of Canada to administer, through the Disabled Entrepreneur Loan Fund, loans, loan guarantees and equity participation in businesses owned and operated by disabled entrepreneurs.

The contribution is conditionally repayable. Conditionally repayable contributions made by WD are non-interest bearing, unsecured, and repayable upon 60-days notice in the event of default, as defined in the contribution agreement. WD Conditionally Repayable Contributions are subject to certain conditions as stipulated in the contribution agreement.

12. GOVERNMENT CONTRIBUTIONS

Regular Investment Loan Fund

The Corporation received a \$864,052 non-repayable contribution from the Government of Canada to administer, through the Regular Investment Loan Fund, loans, loan guarantees and equity participation in order to create new small businesses and to expand, stabilize and protect existing businesses resulting in the generation and maintenance of employment. As a condition of funding, the Corporation agrees to retain its non-profit status and to continue to administer the Investment Fund in conformity with criteria outlined in the original contribution agreement. Upon dissolution of the Corporation, assets shall be disposed of in a manner acceptable to the Government of Canada.

Forest Community Business Program Loan Fund

The Corporation received a contribution in the amount of \$100,000 from Forest Community Business Program of British Columbia which was matched by \$100,000 in funding transferred from the Corporation's Loan Fund. The \$200,000 in funds are to be used by the Corporation to provide loans, business counselling and training to small and medium sized forest sector enterprises in British Columbia. As a condition of the funding, the Corporation has agreed to administer the funds in accordance with the contribution agreement. If these conditions are not met, the agreement will be terminated and the funds will be disbursed as described in the terms of the contribution agreement.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

13. WILDFIRE RECOVERY PROGRAM

In response to the 2017 wildfires, the Corporation supported the Wildfire Recovery Program managed and administered by Community Futures Cariboo Chilcotin. The program was launched to support affected business and non-for-profits in the region. Program Ambassadors meet with business owners to ensure that they are able to access the resources and services available to assist with their ongoing sustainability. The Corporation is reimbursed for expenses incurred. The program ended in December 2019.

14. OTHER CONTRACT REVENUE

	<u>2020</u>	<u>2019</u>
Operating Fund		
Wildfire recovery program	\$ 16,000	\$ 28,500

15. ADMINISTRATIVE BILLINGS

	<u>2020</u>	<u>2019</u>
Operating Fund		
Administration fee - Literacy Now Project	\$ 1,593	\$ 1,593
Miscellaneous revenue	2,813	396
Photocopies and fax	<u>2,286</u>	<u>3,605</u>
	<u>\$ 6,692</u>	<u>\$ 5,594</u>

16. COMMITMENTS

The Corporation rents office space under a long term lease which expires February 28, 2022. Future minimum lease payments for the use of office space will aggregate \$27,169 over the next two years:

2021	\$ 14,175
2022	<u>12,994</u>
	<u>\$ 27,169</u>

The Corporation rents parking space under a long term lease which expires June 30, 2021. Future minimum lease payments for the use of the parking space will aggregate \$1,181 over the next two years:

2021	\$ 945
2022	<u>236</u>
	<u>\$ 1,181</u>

Future minimum payments under operating leases and maintenance agreements relating to equipment will aggregate \$5,040 including the following payments over the next two years:

2021	\$ 3,360
2022	<u>1,680</u>
	<u>\$ 5,040</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

17. SUBSEQUENT EVENTS

Promissory Note Payable

Subsequent to the year-end, the Corporation received a promissory note from Community Futures Development Corporation of B.C. in the principal sum of \$750,000 under the Regional Relief and Recovery Loan Fund. The promissory note is non-interest bearing and is due on demand. Any outstanding principal must be repaid by December 31, 2025. The purpose of this promissory note is to obtain additional funds to support eligible Canadian Small and Medium-Sized Enterprises within the Corporation's region.

B.C. Rural Dividend Grant

Subsequent to the year-end, the Corporation received a grant in the amount of \$76,787 from The Ministry of Forests, Lands, Natural Resource Operations and Rural Development (the "Province"). The grant funds will be used to support the Online Business Continuity Planning project to assist with economic development and recovery following COVID-19. The purpose of the project is to design and build an online Business Continuity (BCP) Planning Workbook that assists rural business owners to create their own customized BCP for use during business disruption caused by natural disasters or other emergency situations. The agreement ends March 31, 2023.

WorkBC Employment Services Agreement

Subsequent to the year-end, the Corporation will sub-contract to provide self-employment services to eligible WorkBC clients in the Lillooet and Ashcroft storefront locations in British Columbia and will receive financial contributions from Community Futures Development Corporation of Thompson Country for the services provided. The contract with Community Futures Development Corporation of Thompson Country commenced April 1, 2019 and ends on March 31, 2024 with an opportunity to extend up to four years. There was no activity from April 1, 2019 to March 31, 2020.

18. COMPARATIVE FIGURES

The comparative figures have been reclassified where applicable to conform with the presentation used in the current year. The comparative figure for the CFLIP investment has been reclassified from long term to current due to a change in classification that more appropriately represents the financial instrument.

19. FINANCIAL INSTRUMENTS

The Corporation is exposed to various risks through its financial instruments. The following analysis provides information about the Corporation's risk exposure and concentration as of March 31, 2020.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risks relate to its accounts receivable, interest receivable and loans receivable. The Corporation provides credit to its clients in the normal course of business. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The balance of the allowance for doubtful accounts as of March 31, 2020 was \$nil (2019 - \$nil).

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF SUN COUNTRY

Notes to Financial Statements

Year Ended March 31, 2020

19. FINANCIAL INSTRUMENTS *(continued)*

Market risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation is mainly exposed to market risk through the CFLIP investment.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its fixed interest rate financial instruments. Given the current composition of loans receivable, these fixed-rate instruments subject the Corporation to a fair value risk.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant other price risks arising from these financial instruments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is exposed to other price risk through the CFLIP investment.