

Community Futures Development
Corporation of the Shuswap
Non-Consolidated Financial Statements
For the Year Ended March 31, 2020

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Independent Auditor's Report

To the Directors of
Community Futures Development Corporation of the Shuswap

Opinion

We have audited the non-consolidated financial statements of Community Futures Development Corporation of the Shuswap (the Corporation), which comprise the non-consolidated statement of financial position as at March 31, 2020, and the non-consolidated statements of changes in net assets, financial activities and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and its results of operations and its 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 the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Salmon Arm, British Columbia
June 17, 2020

Community Futures Development Corporation of the Shuswap
Non-Consolidated Statement of Financial Position

March 31 2020 2019

Assets

Current

| | | |
|---|---------------------|---------------------|
| Cash - restricted (Note 2) | \$ 1,865,780 | \$ 2,185,281 |
| Cash - unrestricted (Note 2) | 298,426 | 222,078 |
| Accounts receivable | 919 | 3,842 |
| Short-term investments (Note 3) | 485,457 | 400,000 |
| Prepaid expenses | 4,924 | 4,919 |
| Current portion of loans receivable (Note 4) | 431,439 | 411,232 |
| | <u>3,086,945</u> | <u>3,227,352</u> |
| Loans receivable (Note 4) | 2,070,464 | 1,726,909 |
| Equipment and leasehold improvements (Note 5) | 19,945 | 26,024 |
| Investment in subsidiary (Note 6) | 189,432 | 186,461 |
| | <u>\$ 5,366,786</u> | <u>\$ 5,166,746</u> |

Liabilities, Project Reserve and Surplus



Current

| | | |
|---|----------------|----------------|
| Accounts payable and accrued liabilities (Note 7) | \$ 53,377 | \$ 53,437 |
| Deferred revenue (Note 8) | 179,158 | 117,323 |
| Contributions repayable (Note 9) | 398,114 | 390,016 |
| | <u>630,649</u> | <u>560,776</u> |

Net Assets

| | | |
|----------------------------|---------------------|---------------------|
| Invested in capital assets | 19,945 | 26,024 |
| Restricted | 4,455,034 | 4,333,415 |
| Unrestricted | 261,158 | 246,531 |
| | <u>4,736,137</u> | <u>4,605,970</u> |
| | <u>\$ 5,366,786</u> | <u>\$ 5,166,746</u> |

Approved on behalf of the Board:

| | |
|---|----------|
|  | Director |
|  | Director |

Community Futures Development Corporation of the Shuswap
Non-Consolidated Statement of Changes in Net Assets

For the year ended March 31

| | Invested in Capital Assets | Unrestricted | Restricted | 2020 | 2019 |
|--|-------------------------------|--------------|--------------|-------------|--------------|
| Balance, beginning of year | \$ 26,024 | \$ 246,531 | \$ 4,333,415 | \$4,605,970 | \$ 4,501,207 |
| Excess (deficiency) of revenues over expenses | (6,079) | (1,697) | 137,943 | 130,167 | 104,763 |
| Transfer to (from) unrestricted fund | - | 16,324 | (16,324) | - | - |
| Balance, end of year | \$ 19,945 | \$ 261,158 | \$ 4,455,034 | \$4,736,137 | \$ 4,605,970 |

The accompanying notes are an integral part of these non-consolidated financial statements.

Community Futures Development Corporation of the Shuswap
Non-Consolidated Statement of Financial Activities

| For the year ended March 31 | 2020 | 2019 |
|--|---------------------|---------------------|
| Revenues | | |
| Government funding | \$ 292,966 | \$ 292,966 |
| Interest earned - loans | 158,459 | 159,779 |
| Interest earned - deposits | 84,033 | 53,284 |
| Project revenue | 200,026 | 13,476 |
| Other revenue | 10,851 | 15,368 |
| Loan administration revenue | 19,079 | 8,746 |
| | <u>765,414</u> | <u>543,619</u> |
| Expenses | | |
| Administration and projects expenses (Schedule) | 551,902 | 399,195 |
| Bad debts | 53,360 | 20,443 |
| Unrealized loss on investments | 24,858 | - |
| Loss on disposal of equipment | - | 1,770 |
| | <u>630,120</u> | <u>421,408</u> |
| Excess of revenues over expenses from operations | 135,294 | 122,211 |
| Income in wholly-owned subsidiary (Note 15) | 2,971 | 4,441 |
| | <u>138,265</u> | <u>126,652</u> |
| Change in repayable portion of contributions | | |
| Youth Entrepreneur Investment Fund (Note 9) | (8,098) | (8,479) |
| Disabled Entrepreneur Loan Fund (Note 9) | - | (13,410) |
| | <u>130,167</u> | <u>104,763</u> |
| Excess of revenues over expenses | 130,167 | 104,763 |
| Surplus, beginning of year | <u>4,605,970</u> | <u>4,501,207</u> |
| Surplus, end of year | <u>\$ 4,736,137</u> | <u>\$ 4,605,970</u> |

Community Futures Development Corporation of the Shuswap
Non-Consolidated Statement of Cash Flows

| For the year ended March 31 | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Cash received from governments and other sources | \$ 587,680 | \$ 352,289 |
| Cash paid to suppliers and employees | (548,245) | (510,559) |
| Interest received | 234,678 | 227,570 |
| Decrease (increase) in long-term loans receivable | (406,951) | 488,133 |
| | <u>(132,838)</u> | <u>557,433</u> |
| Cash flows from investing activities | | |
| Purchase of equipment and leasehold improvements | - | (10,443) |
| Proceeds on disposal of temporary investments | 400,000 | - |
| Purchase of temporary investments | (510,315) | (400,000) |
| | <u>(110,315)</u> | <u>(410,443)</u> |
| Increase (decrease) in cash during the year | (243,153) | 146,990 |
| Cash, beginning of year | <u>2,407,359</u> | <u>2,260,369</u> |
| Cash, end of year | <u>\$ 2,164,206</u> | <u>\$ 2,407,359</u> |
| Represented by: | | |
| Cash - restricted (investment funds) | \$ 1,865,780 | \$ 2,185,281 |
| Cash - unrestricted (administration) | 298,426 | 222,078 |
| | <u>\$ 2,164,206</u> | <u>\$ 2,407,359</u> |

The accompanying notes are an integral part of these non-consolidated financial statements.

Community Futures Development Corporation of the Shuswap
Notes to Non-Consolidated Financial Statements

March 31, 2020

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Business Community Futures Development Corporation of the Shuswap (Corporation) was incorporated March 31, 1995 without share capital under Part 2 of the Canada Corporations Act for the purpose of providing loans, advice to regional businesses and assistance to individuals to become self-employed or start their own business in the Shuswap and surrounding areas. The corporation is a not-for-profit organization and is not subject to income tax.

Basis of Accounting The non-consolidated financial statements have been prepared by management using Canadian accounting standards for not-for-profit organizations.

Fund Accounting The Corporation records accounting transactions using the fund accounting method generally in use for not-for-profit organizations. A fund is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Each fund is presented in a separate statement following the notes to the financial statements.

The Community Futures Loan Fund, Forest Community Business Loan Fund, Youth Entrepreneur Investment Fund and Disabled Entrepreneur Loan Fund each present the assets and liabilities, revenues and expenses related to their respective loan activities. They are externally restricted for assisting small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation.

The Community Futures Loan Fund and the Forest Community Business Loan Fund are non-repayable funds representing the year over year growth of initial dollars that were invested by the Government of Canada for the purposes of providing financial assistance to individuals or companies planning to start, grow or purchase a business in the Shuswap Region. The Forest Community Business Loan Fund is specifically restricted for businesses operating in the Forest Sector.

The Youth Entrepreneur Investment Fund and Disabled Entrepreneur Loan Fund are restricted to businesses owned and operated by youth and disabled entrepreneurs respectively. They are funds that are conditionally repayable to the Western Economic Diversification (Note 9).

The Administration and Projects Fund records the amounts related to program delivery and administration. It includes the operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

Continued...

Community Futures Development Corporation of the Shuswap

Notes to Non-Consolidated Financial Statements

March 31, 2020

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Revenue Recognition The Corporation follows the deferral method of accounting for contributions. Unrestricted donation and grant revenue is recognized as revenue of the Administration and Projects Fund when contributions are received or can be reasonably estimated and ultimate collection is assured. Restricted contributions are recognized as revenue of the appropriate fund when received or when contributions are reasonably estimated and collection assured. Restricted funding that is not associated with a restricted fund is recognized in the Administration and Projects Fund in accordance with the deferred method. Revenue received specifically for the purchase of capital assets is deferred and amortized on the same basis as the related capital assets.

Interest income on loans is recorded on the accrual method using the effective interest rates.

Loan negotiation fees and income recorded on prepayment and renegotiation of fixed-term loans are recognized when received.

**Equipment and
Leasehold
Improvements**

Equipment and leasehold improvements are stated at cost less accumulated amortization. When a capital asset no longer has any long-term service potential to the Corporation, it is written down to its residual value, if any. Amortization based on the estimated useful life of the asset is calculated as follows:

| | |
|-------------------------|--------------------------------|
| Computer hardware | - 30% declining balance basis |
| Computer software | - 100% declining balance basis |
| Equipment and furniture | - 20% declining balance basis |
| Leasehold improvements | - 20% declining balance basis |

A full year of amortization is taken in the year of acquisition.

**Allowance for
Impaired Loans**

The Corporation maintains an allowance for impaired loans in the amount management considers adequate to absorb losses in its loan portfolio.

The allowance is determined on a loan by loan basis. This allowance is the amount required to reduce the carrying value of each loan to its estimated realizable amount.

**Investment in
Subsidiary**

Investment in subsidiary is accounted for under the equity method.

Continued...

Community Futures Development Corporation of the Shuswap

Notes to Non-Consolidated Financial Statements

March 31, 2020

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Financial Instruments Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations, other than financial instruments related to endowment funds. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations, other than financial instruments related to endowment funds. Changes in fair value of financial instruments related to the endowment fund are recorded directly in net assets. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs, on the acquisition, sale or issue of financial instruments, are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates include valuation of loans receivable, amortization of equipment and leasehold improvements, and completion of accounts payable. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash

Cash balances are held in multiple accounts with one Credit Union and bear interest from 0.15% to 0.95% (2019 - 0.25% to 2.45%) calculated daily and paid monthly.

Restricted cash of \$ 1,865,780 (2019 - \$ 2,185,281) represents amounts to be used to provide loans in the future under various loan funds.

3. Short-term Investments

Investments are deposited with Community Futures Lending and Investment Pool of British Columbia according to the Cash Pooling Agreement. The investment is recorded at fair value which was \$ 485,457 as at March 31, 2020. The carrying amount of the investment at year end was \$ 510,315.

In 2019, investments of \$ 400,000 were term deposits and bore interest at 2.60%.

Community Futures Development Corporation of the Shuswap
Notes to Non-Consolidated Financial Statements

March 31, 2020

4. Loans Receivable

| | 2020 | 2019 |
|-------------------------------------|------------------|------------------|
| Community Futures Loan Fund | \$ 2,288,847 | \$ 1,924,806 |
| Forest Community Business Loan Fund | 110,889 | 158,074 |
| Youth Entrepreneur Investment Fund | 78,301 | 85,736 |
| Disabled Entrepreneur Loan Fund | 174,009 | 94,041 |
| | <u>2,652,046</u> | <u>2,262,657</u> |
| Accrued interest | 19,459 | 11,644 |
| | <u>2,671,505</u> | <u>2,274,301</u> |
| Allowance for impaired loans | <u>(169,602)</u> | <u>(136,160)</u> |
| | 2,501,903 | 2,138,141 |
| Current portion | <u>431,439</u> | <u>411,232</u> |
| | <u>2,070,464</u> | <u>1,726,909</u> |

The activity, in the allowance for impaired loans, is as follows:

| | | |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | 136,160 | 341,742 |
| Current year provision | <u>53,360</u> | <u>20,443</u> |
| | 189,520 | 362,185 |
| Loans written off | <u>(19,918)</u> | <u>(226,025)</u> |
| Balance, end of year | <u>\$ 169,602</u> | <u>\$ 136,160</u> |

Client loans can either have a variable rate or a fixed rate of interest with terms of up to five years and are repayable in monthly blended payments of principal and interest.

Included in the Community Futures Investment Loan Fund are 2 loans over \$ 150,000 totaling \$ 577,292.

With the exception of certain loans in the Youth Entrepreneur Investment Fund, variable rate loans are based on an increment to the prime rate, ranging from prime plus 2.00% to prime plus 7.00% (2019 - prime plus 2.00% to prime plus 7.00%). The applicable rate is determined by the client's credit worthiness and security. The Corporation uses the Central 1 Credit Union's prime which, at March 31, 2020, was 2.45% (2019 - 3.95%). Certain loans in the Youth Entrepreneur Investment Fund are charged an upfront fee in lieu of interest.

The average interest rate offered on fixed rate loans, being advanced as at March 31, 2020, is 5.00%. (2019 - 5.00%). The rate offered to a client is determined based on the term of the loan, type of security offered and the client's credit worthiness.

Community Futures Development Corporation of the Shuswap
Notes to Non-Consolidated Financial Statements

March 31, 2020

5. Equipment and Leasehold Improvements

| | 2020 | | 2019 | |
|-------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Computer hardware | \$ 21,182 | \$ 15,061 | \$ 21,182 | \$ 12,438 |
| Computer software | 24,916 | 24,916 | 24,916 | 24,916 |
| Equipment and furniture | 39,708 | 36,467 | 39,708 | 35,657 |
| Leasehold improvements | 39,428 | 28,845 | 39,428 | 26,199 |
| | <u>\$ 125,234</u> | <u>\$ 105,289</u> | <u>\$ 125,234</u> | <u>\$ 99,210</u> |
| Net book value | | <u>\$ 19,945</u> | | <u>\$ 26,024</u> |

6. Investment in Subsidiary

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Future Shuswap Holdings Ltd. - 100% of shares issued | \$ 1 | \$ 1 |
| Advances to Future Shuswap Holdings Ltd. | 95,736 | 95,736 |
| Accumulated share of income (Note 15) | 93,695 | 90,724 |
| | <u>\$ 189,432</u> | <u>\$ 186,461</u> |

7. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$ 5,609 (2019 - \$ 8,141) in government remittances.

Community Futures Development Corporation of the Shuswap

Notes to Non-Consolidated Financial Statements

March 31, 2020

8. Deferred Revenues

Deferred revenues consist of funds specifically received for capital assets and operations. Funds received for capital assets are taken into income on the same basis as the amortization of the related capital assets. Funds received for operations are for Western Economic Diversification ("WD") or projects but are not yet earned. The balance is comprised as follows:

| | 2019 | | 2020 | |
|--|--------------------|---------------------------|-----------------------|-------------------|
| | Opening balance | Contributions received | Revenue Recognized | Ending Balance |
| BC Rural Dividend Funded Project - Indigenous Tourism Strategy Implementation | \$ 92,909 | \$ 335 | \$ (36,742) | \$ 56,502 |
| BC Rural Dividend Funded Project - Secwepemc Labour Market Project | - | 117,340 | (55,034) | 62,306 |
| Tsuts'weye Project - WD | - | 141,186 | (105,250) | 35,936 |
| Western Economic Diversification | 24,414 | 24,414 | (24,414) | 24,414 |
| | <u>\$ 117,323</u> | <u>\$ 283,275</u> | <u>\$ (221,440)</u> | <u>\$ 179,158</u> |

The current portion of the deferred revenue is \$ 179,158 (2019 - \$ 117,323).

Community Futures Development Corporation of the Shuswap

Notes to Non-Consolidated Financial Statements

March 31, 2020

9. Contributions Repayable

- a) The Government of Canada, Western Economic Diversification, has made contributions totaling \$ 200,000 to the Youth Entrepreneur Investment Fund. The repayable loan has been adjusted to \$ 198,114 (2019 - \$ 190,016) by the amount of interest revenue earned, net of any bad debts expensed.
- b) The Government of Canada, Western Economic Diversification, has made contributions totaling \$ 200,000 to the Disabled Entrepreneur Loan Fund. The repayable loan has been adjusted to \$ 200,000 (2019 - \$ 200,000) by the amount of interest revenue earned, net of any bad debts expensed.

Under the agreement with the Government of Canada, these investment funds are conditionally repayable in the event that any of the following conditions occur: 1) the funds are not administered according to the terms and conditions specified in the agreement; 2) the funds are not providing a satisfactory level of benefits in terms of employment creation, the development of community-owned or controlled businesses, and strengthening of the western Canadian economy; 3) in the opinion of the Minister, the funds are no longer necessary or relevant to the development of the western Canadian economy; 4) the agreement is terminated per the termination specifications in the agreement; 5) an event of default occurs as described in the agreement; or 6) the Minister does not approve terms and conditions to extend the project beyond March 31, 2020.

Upon notice by the Minister, the Corporation agrees to immediately: 1) repay the lessor of i) the uncommitted cash balance of the Conditionally Repayable Investment Fund, or ii) the total amount paid by Western Diversification to the Corporation for the establishment and maintenance of the Conditionally Repayable Investment Fund; 2) take steps to assign all of its interest in all debts owing to it, to the Minister; 3) liquidate all debts owing to it via sale to a third party satisfactory to the Minister and to remit the proceeds of liquidation to the Minister.

Based on condition (4) above, the investment funds have been classified as current. However, as at March 31, 2020, the Minister has approved terms and conditions to extend the project until March 31, 2021. It is management's position that none of the other conditions existed as at the year ended March 31, 2020.

Community Futures Development Corporation of the Shuswap
Notes to Non-Consolidated Financial Statements

March 31, 2020

10. Administration Costs

The Administration and Projects Fund charges the other funds administration fees as follows:

| | 2020 | 2019 |
|-------------------------------------|-----------|----------|
| Forest Community Business Loan Fund | \$ 10,569 | \$ 9,439 |

11. Commitments

The Corporation has a lease commitment with Future Shuswap Holdings Ltd., a party under common control, for the lease of office space. Minimum annual payments are \$ 18,000 (not including triple net charges), expiring March 2022 (see Note 14).

12. Contingent Liability

The Corporation has guaranteed the long-term debt of Future Shuswap Holdings Ltd., in the event of default, in the amount of \$ 238,000. Future Shuswap Holdings Ltd. loan matures February 2023. The amount of the loan at March 31, 2020 is \$ 123,242 (2019 - \$ 136,687).

13. Economic Dependence

The Corporation received 64% (2019 - 54%) of its operating revenue from the federal and provincial governments and is economically dependent upon them for its continuation.

14. Related Party Transactions

The following table summarizes the corporation's related party transactions for the year:

| | 2020 | 2019 |
|---|-----------|-----------|
| Rental expense - Future Shuswap Holdings Ltd. | \$ 32,460 | \$ 33,480 |

These transactions are measured at the exchange value, (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value.

At the end of the year, the amounts due from a related party are as follows:

| | | |
|---|-----------|-----------|
| Future Shuswap Holdings Ltd. - Advances | \$ 95,736 | \$ 95,736 |
|---|-----------|-----------|

Community Futures Development Corporation of the Shuswap
Notes to Non-Consolidated Financial Statements

March 31, 2020

15. Controlled Organization Not Consolidated

Community Futures Development Corporation of the Shuswap controls Future Shuswap Holdings Ltd., a wholly-owned subsidiary. Future Shuswap Holdings Ltd. was incorporated October 11, 2005 to acquire a building in Salmon Arm, BC which, in turn, is rented to Community Futures Development Corporation of the Shuswap to carry out its operations. The Corporation is a not-for-profit organization and is not subject to income tax.

Future Shuswap Holdings Ltd. has been accounted for under the equity method in the financial statements of Community Futures Development Corporation of the Shuswap. Unaudited financial statements of Future Shuswap Holdings Ltd. are available on request. Financial summaries of this unconsolidated entity as at March 31, 2020, and for the year then ended, are as follows:

| | 2020 | 2019 |
|----------------------------------|-------------------|-------------------|
| | (Unaudited) | (Unaudited) |
| Financial Position | | |
| Current assets | \$ 8,534 | \$ 12,029 |
| Property, building and equipment | 306,549 | 313,569 |
| | <u>\$ 315,083</u> | <u>\$ 325,598</u> |
| Current liabilities | \$ 16,309 | \$ 15,953 |
| Long-term liabilities | 205,078 | 218,920 |
| Net assets | <u>93,696</u> | <u>90,725</u> |
| | <u>\$ 315,083</u> | <u>\$ 325,598</u> |

| | 2020 | 2019 |
|-----------------------------------|-----------------|-----------------|
| | (Unaudited) | (Unaudited) |
| Operations | | |
| Revenues | \$ 32,460 | \$ 33,480 |
| Expenses | 29,489 | 29,039 |
| Net income for the year | <u>\$ 2,971</u> | <u>\$ 4,441</u> |
| Cash Flows | | |
| Operating activities | \$ 10,039 | \$ 12,016 |
| Net decrease in long-term debt | (13,445) | (11,888) |
| Decrease in cash, during the year | (3,406) | 128 |
| Cash, beginning of year | <u>7,710</u> | <u>7,582</u> |
| Cash, end of year | <u>\$ 4,304</u> | <u>\$ 7,710</u> |

Community Futures Development Corporation of the Shuswap
Notes to Non-Consolidated Financial Statements

March 31, 2020

16. Financial Instrument Risk

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 arising from the possibility that changes in interest rates will affect the value of loans receivable.

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 is exposed to credit risk arising from its loans receivables.

Liquidity Risk

Liquidity risk is the risk that the Corporation encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Corporation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable, accrued liabilities and contributions repayable.

There is an increase in the credit risk exposure to the Corporation over prior year due to the economic recession resulting from the COVID-19 global pandemic as borrowers may not be able to make scheduled payments on their loans to the Corporation.

17. Subsequent Events

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. In response to the current economic impact, Community Futures has provided an option to borrowers to defer principal and interest payments on loans outstanding for up to 6 months. As at the report date, 30 loans with a loan receivable value of \$2,188,586 have taken the deferral option. Interest on these loans continues to accrue and will increase the repayment period when the deferral period ends and regular payments resume. In May 2020, it was announced that Western Economic Development would provide additional funding for local Community Futures to borrow up to \$750,000 in funds to support local businesses with COVID related small business loans up to \$40,000 each. The Corporation has applied to access \$750,000 of this funding which has not been approved as at the report date. Western Development also provided the corporation with an additional \$66,000 in operating funding in fiscal 2021 to enhance support and services to small and medium sized businesses impacted by the COVID-19 pandemic. Any unspent funds by March 31, 2021 will be repaid.

Community Futures Development Corporation of the Shuswap
Community Futures Loan Fund
Statement of Financial Position

| March 31 | 2020 | 2019 |
|--------------------------------|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash - restricted (Note 2) | \$ 1,246,490 | \$ 1,619,339 |
| Short-term investment (Note 3) | <u>485,457</u> | <u>300,000</u> |
| | 1,731,947 | 1,919,339 |
| Loans receivable | <u>2,135,995</u> | <u>1,821,731</u> |
| | <u>\$ 3,867,942</u> | <u>\$ 3,741,070</u> |
| Liabilities and Surplus | | |
| Restricted surplus | <u>\$ 3,867,942</u> | <u>\$ 3,741,070</u> |

Community Futures Development Corporation of the Shuswap
Community Futures Loan Fund
Statement of Financial Activities

| For the year ended March 31 | 2020 | 2019 |
|--|--------------|--------------|
| Revenues | | |
| Interest - loans | \$ 136,330 | \$ 136,688 |
| Interest - deposits | 57,751 | 35,384 |
| Interest recovered - Forest Community Business Loan Fund | 10,569 | 9,439 |
| | 204,650 | 181,511 |
| Expenses | | |
| Bad debts | 36,596 | 45,421 |
| Unrealized loss on investments | 24,858 | - |
| | 61,454 | 45,421 |
| Excess of revenues over expenses | 143,196 | 136,090 |
| Transfer to the Administration Fund | (16,324) | (49,978) |
| | 126,872 | 86,112 |
| Surplus, beginning of year | 3,741,070 | 3,654,958 |
| Surplus, end of year | \$ 3,867,942 | \$ 3,741,070 |

Community Futures Development Corporation of the Shuswap
Forest Community Business Loan Fund
Statement of Financial Position

| March 31 | 2020 | 2019 |
|--------------------------------|-------------------|-------------------|
| Assets | | |
| Current | | |
| Cash - restricted (Note 2) | \$ 461,387 | \$ 313,810 |
| Short-term investment (Note 3) | - | 100,000 |
| | <u>461,387</u> | <u>413,810</u> |
| Loans receivable | <u>111,215</u> | <u>158,792</u> |
| | <u>\$ 572,602</u> | <u>\$ 572,602</u> |
| Liabilities and Surplus | | |
| Restricted surplus | \$ 572,602 | \$ 572,602 |

Community Futures Development Corporation of the Shuswap
Forest Community Business Loan Fund
Statement of Financial Activities

| For the year ended March 31 | 2020 | 2019 |
|---|-------------------|-------------------|
| Revenues | | |
| Interest - loans | \$ 7,368 | \$ 11,662 |
| Interest - deposits | <u>13,770</u> | <u>7,216</u> |
| | <u>21,138</u> | <u>18,878</u> |
| Expenses | | |
| Administration costs (Note 10) | 10,569 | 9,439 |
| Interest recovery paid to Community Futures Loan Fund | <u>10,569</u> | <u>9,439</u> |
| | <u>21,138</u> | <u>18,878</u> |
| Excess of revenues over expenses | - | - |
| Surplus, beginning of year | <u>572,602</u> | <u>572,602</u> |
| Surplus, end of year | <u>\$ 572,602</u> | <u>\$ 572,602</u> |

Community Futures Development Corporation of the Shuswap
Youth Entrepreneur Investment Fund
Statement of Financial Position

| March 31 | 2020 | 2019 |
|-------------------------------------|-------------------|-------------------|
| <hr/> | | |
| Assets | | |
| Current | | |
| Cash - restricted (Note 2) | \$ 119,522 | \$ 103,917 |
| Loans receivable | <u>78,592</u> | <u>86,099</u> |
| | <u>\$ 198,114</u> | <u>\$ 190,016</u> |
| <hr/> | | |
| Liabilities and Surplus | | |
| Contributions repayable (Note 9(a)) | \$ 198,114 | \$ 190,016 |
| | <u>\$ 198,114</u> | <u>\$ 190,016</u> |

Community Futures Development Corporation of the Shuswap
Youth Entrepreneur Investment Fund
Statement of Financial Activities

| For the year ended March 31 | 2020 | 2019 |
|--|----------------|----------------|
| Revenues | | |
| Interest - loans | \$ 5,366 | \$ 6,349 |
| Interest - deposits | <u>2,732</u> | <u>2,130</u> |
| | <u>8,098</u> | <u>8,479</u> |
| Excess of revenues over expenses | 8,098 | 8,479 |
| Surplus, beginning of year | - | - |
| Increase of repayable portion of contributions (Note 9(a)) | <u>(8,098)</u> | <u>(8,479)</u> |
| Surplus, end of year | <u>\$ -</u> | <u>\$ -</u> |

Community Futures Development Corporation of the Shuswap
Disabled Entrepreneur Loan Fund
Statement of Financial Position

| March 31 | 2020 | 2019 |
|-------------------------------------|-------------------|-------------------|
| Assets | | |
| Current | | |
| Cash - restricted (Note 2) | \$ 38,388 | \$ 148,223 |
| Loans receivable | <u>176,102</u> | <u>71,520</u> |
| | <u>\$ 214,490</u> | <u>\$ 219,743</u> |
| Liabilities and Surplus | | |
| Contributions repayable (Note 9(b)) | \$ 200,000 | \$ 200,000 |
| Restricted surplus | <u>14,490</u> | <u>19,743</u> |
| | <u>\$ 214,490</u> | <u>\$ 219,743</u> |

Community Futures Development Corporation of the Shuswap
Disabled Entrepreneur Loan Fund
Statement of Financial Activities

| For the year ended March 31 | 2020 | 2019 |
|--|------------------|------------------|
| Revenues | | |
| Interest - loans | \$ 9,395 | \$ 5,080 |
| Interest - deposits | <u>2,116</u> | <u>3,095</u> |
| | 11,511 | 8,175 |
| Expenses | | |
| Bad debt (recovery) | <u>16,764</u> | <u>(24,978)</u> |
| Excess (deficiency) of revenues over expenses | (5,253) | 33,153 |
| Surplus, beginning of year | 19,743 | - |
| Increase of repayable portion of contributions (Note 9(b)) | <u>-</u> | <u>(13,410)</u> |
| Surplus, end of year | <u>\$ 14,490</u> | <u>\$ 19,743</u> |

Community Futures Development Corporation of the Shuswap
Administration and Projects Fund
Statement of Financial Position

| March 31 | 2020 | 2019 |
|---|-------------------|-------------------|
| Assets | | |
| Current | | |
| Cash - unrestricted (Note 2) | \$ 298,426 | \$ 222,078 |
| Accounts receivable | 919 | 3,842 |
| Prepaid expenses | 4,924 | 4,919 |
| | <u>304,269</u> | <u>230,839</u> |
| Equipment and leasehold improvements (Note 5) | 19,945 | 26,024 |
| Investment in subsidiary (Note 6) | 189,432 | 186,461 |
| | <u>\$ 513,646</u> | <u>\$ 443,324</u> |
| Liabilities, Project Reserve and Surplus | | |
| Current | | |
| Accounts payable and accrued charges | \$ 53,385 | \$ 53,446 |
| Current portion of deferred revenue (Note 8) | 179,158 | 117,323 |
| | <u>232,543</u> | <u>170,769</u> |
| Unrestricted surplus | 281,103 | 272,555 |
| | <u>\$ 513,646</u> | <u>\$ 443,324</u> |

Community Futures Development Corporation of the Shuswap
Administration and Projects Fund
Statement of Financial Activities

| For the year ended March 31 | 2020 | 2019 |
|---|-------------------|-------------------|
| Revenues | | |
| Government funding | \$ 292,966 | \$ 292,966 |
| Administration recovery | 11,964 | 10,482 |
| Interest income | 7,664 | 5,460 |
| Other income | 9,456 | 14,324 |
| Project income | 200,026 | 13,476 |
| Loan administration revenue | 19,079 | 8,746 |
| | <u>541,155</u> | <u>345,454</u> |
| Expenses (Schedule) | 551,902 | 399,195 |
| Loss on disposal of equipment | - | 1,770 |
| | <u>(10,747)</u> | <u>(55,511)</u> |
| Deficiency of revenues over expenses | (10,747) | (55,511) |
| Income in wholly-owned subsidiary (Note 15) | <u>2,971</u> | <u>4,441</u> |
| Deficiency of revenues over expenses | (7,776) | (51,070) |
| Transfer from Community Futures Loan Fund | <u>16,324</u> | <u>49,978</u> |
| | 8,548 | (1,092) |
| Unrestricted surplus, beginning of year | <u>272,555</u> | <u>273,647</u> |
| Unrestricted surplus, end of year | <u>\$ 281,103</u> | <u>\$ 272,555</u> |

Community Futures Development Corporation of the Shuswap
Schedule - Administration and Projects Expenses

| For the year ended March 31 | 2020 | 2019 |
|------------------------------|-------------------|-------------------|
| Administration | \$ 1,395 | \$ 1,043 |
| Advertising and promotion | 1,816 | 27,338 |
| Amortization | 6,079 | 8,067 |
| Board and committee expense | 919 | 2,338 |
| Conference expense | 4,426 | 8,785 |
| Consulting fees | 3,977 | 3,860 |
| Insurance | 5,031 | 4,800 |
| Interest and bank charges | 214 | 296 |
| Loan administration expenses | 2,275 | 1,485 |
| Materials and supplies | 4,743 | 5,097 |
| Professional fees | 16,280 | 16,775 |
| Project expense | 200,521 | 12,462 |
| Property taxes | 9,000 | 10,020 |
| Rent | 23,460 | 23,460 |
| Staff education | 356 | 701 |
| Subscription and memberships | 2,162 | 2,516 |
| Telephone | 5,685 | 5,997 |
| Travel | 3,616 | 4,842 |
| Utilities and maintenance | 11,208 | 14,029 |
| Wages and benefits | 248,739 | 245,284 |
| | <u>\$ 551,902</u> | <u>\$ 399,195</u> |