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## **INDEPENDENT AUDITOR'S REPORT**

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To the Members of Community Futures Development Corporation of Nicola Valley

*Report on the Financial Statements*

*Opinion*

We have audited the financial statements of Community Futures Development Corporation of Nicola Valley (the Corporation), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2021, 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 (ASNPO).

*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 ASNPO, 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.

*(continues)*

Independent Auditor's Report to the Members of Community Futures Development Corporation of Nicola Valley (continued)

*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:

- 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.

*Report on Other Legal and Regulatory Requirements*

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations have been applied on a basis consistent with that of the preceding year.

**WK Group LLP**

West Kelowna, British Columbia  
July 21, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS



## **17. Receivables**

The accounts receivable reflected in the accounts constitute valid claims against customers and other debtors. They do not include amounts for services rendered after March 31, 2021.

Receivables known to be uncollectible have been written off, and adequate provision has been made for anticipated adjustments or losses in connection with the collection of receivables.

## **18. Property and equipment**

Property and equipment are recorded at cost. We have good and valid title to all items of property and equipment reflected in the accounts relating thereto, and there are no liens or encumbrances on our assets. During the period ended March 31, 2021, no material amounts relating to additions or improvements of property, and equipment were charged to expense. The provision for amortization is based on the cost and expected economic useful lives of the property using the declining balance method.

The property, leasehold improvement and equipment accounts, and the related allowances for amortization have been adjusted for all important items of such assets that were idle, obsolete, sold, dismantled, abandoned or otherwise disposed of for the period ended March 31, 2021 and for all prior periods.

We have evaluated property, and equipment for recoverability in accordance with the provisions of the CPA Canada Handbook – Accounting, Part II, Section 3063 (Impairment of Long-Lived Assets). Impairment losses have been recognized in earnings when required.

## **19. Loans Receivable**

The loans receivable reflected in the accounts constitute valid claims against debtors. All loan activity has been recorded up to March 31, 2021.

All loans have been issued and maintained in accordance with the agreement with Western Economic Diversification Canada.

Loans receivable known to be uncollectible have been written off, and adequate provision has been made for anticipated adjustments or losses in connection with the collection of loans.

## **20. Revenue recognition**

We have recorded all revenue in accordance with the revenue recognition policies as disclosed in the financial statements such that:

- a. Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.;
- b. 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.;
- c. Revenue earned on term loans is accrued on a daily basis and is recognized as revenue of the appropriate Investment Fund. Unrestricted investment income earned on the Investment Funds is recognized as revenue of the Operating Fund.

## **21. Regulatory compliance**

We are up to date with all corporate filings and annual returns. This includes all Canada Revenue Agency and HST/GST/PST returns.

## **22. Contractual compliance**

We have complied with the terms and conditions of all other contractual agreements that could have a material effect, in the event of non-compliance, on the financial statements.

## **23. None of the members were in debt to the corporation**

None of the members were in debt to the corporation, other than in the ordinary course of business at the period-end or at any time during the period.

## **24. Subsequent Events**

All events subsequent to the date of the financial statements and for which Canadian accounting standards for not-for-profit organizations requires adjustment or disclosure have been adjusted or disclosed.

## **7. Adjustments**

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

## **8. Misstatements**

The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements, including the reasons why they were not corrected, is attached to this letter.

## **9. Accounting policies**

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

## **10. Direct liabilities**

We have recorded in the accounts all known liabilities of our corporation as at March 31, 2021 except for trivial amounts.

## **11. Financial instruments**

We have properly recorded all financial assets of equity instruments quoted on an active market at fair value.

We have evaluated whether there are indicators of impairment for all financial assets measured at cost or amortized cost, and where there has been a significant adverse change in the expected timing or amount of future cash flows from a financial asset or group of similar financial assets, we have assessed whether a reduction in the carrying value is necessary.

When an impairment is necessary, the carrying amount of the asset, or group of assets, has been reduced to the highest of the cash flows expected to be generated by holding the asset, the amount that could be realized by selling the asset and the amount that the entity expects to realize by exercising any right to collateral held to secure repayment of the asset net of all costs necessary to exercise those rights. The amount of the decline in fair value has been included in net income in the period incurred.

## **12. Future plans**

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

## **13. Journal entries**

We have approved all journal entries and other adjustments proposed by you, and they have been included in our financial statements.

## **14. Liabilities and contingencies**

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

## **15. Material measurement uncertainties**

The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

## **16. Marketable securities**

All marketable securities owned by us are recorded in the accounts. The marketable securities are measured at fair value.

All income earned for the period ended March 31, 2021 on these securities has been recognized in earnings along with any transaction costs incurred and changes in fair value.

## **2. Agreement with Western Economic Diversification**

We have fulfilled our responsibilities and complied with the specified requirements of the agreement with Western Economic Diversification Canada (the agreement).

We have provided you with the following:

- a) Access to all information of which we are aware that is relevant to the compliance with the agreement, such as:
  - i) Loan agreements and records, supporting data and other relevant documentation,
  - ii) Minutes of meetings (such as loan committee meetings) or summaries of actions taken for which minutes have not yet been prepared, and
  - iii) Information on any other matters, of which we are aware, that is relevant to the compliance with the agreement.
- b) Additional information that you have requested from us related to the compliance with the agreement; and
- c) Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.

We have designed and implemented such internal control as we determined is necessary to enable the compliance with the specified requirements of the agreement. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over compliance of which management is aware.

No loans that have been issued over \$150,000 other than those that have been disclosed to you.

No loans have been issued to related parties other than those that have been disclosed to you.

We have ensured that all loan transactions have been recorded in the accounting records and have been recorded in the correct fund as required by the agreement.

## **3. Fraud and Non Compliance**

We have disclosed to you:

- a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the entity's financial statements involving:
  - i. Management;
  - ii. Employees who have significant roles in internal control; or
  - iii. Others where the fraud could have a material effect on the financial statements;
- b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- c. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
- d. All known, actual, or possible litigation and claims that should be considered when preparing the financial statements; and
- e. The results of our risk assessments regarding possible fraud or error in the financial statements.

## **4. Related Parties**

We confirm that there were no related-party relationships or transactions that occurred during the period.

## **5. Estimates**

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We confirm that the significant assumptions and measurement methods used by us in making accounting estimates, including those measured at fair value, are reasonable.

## **6. Commitments and Contingencies**

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

July 21, 2021

WK Group LLP  
1-2429 Dobbin Road  
West Kelowna British Columbia V4T 2L4

Dear Sir / Madam:

This representation letter is provided in connection with your audit of the financial statements of Community Futures Development Corporation of Nicola Valley for the year ended March 31, 2021, for the purpose of you expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

**1. Financial Statements**

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated February 4, 2021 for:

- a. Preparing and fairly presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations;
- b. Providing you with:
  - i. Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as:
    - A. Accounting records, supporting data and other relevant documentation,
    - B. Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and
    - C. Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;
  - ii. Additional information that you have requested from us for the purpose of the audit; and
  - iii. Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- c. Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and
- d. Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY**  
**Index to Financial Statements**  
**Year Ended March 31, 2021**

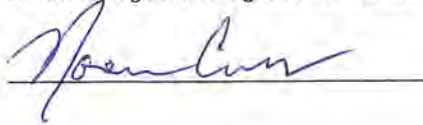
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**25. Proceeds of Crime (Money Laundering) and Terrorist Financing Act**

We hereby acknowledge that WK Group LLP have made us aware of your legal obligations under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. We hereby acknowledge that we are aware of potential conflict of interest that may arise as a result of your legal obligations under this Act and authorize WK Group LLP to release and disclose information about Community Futures Development Corporation of Nicola Valley as required by statute.

Acknowledged and agreed on behalf of Community Futures Development Corporation of Nicola Valley by:



July 21, 2021

Date signed





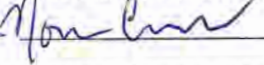
COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Statement of Financial Position

March 31, 2021

	Operating	Non-repayable Investment (WD)	Conditionally Repayable Invest (WD)	Conditionally Repayable EDP (WD)	RRRF Investment Fund (CF)	Community Business Fund	2021	2020
<b>ASSETS</b>								
<b>CURRENT</b>								
Cash	\$ 51,134	\$ 123,927	\$ 38,630	\$ 142,284	\$ 160,732	\$ 305,839	\$ 822,546	\$ 496,920
Short term investments	118,035	-	-	-	-	-	118,035	116,866
Accounts receivable (Note 4)	5,750	-	-	-	-	-	5,750	5,566
Prepaid expenses	2,022	-	-	-	-	-	2,022	2,776
	176,941	123,927	38,630	142,284	160,732	305,839	948,353	622,128
PROPERTY AND EQUIPMENT (Net) (Note 5)	72,242	-	-	-	-	-	72,242	30,441
LOANS RECEIVABLE (Note 6)	-	489,311	263,646	173,238	823,896	258,095	2,008,186	1,326,238
	\$ 249,183	\$ 613,238	\$ 302,276	\$ 315,522	\$ 984,628	\$ 563,934	\$ 3,028,781	\$ 1,978,807
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT</b>								
Accounts payable and accrued liabilities (Note 7)	\$ 39,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,755	\$ 24,807
Deferred income (Note 8)	-	-	-	-	-	-	-	23,795
Interfund loans	(9,030)	(20,169)	360	520	13,713	14,606	-	-
	30,725	(20,169)	360	520	13,713	14,606	39,755	48,602
LOAN PAYABLE (Note 9)	-	-	-	-	971,000	-	971,000	-
	30,725	(20,169)	360	520	984,713	14,606	1,010,755	48,602
<b>NET ASSETS</b>								
Equity in property and equipment	72,242	-	-	-	-	-	72,242	30,441
Externally restricted (Note 10)	-	633,407	301,916	315,002	(85)	549,328	1,799,568	1,766,779
Unrestricted	146,216	-	-	-	-	-	146,216	132,985
	218,458	633,407	301,916	315,002	(85)	549,328	2,018,026	1,930,205
	\$ 249,183	\$ 613,238	\$ 302,276	\$ 315,522	\$ 984,628	\$ 563,934	\$ 3,028,781	\$ 1,978,807

ON BEHALF OF THE BOARD

 Director

See notes to financial statements

 Director

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Statement of Operations

Year Ended March 31, 2021

	Operating	Non-repayable Investment (WD)	Conditionally Repayable Invest (WD)	Conditionally Repayable EDP (WD)	RRRF Investment Fund (CF)	Community Business Fund	2021	2020
<b>REVENUES</b>								
Core Operating Funds	\$ 367,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,114	\$ 285,536
Interest income	1,277	24,432	18,332	7,950	-	20,457	72,448	73,219
Other income	18,416	1,815	385	1,583	-	30	22,229	60,432
Recoveries	-	-	200	-	-	-	200	950
	386,807	26,247	18,917	9,533	-	20,487	461,991	420,137
<b>EXPENSES</b>								
Wages and benefits	225,903	-	-	-	-	-	225,903	243,150
Loan impairment provision	-	12,008	18,967	15,492	-	(4,809)	41,658	52,157
Office and sundry	31,320	434	-	-	-	-	31,754	17,846
Rental	26,993	-	-	-	-	-	26,993	19,778
Professional fees	11,600	-	-	-	-	-	11,600	11,703
Amortization	9,144	-	-	-	-	-	9,144	4,049
Advertising and promotion	7,011	-	-	-	-	-	7,011	6,944
Telephone	5,751	-	-	-	-	-	5,751	5,639
Projects	4,788	-	-	-	-	-	4,788	20,214
Insurance	3,605	-	-	-	-	-	3,605	3,140
Interest and bank charges	2,053	78	83	35	85	22	2,356	1,806
Meetings	1,943	-	-	-	-	-	1,943	5,328
Repairs and maintenance	816	-	-	-	-	-	816	-
Travel	479	-	-	-	-	-	479	2,778
Training	369	-	-	-	-	-	369	2,955
Bad debts	-	-	-	-	-	-	-	17,446
	331,775	12,520	19,050	15,527	85	(4,787)	374,170	414,933
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	55,032	13,727	(133)	(5,994)	(85)	25,274	87,821	5,204
<b>LOSS ON DISPOSAL OF ASSETS</b>	-	-	-	-	-	-	-	(7,965)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	\$ 55,032	\$ 13,727	\$ (133)	\$ (5,994)	\$ (85)	\$ 25,274	\$ 87,821	\$ (2,761)

See notes to financial statements

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Statement of Changes in Net Assets

Year Ended March 31, 2021

	Operating	WD Non-repayable Investment	WD Conditionally Repayable Investment	WD Conditionally Repayable EDP	RRRF Investment Fund (CF)	Community Business Fund	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 163,426	\$ 557,175	\$ 364,554	\$ 320,996	\$ -	\$ 524,054	\$ 1,930,205	\$ 1,932,966
Excess (Deficiency) of revenue over expenses	55,032	13,727	(133)	(5,994)	(85)	25,274	87,821	(2,761)
Interfund transfers	-	62,505	(62,505)	-	-	-	-	-
NET ASSETS - END OF YEAR	\$ 218,458	\$ 633,407	\$ 301,916	\$ 315,002	\$ (85)	\$ 549,328	\$ 2,018,026	\$ 1,930,205

See notes to financial statements

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Statement of Cash Flows

Year Ended March 31, 2021

	Operating	Non-repayable Investment (WD)	Conditionally Repayable Invest (WD)	Conditionally Repayable EDP (WD)	RRRF Investment Fund (CF)	Community Business Fund	2021	2020
<b>OPERATING ACTIVITIES</b>								
Excess (deficiency) of revenues over expenses	\$ 55,032	\$ 13,727	\$ (133)	\$ (5,994)	\$ (85)	\$ 25,274	\$ 87,821	\$ (2,761)
Items not affecting cash:								
Amortization of property and equipment	9,144	-	-	-	-	-	9,144	4,049
Loss on disposal of property and equipment	-	-	-	-	-	-	-	7,965
Loan impairment provision	-	12,008	18,967	15,492	-	(4,809)	41,658	52,157
	64,176	25,735	18,834	9,498	(85)	20,465	138,623	61,410
Changes in non-cash working capital:								
Accounts receivable	(219)	35	-	-	-	-	(184)	23,401
Accounts payable and accrued liabilities	15,053	(104)	-	-	-	-	14,949	(15,783)
Deferred income	(23,795)	-	-	-	-	-	(23,795)	2
Prepaid expenses	754	-	-	-	-	-	754	179
Interfund loans	(3,226)	(1,576)	(4,339)	(5,273)	13,713	701	-	-
	(11,433)	(1,645)	(4,339)	(5,273)	13,713	701	(8,276)	7,799
Cash flow from operating activities	52,743	24,090	14,495	4,225	13,628	21,166	130,347	69,209
<b>INVESTING ACTIVITIES</b>								
Purchase of property and equipment	(50,946)	-	-	-	-	-	(50,946)	(26,294)
Proceeds on disposal of property and equipment	-	-	-	-	-	-	-	1,500
Receipt/(payment) of loans and notes receivable	-	(17,536)	58,837	(46,321)	(823,896)	105,310	(723,606)	(389,656)
Cash flow from (used by) investing activities	(50,946)	(17,536)	58,837	(46,321)	(823,896)	105,310	(774,552)	(414,450)
<b>FINANCING ACTIVITIES</b>								
Interfund transfers	-	62,505	(62,505)	-	-	-	-	-
Proceeds (repayment) of loans	-	-	-	-	971,000	-	971,000	(29,454)
Cash flow from (used by) financing activities	-	62,505	(62,505)	-	971,000	-	971,000	(29,454)
<b>INCREASE (DECREASE) IN CASH FLOW</b>	1,797	69,059	10,827	(42,096)	160,732	126,476	326,795	(374,695)
Cash - beginning of year	167,372	54,868	27,803	184,380	-	179,363	613,786	988,481
<b>CASH - END OF YEAR</b>	\$ 169,169	\$ 123,927	\$ 38,630	\$ 142,284	\$ 160,732	\$ 305,839	\$ 940,581	\$ 613,786
<b>CASH CONSISTS OF:</b>								
Cash	\$ 51,134	\$ 123,927	\$ 38,630	\$ 142,284	\$ 160,732	\$ 305,839	\$ 822,546	\$ 496,920
Short term investments	118,035	-	-	-	-	-	118,035	116,866
	\$ 169,169	\$ 123,927	\$ 38,630	\$ 142,284	\$ 160,732	\$ 305,839	\$ 940,581	\$ 613,786

See notes to financial statements.



# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

## Notes to Financial Statements

Year Ended March 31, 2021

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### 1. PURPOSE OF THE CORPORATION

Community Futures Development Corporation of Nicola Valley (the "corporation") is incorporated under the Canada Corporations Act and is registered as an extraprovincial society under the Society Act. As a not-for-profit organization, the corporation is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

All operations of the corporation are related to the enhancement of community and economic development of the Nicola Valley

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

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

#### Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

#### Short term investments

Short-term investments are investments in GIC's and highly liquid investments with an original maturity date of one year or less.

#### Loans receivable and allowance for loan impairment

Loans receivable records interest income on an accrual basis.

An allowance for doubtful loans is determined in the following manner:

Loans in Default - If there is a significant doubt as to the ultimate collection of principal, a specific provision is established at a level sufficient to provide for the estimated impairment of the loan principal.

Loans not in Default - Specific provisions for potential problem accounts has been established.

The establishment of the allowance for doubtful loans relies on the 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 doubtful loans.

(continues)



# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

## Notes to Financial Statements

Year Ended March 31, 2021

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. The cost of property and equipment purchased is recorded as an increase to the property and equipment accounts and net assets and is amortized over its estimated useful life and charged to net assets invested in property and equipment on a straight-line basis at the following rates and methods:

Office furniture and equipment	10% straight-line method
Leasehold improvements	10% straight-line method

The corporation regularly reviews its property and equipment to eliminate obsolete items. Government grants are deferred and recognized as revenue based on the amortization rates of the related assets.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

#### Revenue recognition

Community Futures Development Corporation of Nicola Valley 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 in which the related expenses are incurred. 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.

Revenue earned on term loans is accrued on a daily basis and is recognized as revenue of the appropriate Investment Fund. Unrestricted investment income earned on the Investment Funds is recognized as revenue of the Operating Fund.

*(continues)*

## COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

### Notes to Financial Statements

Year Ended March 31, 2021

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### Fund accounting

Community Futures Development Corporation of Nicola Valley follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the corporation's program delivery and administrative activities. This fund reports unrestricted resources and operating grants.

The Investment Fund reports the assets, liabilities, revenues and expenses related to loan and investment activities of the organization.

WD Non-repayable Investment Fund reports loans and investment activities from non-repayable contributions to the Corporation's Investment Fund according to the terms of the agreement with Western Economic Diversification ("WD").

WD Conditionally Repayable Investment Fund reports loans and investment activities from contributions to the Corporation's Investment Fund that are conditionally repayable according to the terms of the agreement with Western Economic Diversification

WD Conditionally Repayable EDP Fund reports loans and investment activities from contributions to the Corporation's Entrepreneurs with Disability Program Investment Fund that are conditionally repayable according to the terms of the agreement with Western Economic Diversification

WD Regional Relief and Recovery Fund (RRRF) Investment Loan Fund (CF) reports loans and investment activities to provide loans to small and medium-sized enterprises (SMEs) in Western Canada specifically to recover from the adverse impacts of the COVID-19 pandemic.

Community Business Fund reports loans and investment activities from contributions from the Ministry of Community and Rural Development Community Business Fund to the corporation's Investment Fund.

##### Measurement uncertainty

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.

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#### 3. FINANCIAL INSTRUMENTS

The corporation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the corporation's risk exposure and concentration as of March 31, 2021.

*(continues)*



**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY****Notes to Financial Statements****Year Ended March 31, 2021****3. FINANCIAL INSTRUMENTS (continued)****(a) Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The corporation is exposed to credit risk from issuing loans receivable to business owners. In order to reduce its credit risk, the corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful loans is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The corporation has a significant number of customers which minimizes concentration of credit risk.

**(b) 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. In seeking to minimize the risks from interest rate fluctuations, the corporation manages exposure through its normal operating and financing activities. The corporation is exposed to interest rate risk primarily through short-term investments and loans receivable held during the year.

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

**4. ACCOUNTS RECEIVABLE**

	2021	2020
Trade Receivables		
Accounts Receivable	\$ 3,298	\$ 20,846
Less: Allowance for Doubtful Accounts	-	(17,446)
	<u>3,298</u>	<u>3,400</u>
GST/HST Receivable		
Operating	2,452	2,131
Investment	-	35
	<u>2,452</u>	<u>2,166</u>
	<u>\$ 5,750</u>	<u>\$ 5,566</u>

**5. PROPERTY AND EQUIPMENT**

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Equipment	\$ 36,680	\$ 12,019	\$ 24,661	\$ 10,942
Leasehold improvements	55,275	7,694	47,581	19,499
	<u>\$ 91,955</u>	<u>\$ 19,713</u>	<u>\$ 72,242</u>	<u>\$ 30,441</u>

# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

## Notes to Financial Statements

Year Ended March 31, 2021

### 6. LOANS RECEIVABLE

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 2% to 8% over the Bank of Canada prime rate with monthly blended principal and interest repayments amortized for terms between 12 and 60 months. Security is taken on the loans as appropriate to the situation and includes personal guarantees, and/or general security agreements against business assets, land, and buildings.

Loans are advanced pursuant to agreement with Western Economic Diversification and the Minister of Community and Rural Development. The programs are aimed to provide funding to assist entrepreneurs (with special programs for higher risk, youth, and disabled entrepreneurs and regional relief and recovery) in business ventures within a defined region of the central interior of British Columbia. All loans are secured, repayable on demand, and bear interest at varying rates per annum other than the RRRF Investment Fund.

The RRRF Investment Funds program is intended to provide funding to assist SMEs to recover from the adverse impacts of the COVID-19 pandemic. The maximum loan available is \$60,000 and is unsecured. The loans bear no interest before December 31, 2022 at which time, the balance of the loan outstanding shall become repayable and bear interest from January 1, 2023 until paid in full at a rate not exceeding 5% per annum with the loans due on December 31, 2025. On the first \$40,000 of the loan, provided 75% of the loan principal is repaid prior to December 31, 2022, the remaining balance, to a maximum of 25% of the loan principal or \$10,000 whichever is less, shall be forgiven. On the portion of the loan between \$40,000 and \$60,000, provided that 50% of the additional loan is repaid on or before December 31, 2022, the remaining 50% of the additional loan to a maximum of \$10,000 shall be forgiven.

Currently, the loans advanced include two loans in excess of \$150,000. One loan was advanced in a prior year with 50% each from two separate investment funds and the second was an additional advance provided to a borrower where an initial loan was in place. The value of loans issued over \$150,000 is \$332,103.

	Loans receivable	Less: allowance for doubtful loan accounts	2021	2020
WD Non-repayable Investment	\$ 554,816	\$ (65,505)	\$ 489,311	\$ 483,783
WD Conditionally Repayable Investment	301,661	(38,015)	263,646	341,450
WD Conditionally Repayable EDP	241,985	(68,747)	173,238	142,409
RRRF Investment	823,896	-	823,896	-
Community Business	291,435	(33,340)	258,095	358,596
	<u>\$ 2,213,793</u>	<u>\$ (205,607)</u>	<u>\$ 2,008,186</u>	<u>\$ 1,326,238</u>

Included in the loan impairment provision are provisions, write-offs and reversals of \$45,112 (2020 - \$52,158).

During the year, there were the following changes in the allowance for doubtful loans:

	2020	Provisions	Write-Offs	Reversals	2021
WD Non-repayable Investment	\$ 53,497	\$ 12,008	\$ -	\$ -	\$ 65,505
WD Conditionally Repayable Investment	70,992	24,116	(51,944)	(5,149)	38,015
WD Conditionally Repayable EDP	53,255	15,492	-	-	68,747
Community Business	39,844	(6,504)	-	-	33,340
	<u>\$ 217,588</u>	<u>\$ 45,112</u>	<u>\$ (51,944)</u>	<u>\$ (5,149)</u>	<u>\$ 205,607</u>



**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY****Notes to Financial Statements****Year Ended March 31, 2021**

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**7. ACCOUNTS PAYABLE**

Accounts payable includes government remittances (other than income taxes), for example payroll taxes, and workers' safety insurance premiums. The following is government remittances and other accounts payable at year end:

	2021	2020
Employee deductions payable	\$ 5,956	\$ 5,984
WCB Payable	65	52
Government Remittances Payable	6,021	6,036
Accounts payable and accrued liabilities	33,734	18,771
	<u>\$ 39,755</u>	<u>\$ 24,807</u>

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**8. DEFERRED CONTRIBUTIONS**

Deferred contributions consist of government funding received for the subsequent year.

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**9. LOAN PAYABLE**

Community Futures Development Corporation of Nicola Valley entered into a loan agreement with Community Futures Association to facilitate making secondary loans to borrowers pursuant to the requirements of the Regional Relief and Recovery Fund. The loan is interest free and no principal payments are required until December 31, 2022. On December 31, 2022, any portion of the loan that has not been loaned to a secondary borrower shall be repaid within 10 business days. If the portion of the loan advanced is not repaid in full on or before December 31, 2022, the remaining balance of the loan will automatically extend starting on January 1, 2023 for an additional term maturing on December 31, 2025. The loan shall remain interest-free during the extended term but equal monthly payments will be required. The amount of secondary loans forgiven or written off as a default or loss that cannot be collected or recovered as per the agreement, and reasonable costs, charges and expenses in connection with collecting the secondary loans is deducted from the balance owing on the loan.

The balance of the advances as at March 31, 2021 are \$871,000 for the initial loan and \$100,000 for the expansion fund for a total of \$971,000.

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# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

## Notes to Financial Statements

Year Ended March 31, 2021

### 10. EXTERNALLY RESTRICTED

The original amount of contributions included in externally restricted are as follows:

	2021	2020
<u>WD Conditionally repayable contributions</u>		
WD Conditionally Repayable Investment	\$ 500,000	\$ 500,000
WD Repayable EDP	200,000	200,000
	-	-
	-	-
	700,000	700,000
Other contributions		
WD Non-repayable	840,000	840,000
Community business	100,000	100,000
	-	-
	\$ 1,640,000	\$ 1,640,000

#### WD Conditionally Repayable Contributions

Conditionally repayable contributions made by Western Economic Diversification Canada (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. The funds are repayable if any of the following conditions occur:

1. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the Agreement; or
2. Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund of the Corporation, the Conditionally Repayable Investment Fund is 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; or
3. The Agreement is terminated as described in Section 12 (Conflict of Interest); or
4. An event of default occurs, as described in Section 7 (Default / Recovery of Assets and Termination of Agreement) of the Agreement; or
5. The Minister does not approve terms and conditions to extend the project beyond the current contract end date of March 31, 2021

#### Community Business Fund (Formerly Forest Renewal BC)

The corporation received funding from the Ministry of Community and Rural Development Community Business Fund whose purpose is to loan funds to entities that will carry on business in a rural community outside the Capital Regional District and the Greater Vancouver Regional District of BC and is in the forest, aquaculture, manufacturing, tourism and other prescribed sectors of the economy. Upon termination of the agreement, the corporation must pay an amount equal to the Province's Proportion of the Fund not lent out, thereafter the loan principal and interest collected net of reasonable costs until the original principal is repaid.

# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

## Notes to Financial Statements

Year Ended March 31, 2021

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### 11. LEASE COMMITMENTS

The corporation has a long term lease with respect to its premises that expires on November 30, 2024. The lease contains renewal options and includes provisions for utilities and property taxes. The contract also includes the right to terminate the lease if government funding is discontinued. Future minimum lease payments as at year end are as follows:

2022	\$	23,400
2023		23,400
2024		23,400
2025		15,600

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### 12. ECONOMIC DEPENDENCE

The Corporation receives the majority of its operating revenue, approximately 79% (2020 - 84%), from the Federal Government and is economically dependent upon it to maintain current operations. The Federal Government has extended its funding until March 31, 2026.

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**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY**

**Schedule of Operations - WD**

**(Schedule 1)**

**Year Ended March 31, 2021**

	2021	2020
<b>REVENUE</b>		
Core Operating Funds	\$ 367,114	\$ 285,536
<b>EXPENSES</b>		
Wages and benefits	224,831	215,242
Office supplies and sundry	29,672	14,471
Rent and utilities	26,993	19,778
Professional fees	11,600	9,829
Advertising	7,011	6,924
Telecommunications	5,751	5,639
Projects	4,672	12,306
Insurance	3,605	3,140
Bank charges	2,054	1,370
Meetings	1,943	5,328
Janitorial	816	-
Travel	479	2,778
Training	369	2,955
	<u>319,796</u>	<u>299,760</u>
<b>DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<u>\$ 47,318</u>	<u>\$ (14,224)</u>

See notes to financial statements

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY**

**RRRF Fund**

**(Schedule 2)**

**Year Ended March 31, 2021**

	WD RRRF Operating Fund	RRRF Investment Fund	2021
<b>REVENUES</b>			
Core Operating Funds	\$ 81,576	\$ -	\$ 81,576
<b>EXPENSES</b>			
Wages and benefits	25,089	-	25,089
Licencing and subscriptions	7,792	-	7,792
Office and sundry	6,002	-	6,002
Advertising and promotion	3,101	-	3,101
Dues and fees	1,473	-	1,473
Interest and bank charges	244	85	329
	43,701	85	43,786
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	37,875	(85)	37,790
Net assets, beginning of year	-	-	-
Capital Expenditures	(41,082)	-	(41,082)
Transfer from RRRF-OP	3,207	-	3,207
	(37,875)	-	(37,875)
<b>Net Assets (Deficit) - end of year</b>	\$ -	\$ (85)	\$ (85)

Capital Expenditures include purchases to facilitate processing of loans and includes furniture and equipment to enable remote access and social distancing as well as improvements to ventilation.