

**Community Futures Development Corporation of the Sunshine Coast**  
**Non-Consolidated Financial Statements**  
**March 31, 2018**

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**Community Futures Development Corporation of the Sunshine Coast  
Non-Consolidated Financial Statements**

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**March 31, 2018**

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## Independent Auditor's Report

To the Members of Community Futures Development Corporation of the Sunshine Coast

We have audited the accompanying non-consolidated financial statements of Community Futures Development Corporation of the Sunshine Coast, which comprise the non-consolidated statement of financial position as at March 31, 2018, and the non-consolidated statements of operations, changes in fund balances and cash flows for the year, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Development Corporation of the Sunshine Coast as at March 31, 2018, and its financial performance and its cash flows for the year in accordance with Canadian accounting standards for not-for-profit organizations.

Sechelt, British Columbia  
June 27, 2018

**TCG** LLP

Chartered Professional Accountants



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## Independent Auditor's Report On Compliance With Agreement

To Western Economic Diversification

We have audited the Community Futures Development Corporation's ("CFDC") compliance as at March 31, 2018 with the criteria established in the Contribution Agreement between Western Economic Diversification and the CFDC dated April 12, 2006 and subsequent amendments. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of the CFDC. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the CFDC complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, CFDC is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

Sechelt, British Columbia  
June 27, 2018

The logo for TCG LLP, featuring the letters 'TCG' in a large, stylized, hand-drawn font, followed by 'LLP' in a smaller, sans-serif font.

Chartered Professional Accountants

**Community Futures Development Corporation of the Sunshine Coast  
Non-Consolidated Statement of Operations  
For the year ended March 31, 2018**

	Core Fund	Loan Investment Funds (Schedule 1)	Total 2018	Total 2017
<b>Revenue</b>				
Other income/grants (Note 17)	\$ 340,759	\$ 5,826	\$ 346,585	\$ 84,342
WED contribution	284,304	-	284,304	284,308
Interest - loans	-	267,406	267,406	259,260
Interest income	1,392	19,167	20,559	14,087
Dividend income	-	25,667	25,667	-
	<b>626,455</b>	<b>318,066</b>	<b>944,521</b>	<b>641,997</b>
<b>Expenses</b>				
Administration fees	-	27,979	27,979	24,613
Advertising and promotion	8,912	-	8,912	3,659
Amortization	2,112	-	2,112	6,057
Bad debts (recovery)	-	(84)	(84)	126,838
Bank charges	1,079	361	1,440	1,439
Board/staff & AGM	3,793	-	3,793	3,267
Insurance	3,306	-	3,306	3,161
Interest	-	34,645	34,645	29,241
Janitorial	2,000	-	2,000	1,900
Loan operations in Core	2,059	-	2,059	1,770
Memberships	1,137	-	1,137	1,155
Office rent	25,292	-	25,292	25,478
Office supplies	8,066	-	8,066	10,155
Professional fees	5,670	14,700	20,370	18,352
Program costs	326,782	-	326,782	93,532
Repairs and maintenance	6,144	-	6,144	6,755
Special events	895	-	895	5,272
Telephone	7,815	-	7,815	7,625
Training & conferences	2,975	-	2,975	4,357
Travel	1,263	-	1,263	1,716
Wages and benefits	266,692	-	266,692	257,612
	<b>675,992</b>	<b>77,601</b>	<b>753,593</b>	<b>633,954</b>
<b>Other expenses/(income)</b>				
Forgiveness of debt (Note 12)	-	(8,618)	(8,618)	(15,659)
<b>Net income (loss)</b>	<b>\$ (49,537)</b>	<b>\$ 249,083</b>	<b>\$ 199,546</b>	<b>\$ 23,702</b>

**Community Futures Development Corporation of the Sunshine Coast  
 Non-Consolidated Statement of Changes in Fund Balances  
 For the year ended March 31, 2018**

	Core Fund	Loan Investment Fund (Schedule 1)	Total 2018	Total 2017
Balance, opening	\$ 21,246	\$ 2,936,681	\$ 2,957,927	\$ 2,934,225
Interfund transfers (Note 16)	47,500	(47,500)	-	-
Net income (loss)	(49,537)	249,083	199,546	23,702
<b>Balance, closing</b>	<b>\$ 19,209</b>	<b>\$ 3,138,264</b>	<b>\$ 3,157,473</b>	<b>\$ 2,957,927</b>

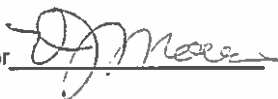
**Community Futures Development Corporation of the Sunshine Coast  
Non-Consolidated Statement of Financial Position  
As at March 31, 2018**

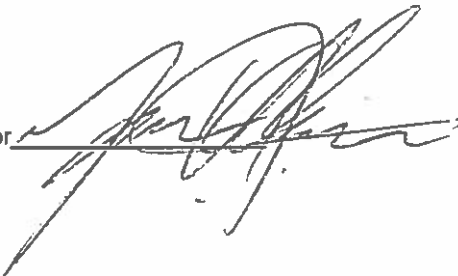
	Core Fund	Loan Investment Funds (Schedule 2)	March 31 2018	March 31 2017
<b>Assets</b>				
<b>Current</b>				
Cash (Notes 3, 4 & 20)	\$ 20,606	\$ 885,148	\$ 905,754	\$ 830,136
Term deposits (Note 5)	-	25,000	25,000	25,000
Accounts receivable	18,339	16,500	34,839	14,827
Goods and services tax receivable	3,218	-	3,218	2,076
Contributions receivable	-	-	-	244,000
Current portion of loans receivable (Note 10)	-	675,206	675,206	815,374
Prepaid expenses	4,195	-	4,195	8,333
	<b>46,358</b>	<b>1,601,854</b>	<b>1,648,212</b>	<b>1,939,746</b>
Loans receivable (Notes 10 & 11)	-	2,911,836	2,911,836	2,506,476
Investments (Note 6)	2,500	350,000	352,500	350,000
Advances to subsidiary (Note 7)	-	24,949	24,949	24,949
Investment in subsidiary (Note 8)	-	51	51	51
Tangible capital assets (Note 9)	10,765	-	10,765	12,481
	<b>\$ 59,623</b>	<b>\$ 4,888,690</b>	<b>\$ 4,948,313</b>	<b>\$ 4,833,703</b>

**Community Futures Development Corporation of the Sunshine Coast  
 Non-Consolidated Statement of Financial Position  
 As at March 31, 2018**

	Core Fund	Loan Investment Funds (Schedule 2)	March 31 2018	March 31 2017
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	\$ 17,714	\$ 14,500	\$ 32,214	\$ 32,024
Deferred revenue	-	-	-	23,692
Deferred contributions	-	-	-	244,000
Current portion of long-term debt (Note 12)	-	99,836	99,836	50,061
	<b>17,714</b>	<b>114,336</b>	<b>132,050</b>	<b>349,777</b>
<b>Long-term debt (Note 12)</b>	<b>22,700</b>	<b>1,636,090</b>	<b>1,658,790</b>	<b>1,525,999</b>
	<b>40,414</b>	<b>1,750,426</b>	<b>1,790,840</b>	<b>1,875,776</b>
<b>Fund balances</b>				
Contributed surplus (Note 13)	-	1,381,208	1,381,208	1,381,208
Invested in tangible capital assets (Note 14)	10,765	-	10,765	12,481
Externally restricted (Note 15)	-	1,757,056	1,757,056	1,555,473
Unrestricted	8,444	-	8,444	8,765
	<b>19,209</b>	<b>3,138,264</b>	<b>3,157,473</b>	<b>2,957,927</b>
	<b>\$ 59,623</b>	<b>\$ 4,888,690</b>	<b>\$ 4,948,313</b>	<b>\$ 4,833,703</b>

Approved on behalf of the board

Director 

Director 



**Community Futures Development Corporation of the Sunshine Coast  
Non-Consolidated Statement of Cash Flows**

For the year ended March 31,	2018	2017
<b>Operating activities</b>		
Net income	\$ 199,546	\$ 23,702
Adjustments for Amortization	2,112	6,057
	<b>201,658</b>	<b>29,759</b>
<b>Change in non-cash working capital items</b>		
Accounts receivable	(20,012)	(387)
Goods and services tax receivable	(1,142)	(107)
Prepaid expenses	4,138	(4,153)
Contributions receivable	244,000	(244,000)
Current portion of loans receivable	140,168	(139,988)
Accounts payable and accrued liabilities	189	(4,820)
Deferred revenue	(23,692)	23,692
Deferred contributions	(244,000)	244,000
Current portion of long-term debt	49,775	918
	<b>351,082</b>	<b>(95,086)</b>
<b>Investing activities</b>		
(Issuance) repayment of loans	(405,360)	308,912
Acquisition of Investments	(2,500)	(100,000)
Purchase of tangible capital assets	(395)	(4,065)
	<b>(408,255)</b>	<b>204,847</b>
<b>Financing activities</b>		
Issuance (repayment) of long-term debt	132,791	(39,722)
<b>Increase in cash</b>	<b>75,618</b>	<b>70,039</b>
<b>Cash, beginning of year</b>	<b>830,136</b>	<b>760,097</b>
<b>Cash, end of year</b>	<b>\$ 905,754</b>	<b>\$ 830,136</b>

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## Community Futures Development Corporation of the Sunshine Coast

### Notes to the Non-Consolidated Financial Statements

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March 31, 2018

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#### 1. Purpose of the Corporation

The Corporation was incorporated on February 9, 1996 under the Canada Corporation Act for the purpose of delivering service and funding programs developed by the Federal Government of Canada, the Province of B.C., and or other government organizations. The Corporation is a community based not-for-profit corporation focused on developing community and entrepreneurial capacity on the Sunshine Coast.

#### 2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

##### (a) Fund accounting

Community Futures Development Corporation of the Sunshine Coast follows the restricted fund method of accounting for contributions.

The Core Fund accounts for the Corporation's operating costs and general revenues. This fund reports unrestricted resources and operating grants.

The Loan Investment Funds report restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Loan Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. The organization is restricted in the type of loan that can be made according to its agreement with the Federal Government.

##### (b) Tangible capital assets

Tangible capital assets are accounted for at cost. Amortization is based on their useful life using the following methods and rates:

Furniture and equipment	Straight-line	10 years
Leasehold improvements	Straight-line	5 years
Computers and software	Straight-line	5 years

##### (c) Assets under capital lease

Assets under capital leases are recorded at cost. The cost corresponds to the present value of the minimum lease payments. Amortization is based on the estimated useful life.

##### (d) Revenue recognition

Restricted revenue is comprised of interest generated in the loan investment funds.

Unrestricted revenue is comprised of Government funding, interest, program grants, and revenues generated from loan renewal fees, loan application fees, and other miscellaneous fees.

Interest revenues, loan renewal fees, loan application fees and other miscellaneous fees are recognized using the accrual basis. Restricted and unrestricted contributions are recognized as revenue in the appropriate funds in the year received or receivable, if the amount to be received can be reasonably estimated and the collection is reasonably certain.

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**Community Futures Development Corporation of the Sunshine Coast**  
**Notes to the Non-Consolidated Financial Statements**

**March 31, 2018**

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**2. Significant accounting policies, continued**

**(e) Financial instruments**

**(i) Measurement of financial instruments**

The Corporation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Corporation subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Forward exchange contracts and interest rate swaps that are not hedging items are measured at fair value. Changes in fair value are recognized in net income.

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

**(ii) Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

the present value of the cash flows expected to be generated by the asset or group of assets;

the amount that could be realized by selling the assets or group of assets;

the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

**(f) Income taxes**

As a registered not-for-profit organization, the Corporation is exempt from taxes under Section 149 of the Income Tax Act.

**(g) Investments**

The Corporation follows the cost method of accounting for its investments, written down for any impairment in value that is considered other than temporary.

**(h) Investment in subsidiary**

The Corporation follows the cost method of accounting for its investments in subsidiaries, written down for any impairment in value that is considered other than temporary.

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**Community Futures Development Corporation of the Sunshine Coast**  
**Notes to the Non-Consolidated Financial Statements**

**March 31, 2018**

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**2. Significant accounting policies, continued**

**(i) Loans receivable**

Loans receivable consists of loans made out of the Corporation's restricted loan investment funds and are measured at amortized cost. The Corporation maintains an allowance for impaired loans as estimated by management based on their assessment of the net recoverable amount of the Corporation loans, which is determined on a loan by loan basis.

**(j) Use of estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are estimated useful lives of capital assets, the provisions for loan losses and accrued liabilities.

**3. Internally restricted cash**

The corporation's cash in Loans Fund includes \$50,000 (2017 - \$50,000) of internally restricted cash which is held as security for customers who obtained a line of credit through another lending institution. The purpose of this security is to provide confidence to the external lender that, in the event that the customer defaults on the loan, the Corporation will repay the loan.

**4. Credit facility**

The Corporation has a readvanceable commercial operating loan from the Sunshine Coast Credit Union in the amount of \$25,000 bearing interest of prime + 1.75%. The facility is due on demand and is secured by a commercial security agreement. As at March 31, 2018, nothing has been drawn on this operating line of credit.

**5. Term deposits**

The Corporation holds a non-redeemable term deposit in the amount of \$25,000 (2017 - \$25,000) bearing interest of 1.45% and maturing on August 22, 2018. This term deposit is held as security for the SCCU interest-only loan (note 12).

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**Community Futures Development Corporation of the Sunshine Coast**  
**Notes to the Non-Consolidated Financial Statements**

**March 31, 2018**

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**6. Investments**

The Corporation has the following investments in Non-Repayable Investment Fund:

	2018	2017
0987152 B.C. Ltd. 14% ownership, at cost	\$ 100,000	\$ 100,000
Preferred shares of Community Investment Corporation, at cost	250,000	250,000
25 Membership shares of Community Investment Co-op. at cost	2,500	-
	<b>\$ 352,500</b>	<b>\$ 350,000</b>

0987152 B.C. Ltd. is a company that was incorporated under the laws of the province of British Columbia on December 2, 2013. The company owns the majority of a parcel of land that is leased to the Gibsons Community Building Society which operates the Gibsons Public Market. This long-term investment has been recorded at cost. This investment of \$100,000 was made from the Non-Repayable Investment Fund and has been recorded at cost. In addition to the investments made by the shareholders of 0987152 B.C. Ltd. the Town of Gibsons contributed a significant amount through a Bare Trust agreement to 0987152 B.C. Ltd. Thus, the resultant, respective ownership, with respect to control and operations of 0987152 B.C. Ltd., by the Corporation, is 14%.

Rhiza Capital's Coastal Community Investment Corporation (the "CIC") is a for-profit corporation, regulated by the provincial securities laws. The CIC a company incorporated pursuant to the laws of the Province of British Columbia. It is a subsidiary company of Rhiza Capital Corporation which is the sole shareholder of the CIC. Community Futures is a 51% shareholder of common shares in Rhiza Capital Corporation.

The CIC currently only uses the Private Issuers exemption, limiting its potential investors to 50 or fewer friends, family, close business associates and Accredited Investors.

A long term investment of \$250,000 was made by purchasing Preferred Shares in the CIC, from the Non-Repayable Investment Fund.

**7. Advances to subsidiary**

Advances to subsidiary are not interest-bearing and have no specific terms of repayment. Accordingly, this receivable has been classified as long-term as it is not management's intention to demand repayment of this advance within a year.

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**Community Futures Development Corporation of the Sunshine Coast**  
**Notes to the Non-Consolidated Financial Statements**

**March 31, 2018**

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**8. Investment in subsidiary**

Rhiza Capital Corporation is a company incorporated under the laws of the Province of British Columbia on May 22, 2015. Rhiza Capital Corp. was created to address the need for local, equity based investment in ventures that will add economic, social and financial value to our communities. Three vehicles have been developed to support local investment: Venture Capital Corporation (Root 1 and Root 2), Coast Community Investment Corporation and Coast Community Investment Co-op. An investment was made from the Non-Repayable Investment Fund and has been recorded at cost. There is a total of 3 key partners comprising Rhiza Capital Corporation of which the resultant ownership with respect to control and operations of Rhiza Capital Corporation, is 51%.

	Core Fund	Loan Investment Funds	2018		2017	
51% of Class A Common shares of Rhiza Capital Corporation	\$ -	\$ 51	\$ 51		\$ 51	

**9. Tangible capital assets**

			2018		2017	
	Capital cost	Accum. amort.	Net book value		Net book value	
Furniture and equipment	\$ 45,032	\$ 38,283	\$ 6,749		\$ 7,727	
Computers and software	58,202	54,186	4,016		4,554	
Leasehold improvements	12,439	12,439	-		200	
<b>Total tangible capital assets</b>	<b>\$ 115,673</b>	<b>\$ 104,908</b>	<b>\$ 10,765</b>		<b>\$ 12,481</b>	

**10. Loans receivable**

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from Community Futures Development Corporation of the Sunshine Coast's base rate of 6% plus 0% to 4% with monthly blended principal and interest payments amortized for terms between twelve and one hundred and twenty months. 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.

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**Community Futures Development Corporation of the Sunshine Coast**  
**Notes to the Non-Consolidated Financial Statements**

**March 31, 2018**

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**11. Allowance for credit loss**

An allowance for losses on loans is made based on expected loan default rates, potential loss ratios and review of loans portfolio, as determined by management (shown below):

	2017-2018 Begin. Balance	Provision for credit loss (recovery)	2017-2018 Ending Balance
Non-Repayable Fund	\$ -	\$ 6,960	\$ 6,960
Fisheries Legacy Fund	-	22,350	22,350
Forest Community Business Program	124,080	(37,772)	86,308
	<b>\$ 124,080</b>	<b>\$ (8,462)</b>	<b>\$ 115,618</b>

Actual write-offs, net of recoveries, will be deducted from the allowance for credit losses. The provision for credit losses in the statement of income and changes in fund balances is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses. For certain funds, actual write-offs are charged to the related long-term debt of the funds.

**Community Futures Development Corporation of the Sunshine Coast**  
**Notes to the Non-Consolidated Financial Statements**

**March 31, 2018**

**12. Long-Term Debt**

**a) Western Economic Diversification**

	Original Principal	Accrued Interest	Accumulated Write-offs	2018	2017
WED Fisheries Legacy Trust Fund	\$ 421,589	\$ -	\$ 216,899	\$ 204,690	\$ 204,690
Stacked Licence Loans	415,000	-	-	415,000	415,000
WED Disability Fund	200,000	68,147	61,454	206,693	200,986
WED Repayable Investment Fund	450,000	349,286	265,104	534,182	512,602
Community Business Loan Fund	250,000	-	187,135	62,865	71,483
	<b>\$ 1,736,589</b>	<b>\$ 417,433</b>	<b>\$ 730,592</b>	<b>\$ 1,423,430</b>	<b>\$ 1,404,761</b>

The cash balances of the loan investment funds at the due dates will be paid to Western Economic Diversification. Principal repayment of investment loans receivable after the due dates will be forwarded to Western Economic Diversification. When all loans are collected, Western Economic Diversification is entitled to 50% of the net interest received on the restricted loan investment funds. Since March 31, 2005, 50% of the income from the loan investment funds has been included as a long-term accrued payable. The Disabled Investment Fund balance includes \$68,147 (2017 - \$62,440) of accrued interest and the Repayable Investment Fund balance includes \$349,286 (2017 - \$327,706) of accrued interest.

Pursuant to the agreement with the lender, the amount of outstanding debt is reduced by the actual bad debts incurred. During the year, the balance of long-term debt was reduced by the total amount of bad debts of \$8,618 (2017 - \$15,659).

The loan from Community Business Loan Fund has no specific termination date. Termination is mutually agreed on 90 days notice or the Province exercising its option to terminate in the event of a contractual default. Termination is not expected to occur in the next year, therefore the loan is considered to be long term.

**b) Sunshine Coast Credit Union**

	2018	2017
Term loan with interest-only payments due at the end of each month, bearing interest of prime +1% and secured by a term deposit held by Sunshine Coast Credit Union	\$ 22,700	\$ 22,700



**Community Futures Development Corporation of the Sunshine Coast**  
**Notes to the Non-Consolidated Financial Statements**

**March 31, 2018**

**12. Long-Term Debt, continued**

**c) Community Futures British Columbia**

The Corporation was approved to receive \$500,000 term loan from Community Futures British Columbia, of which \$250,000 have been received by the Corporation during the year ended March 31, 2015.

	2018	2017
5-year term loan bearing interest of Prime +0.25% payable in monthly blended payments of \$4,366 , secured by by general security agreement and due on demand	\$ 312,496	\$ 148,599
Less current portion	(99,836)	(50,061)
	<b>\$ 212,660</b>	<b>\$ 98,538</b>

All loan interest rates are fixed until the next March 31 after the date of authorization. Each April 1 the interest rate is adjusted to the current 5 year rate in effect on that date. During the year ended March 31, 2018, the interest rate in effect was 1.85%.

The loan would become callable on demand only under the following conditions:

- the Corporation has no need for the funds to continue its normal small loan activities for the foreseeable future. A review of the need for funds would be would automatically be initiated if year-end cash balances in repayable and non-repayable accounts exceed 25% of productive portfolio;
- the Corporation is managing its capital fund in a manner than has seriously eroded its portfolio and the security offered to the lender to obtain the advance.

The demand feature of the loan is not expected to be triggered during the next fiscal year and as such the term loan has been classified as long term, net of current portion.

Estimated principal re-payments are as follows:

2019	\$ 99,836
2020	97,333
2021	50,681
2022	51,626
2023	13,056
Subsequent	163,896
	<b>\$ 148,599</b>

**13. Contributed Surplus**

The contributed surplus of the corporation was provided by funding from the Federal Government to fund the general investment loan portfolio and there is no repayment requirement.

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**Community Futures Development Corporation of the Sunshine Coast**  
**Notes to the Non-Consolidated Financial Statements**

**March 31, 2018**

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**14. Investment in Capital Assets**

	<b>2018</b>		<b>2017</b>	
Balance, Opening	\$	12,481	\$	14,473
Acquisitions		395		4,065
		<b>12,876</b>		<b>18,538</b>
Amortization		(2,111)		(6,057)
Balance, Closing	\$	10,765	\$	12,481

**15. Externally Restricted Net Assets**

Major categories of externally imposed restrictions on net assets are as follows:

**Loan Investment Funds**

Loan Investment Funds are restricted to loans and equity investments to entrepreneurs as defined under criteria for each loan program.

**Special Program Funds**

Special Program Funds are restricted to delivery of services as defined by the program.

**16. Interfund transfers and debt**

With the new 3 year contract (Attachment "B" Statement of Work), up to a total of \$50K of Investment Fund interest may be transferred annually, in the 12 month period from April 1 – March 31 of any given year as follows: interest to be transferred from Non-repayable firstly and secondly, from Repayable. Interest transfers from EDP must be used in support of EDP activities. Interest transfers in excess of \$50K annually, in the 12 month period from April 1 – March 31, must receive prior written approval by WED.

During the year the organization made interest transfers from the Loan Investment Funds to the Core Fund for the year ended March 31, 2018 in the amount of \$47,500 (2017 - \$50,000 ).

As at March 31, 2018 the Non-repayable Investment Fund owed the FLTF WD98 Fund \$300,000 related to a FLTF client with an existing loan from the Non-repayable fund. Additionally, the CBLP Fund owed \$250,000 to the Non-repayable Investment Fund which was the matching of the FRBC contribution as per the amendment agreement dated April 30, 1999, Section 2.2. The FLTF WD98 Fund owed the FLTF SLL Fund \$161,488.

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## Community Futures Development Corporation of the Sunshine Coast Notes to the Non-Consolidated Financial Statements

March 31, 2018

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### 17. Related party transactions

The Corporation is related to its investee 0987152 B.C. Ltd. dba Gibsons Public Market as the Corporation's Assistant Executive Director is one of the Directors on the Board of 0987152 B.C. Ltd. and the Corporation holds 14% of common voting shares .

Additionally, the Corporation is related to its subsidiary Rhiza Capital Inc. During the year ended March 31, 2018, the corporation recorded administrative fee revenue of \$8,378 (2017 - \$10,790) pursuant to an operating agreement with Rhiza Capital Inc.

### 18. Economic dependence

The Corporation's Investment Funds, including Disability Entrepreneur, Fisheries, Repayable Investment, and Operating funding are economically dependent on the continued support of the Western Economic Diversification Canada. The Community Business Loans Program is economically dependent on the continued support of the Province of B.C.

### 19. Capital disclosure

The Corporation considers the net financial assets (unrestricted and restricted) held and the contributed surplus to be capital for the purposes of this section.

#### (a) Objectives

The Corporation's objectives when managing capital are:

- to safeguard the corporation to continue as a going concern so that it can continue to provide loans and deliver not for profit programs that support community economic development and strategic community planning.
- to provide adequate interest rates for loan funds commensurate with the level of risk and to provide sustainability of loan funds for future periods.

#### (b) Loans

The Corporation is authorized to make loans to individuals, groups of individuals, partnerships, cooperatives, companies or societies, the activities of which are deemed to contribute positively to the community economic development with the region; or are deemed to contribute positively to the community economic development within other CFDC regions in the Province of BC, provided that such loans are made in accordance with the Syndication of Loans Policy.

#### (c) Guarantees

The Corporation is authorized to guarantee loans made by individuals, groups of individuals, partnerships, cooperatives, companies, or societies, the activities of which contribute positively to community economic development within the region.

#### (d) Equity Investments

The Corporation is authorized to invest in the share capital of any limited liability corporation or to participate in the equity of a project undertaken by a limited partnership provided the funds so invested contribute positively to the community economic development with the region and are invested in accordance with the Equity Investment Policy.

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**Community Futures Development Corporation of the Sunshine Coast**  
**Notes to the Non-Consolidated Financial Statements**

**March 31, 2018**

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**19. Capital disclosure, continued**

**(e) Process**

The Loan Committee meets routinely and has the authority to implement loan review and adjudication policy as set out by the Board. Such process is outlined in Investment and Loan Committee Terms of Reference, section 1.04.

The Corporation is not subject to any externally imposed capital requirements. As at March 31, 2018, the Corporation's capital was \$3,157,472 (2017 - \$2,599,543) which included \$1,757,056 (2017 - \$1,555,473) of restricted capital.

**20. Loan commitments**

As at March 31, 2018, the Corporation has loan commitments of \$50,000 (2017 - \$30,000) with respect to pre-approved loans which have not yet been disbursed.

	2018	2017
Non-Repayable Investment Fund	\$ 50,000	\$ 30,000

**21. Lease commitments**

The Corporation's commitment under its office operating lease, exclusive of occupancy costs, is \$20,734 per year until March 31, 2018, at which date the operating lease expires and is subject to renewal.

**22. Financial instruments**

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

**(a) Credit risk**

Credit risk is the risk of financial loss to the Corporation as a result of a counterparty to a financial instrument failing to meet its obligations. Financial instruments that potentially subject the Corporation to a significant concentration of credit risk consist primarily of cash, and loans receivable. The Corporation limits its exposure to credit risk by placing its cash with major financial institutions. The Corporation reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and their associated business plan and/or proposal; obtaining, whenever possible, adequate security to mitigate losses incurred on loan defaults; and by tracking repayment performance, delinquencies and, when necessary, implementing collections protocols to minimize losses as much as possible. The Corporation maintains credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure related to cash is low and is not material and the credit risk exposure related to loans receivable is moderate and within the loan loss expectations of the Corporations funding partners.

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**Community Futures Development Corporation of the Sunshine Coast**  
**Notes to the Non-Consolidated Financial Statements**

**March 31, 2018**

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**22. Financial instruments, continued**

(b) Liquidity risk

The Corporation is exposed to liquidity risk in accounts payable of \$32,215 (2017 - \$32,024). Liquidity risk is the risk that the Corporation cannot repay its obligations when they become due to its creditors. The Corporation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Corporation is low and is not material. As at March 31, 2018, the Corporation had working capital in the Core fund of \$28,643 (2017 - \$31,465).

(c) 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. Market risk comprises three types of risk: interest rate risk, foreign currency risk and fair value risk.

(d) Interest rate risk

The Corporation is exposed to 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 the interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments. This exposure may have an effect on its earnings in future periods. The Corporation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. All loans receivable and long-term debt are at fixed term rates, or zero interest rates and are not affected by changes in interest rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the Corporation low and is not material.

(e) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation has no foreign currency transactions and therefore is not exposed to currency risk.

Schedule 1

Community Futures Development Corporation of the Sunshine Coast  
 Loan Investment Funds  
 Non-Consolidated Statement of Operations and Changes in Fund Balances  
 For the year ended March 31, 2018

	Loan Investment Funds						Total	
	Non-Repayable Investment Fund	FLTF WD 98 Fund	FLTF SLL Fund	CBLP Fund	Disability Entrepreneur Fund	Repayable Investment Fund	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Interest - cash on deposit	7,677	1,185	4,306	2,492	1,410	2,097	19,167	12,860
Dividend income	25,667	-	-	-	-	-	25,667	-
Interest - loans	149,112	6,520	18,618	42,088	10,004	41,064	267,406	259,260
Administrative fees	1,357	-	-	-	-	-	1,357	-
Other Income/grants (note 18)	2,618	1,055	9	579	60	150	4,470	1,212
	<u>186,431</u>	<u>8,760</u>	<u>22,933</u>	<u>45,158</u>	<u>11,474</u>	<u>43,310</u>	<u>318,066</u>	<u>273,332</u>
<b>Operating Expenses</b>								
Administration Fees	8,825	392	1,002	1,403	252	1,806	13,680	12,778
Administration Chargebacks	11,844	-	-	588	-	-	12,432	10,618
Bad Debts (Recovery)	6,720	22,350	-	(29,155)	-	-	(84)	126,838
Bank Charges	361	-	-	-	-	-	361	330
Collection Costs	-	-	-	1,410	-	-	1,410	1,218
Interest on long-term debt	7,358	-	-	-	5,707	21,580	34,645	29,241
General expenses (Recovery)	(1,028)	1,030	-	456	-	-	458	-
Professional Fees	3,500	2,200	2,200	2,400	2,200	2,200	14,700	13,200
	<u>37,580</u>	<u>25,972</u>	<u>3,202</u>	<u>(22,898)</u>	<u>8,159</u>	<u>25,586</u>	<u>77,601</u>	<u>194,222</u>
<b>Other item</b>								
Forgiveness of debt (note 12)	-	-	-	8,618	-	-	8,618	15,659
<b>Net Income(Loss) For The Year</b>	148,851	(17,213)	19,731	76,675	3,315	17,724	249,083	94,769
<b>Fund Balances, Opening</b>	2,341,069	99,233	238,399	120,863	8,882	128,235	2,936,681	2,891,912
Interest Transferred to Core	47,500	-	-	-	-	-	47,500	50,000
<b>Fund Balances, Closing</b>	<u>2,442,420</u>	<u>82,020</u>	<u>258,130</u>	<u>197,538</u>	<u>12,197</u>	<u>145,959</u>	<u>3,138,264</u>	<u>2,936,681</u>

Community Futures Development Corporation of the Sunshine Coast  
 Loan Investment Funds  
 Non-Consolidated Statement of Financial Position  
 As at March 31, 2018

Schedule 2

	Loan Investment Funds							Total	
	Non-Repayable Investment Fund	FLTF WD 98 Fund	FLTF SLL Fund	CBLFP Fund	Disability Entrepreneur Fund	Repayable Investment Fund	March 31, 2018	March 31, 2017	
<b>Assets</b>									
<b>Current</b>									
Cash	209,100	92,991	212,826	181,673	35,970	152,589	885,148	781,391	
Term deposits (note 5)	-	-	25,000	-	-	-	25,000	25,000	
Interfund Receivable	(50,000)	138,552	161,448	(250,000)	-	-	-	-	
Receivable from Leasing Fund	16,500	-	-	-	-	-	16,500	-	
Current Portion of Loans Receivable (note 10)	419,442	14,425	33,836	61,034	47,073	99,396	675,206	815,374	
	595,042	245,968	433,110	(7,294)	83,043	251,985	1,601,854	1,621,765	
Advances to Subsidiary (note 7)	24,949	-	-	-	-	-	24,949	24,949	
Long Term Investments (notes 6 & 8)	350,051	-	-	-	-	-	350,051	350,051	
	375,000	-	-	-	-	-	375,000	375,000	
<b>Loans Receivable</b>									
Investment Loans Receivable (notes 10 & 11)	2,201,246	79,215	274,778	414,284	184,356	526,318	3,680,197	3,429,352	
Accrued Interest Receivable	13,531	503	1,278	2,954	763	3,434	22,463	16,577	
Less Allowance for Credit Loss (note 11)	(6,960)	(22,350)	-	(86,307)	-	-	(115,618)	(124,080)	
Net Investment Loans Receivable	2,207,817	57,367	276,056	330,931	185,120	529,752	3,587,042	3,321,849	
Less Current Portion	(419,442)	(14,425)	(33,836)	(61,034)	(47,073)	(99,396)	(675,206)	(815,374)	
Total Investments	1,788,375	42,942	242,220	269,897	138,047	430,356	2,911,836	2,506,475	
	2,758,416	288,910	675,330	262,602	221,090	682,341	4,888,690	4,503,241	
<b>Liabilities</b>									
<b>Current</b>									
Accrued liabilities	3,500	2,200	2,200	2,200	2,200	2,200	14,500	13,200	
Current portion of term loan (note 12)	99,836	-	-	-	-	-	99,836	50,061	
	103,336	2,200	2,200	2,200	2,200	2,200	114,336	63,261	
<b>Long Term</b>									
Loan from CBLFP (note 12)	-	-	-	62,864	-	-	62,864	71,483	
Loan from BC Futures Fund (note 12)	212,660	-	-	-	-	-	212,660	98,538	
Loan from Fisheries and Oceans (note 12)	-	-	415,000	-	-	-	415,000	415,000	
Loan from Western Economic Diversification - Principal (note 12)	-	204,690	-	-	138,546	184,896	528,132	528,132	
WED Loan Accrued Interest (note 12)	-	-	-	-	68,147	349,286	417,433	390,146	
	212,660	204,690	415,000	62,864	206,693	534,182	1,636,090	1,503,299	
<b>Fund Balances</b>									
Contributed Surplus (note 13)	1,381,208	-	-	-	-	-	1,381,208	1,381,208	
Externally Restricted (note 15)	1,061,212	82,020	258,130	197,538	12,197	145,959	1,757,056	1,555,473	
Unrestricted	2,442,420	82,020	258,130	197,538	12,197	145,959	3,138,264	2,936,681	
	2,758,416	288,910	675,330	262,602	221,090	682,341	4,888,690	4,503,241	