

Community Futures Development Corporation of the Sunshine Coast

Non-Consolidated Financial Statements

March 31, 2019

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

March 31, 2019

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Management Responsibility for Financial Reporting

The accompanying non-consolidated financial statements and all other information contained in this annual report are the responsibility of the management of Community Futures Development Corporation of the Sunshine Coast (CFDC -SC). The non-consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organization and have been approved by the Board of Directors of CFDC-SC. Management acknowledges responsibility for the preparation and presentation of the non-consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances. The significant accounting policies of the Corporation are summarized in Note 2 of the non-consolidated financial statements.

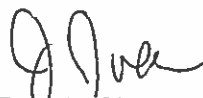
Preparation of non-consolidated financial statements is an integral part of the Corporation's management's broader responsibilities for its ongoing operations. The management maintains a system of internal accounting controls to provide reasonable assurance that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial information. This information also includes data based on management's best estimates and judgements..

Community Futures Development Corporation of the Sunshine Coast does not have a dedicated audit committee, however, the Executive Committee of the Corporation is responsible for oversight of the preparation of management-prepared non-consolidated financial statements and the audit thereof. The Executive Committee reviews the trial balance and general ledger at each quarter-end for unusual transactions, and reports to the Board thereon. The Executive Committee reviews the audited non-consolidated financial statements and recommends them to the Board of Directors for approval. The Executive Committee includes all Directors of the Corporation in all material discussions and deliberations in the event that discussion and deliberation at the Executive Committee level is not sufficient. The Board reviews the annual report and the audited non-consolidated financial statements in their entirety, and the Board as a whole is responsible for the approved audited non-consolidated financial statements.

The accompanying non-consolidated financial statements have been audited by Crowe MacKay LLP, Chartered Professional Accountants, who are engaged by the Board and whose appointment was ratified at the annual general meeting of the members. Their report outlines the nature of their audits and expresses their opinion on the non-consolidated financial statements.



Chair



Executive Director

Independent Auditor's Report

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

Opinion

We have audited the 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, 2019, and the statements of operations, changes in fund balances 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 non-consolidated financial position of the Corporation as at March 31, 2019, and its non-consolidated financial performance and its non-consolidated 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- 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.



Independent Auditor's Report, continued

- ♦ 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 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.

Sechelt, British Columbia
June 26, 2019

Crowe Mackay LLP

Chartered Professional Accountants

**Community Futures Development Corporation of the Sunshine Coast
Non-Consolidated Statement of Operations
For the year ended March 31, 2019**

| | Core Fund | Loan Investment Funds (Schedule 1) | Total 2019 | Total 2018 |
|--------------------------------|--------------------|---|-------------------|-------------------|
| Revenue | | | | |
| Other income/grants (Note 17) | \$ 53,013 | \$ 12,281 | \$ 65,294 | \$ 346,585 |
| WED contribution | 284,304 | - | 284,304 | 284,304 |
| Interest - loans | - | 266,130 | 266,130 | 267,406 |
| Interest income | 1,681 | 23,681 | 25,362 | 20,559 |
| Dividend income | - | 14,000 | 14,000 | 25,667 |
| | 338,998 | 316,092 | 655,090 | 944,521 |
| Expenses | | | | |
| Administration fees | - | 15,191 | 15,191 | 27,979 |
| Advertising and promotion | 2,984 | - | 2,984 | 8,912 |
| Amortization | 3,209 | - | 3,209 | 2,112 |
| Bad debts (recovery) | - | 16,437 | 16,437 | (84) |
| Bank charges | 1,278 | 269 | 1,547 | 1,440 |
| Board/staff & AGM | 4,374 | - | 4,374 | 3,793 |
| Consulting fees (Note 17) | 5,923 | 7,350 | 13,273 | - |
| Insurance | 3,212 | - | 3,212 | 3,306 |
| Interest | - | 32,679 | 32,679 | 34,645 |
| Janitorial | 1,875 | - | 1,875 | 2,000 |
| Loan operations in Core | 1,545 | - | 1,545 | 2,059 |
| Memberships | 1,265 | - | 1,265 | 1,137 |
| Office rent | 25,097 | - | 25,097 | 25,292 |
| Office supplies | 10,152 | - | 10,152 | 8,066 |
| Professional fees | 5,769 | 14,000 | 19,769 | 20,370 |
| Program costs (Note 17) | 54,053 | - | 54,053 | 326,782 |
| Repairs and maintenance | 7,768 | - | 7,768 | 6,144 |
| Special events | 1,472 | - | 1,472 | 895 |
| Telephone | 7,918 | - | 7,918 | 7,815 |
| Training & conferences | 3,356 | - | 3,356 | 2,975 |
| Travel | 906 | - | 906 | 1,263 |
| Wages and benefits | 239,174 | - | 239,174 | 266,692 |
| | 381,330 | 85,926 | 467,256 | 753,593 |
| Other expenses/(income) | | | | |
| Forgiveness of debt (Note 12) | - | (79,534) | (79,534) | (8,618) |
| Net income (loss) | \$ (42,332) | \$ 309,700 | \$ 267,368 | \$ 199,546 |

**Community Futures Development Corporation of the Sunshine Coast
 Non-Consolidated Statement of Changes in Fund Balances
 For the year ended March 31, 2019**

| | Core Fund | Loan investment Fund (Schedule 1) | Total 2019 | Total 2018 |
|--------------------------------------|------------------|--|---------------------|---------------------|
| Balance, opening | \$ 19,209 | \$ 3,138,264 | \$ 3,157,473 | \$ 2,957,927 |
| Interfund transfers (Note 16) | 50,000 | (50,000) | - | - |
| Net income (loss) | (42,332) | 309,700 | 267,368 | 199,546 |
| Balance, closing | \$ 26,877 | \$ 3,397,964 | \$ 3,424,841 | \$ 3,157,473 |

**Community Futures Development Corporation of the Sunshine Coast
Non-Consolidated Statement of Financial Position
As at March 31, 2019**

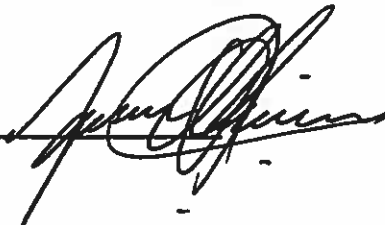
| | Core Fund | Loan Investment Funds Schedule 2 | March 31 2019 | March 31 2018 |
|--|-------------------|---|---------------------|---------------------|
| Assets | | | | |
| Current | | | | |
| Cash (Notes 3 & 20) | \$ 51,057 | \$ 924,993 | \$ 976,050 | \$ 905,754 |
| Term deposit (Note 4) | - | 25,000 | 25,000 | 25,000 |
| Accounts receivable | 102,400 | 32,850 | 135,250 | 34,839 |
| Goods and services tax receivable | 2,048 | - | 2,048 | 3,218 |
| Interfund receivable | - | 200,000 | 200,000 | - |
| Current portion of loans receivable (Note 9) | - | 761,272 | 761,272 | 675,206 |
| Prepaid expenses | 4,349 | - | 4,349 | 4,195 |
| | 159,854 | 1,944,115 | 2,103,969 | 1,648,212 |
| Loans receivable (Notes 9 & 10) | - | 2,676,201 | 2,676,201 | 2,911,836 |
| Term deposit (Note 4) | 200,000 | - | 200,000 | - |
| Investments (Note 5) | 2,500 | 350,000 | 352,500 | 352,500 |
| Advances to subsidiary (Note 6) | - | 24,949 | 24,949 | 24,949 |
| Investment in subsidiary (Note 7) | - | 51 | 51 | 51 |
| Tangible capital assets (Note 8) | 11,209 | - | 11,209 | 10,765 |
| | \$ 373,563 | \$ 4,995,316 | \$ 5,368,879 | \$ 4,948,313 |

**Community Futures Development Corporation of the Sunshine Coast
 Non-Consolidated Statement of Financial Position
 As at March 31, 2019**

| | Core Fund | Loan Investment Funds Schedule 2 | March 31 2019 | March 31 2018 |
|---|-------------------|---|---------------------|---------------------|
| Liabilities | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities | \$ 14,852 | \$ 14,000 | \$ 28,852 | \$ 32,214 |
| Deferred revenue | 23,694 | - | 23,694 | - |
| Interfund payable | 200,000 | - | 200,000 | - |
| Deferred contributions (Note 11) | 85,340 | - | 85,340 | - |
| Current portion of long-term debt (Note 12) | - | 97,333 | 97,333 | 99,836 |
| | 323,886 | 111,333 | 435,319 | 132,050 |
| Long-term debt (Note 12) | 22,700 | 1,486,019 | 1,508,719 | 1,658,790 |
| | 346,586 | 1,597,352 | 1,944,038 | 1,790,840 |
| Fund balances | | | | |
| Contributed surplus (Note 13) | - | 1,381,208 | 1,381,208 | 1,381,208 |
| invested in tangible capital assets (Note 14) | 11,209 | - | 11,209 | 10,786 |
| Externally restricted (Note 15) | - | 2,016,758 | 2,016,758 | 1,757,056 |
| Unrestricted | 15,868 | - | 15,868 | 8,444 |
| | 26,877 | 3,397,964 | 3,424,941 | 3,157,473 |
| | \$ 373,463 | \$ 4,995,316 | \$ 5,368,979 | \$ 4,948,313 |

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, | 2019 | 2018 |
|---|-------------------|-------------------|
| Operating activities | | |
| Net income | \$ 267,368 | \$ 199,546 |
| Adjustments for Amortization | 3,209 | 2,112 |
| Total adjustments | 3,209 | 2,112 |
| | 270,577 | 201,658 |
| Change in non-cash working capital items | | |
| Accounts receivable | (15,071) | (20,012) |
| Goods and services tax receivable | 1,170 | (1,142) |
| Prepaid expenses | (154) | 4,138 |
| Current portion of loans receivable | (86,066) | 140,168 |
| Accounts payable and accrued liabilities | (3,261) | 189 |
| Deferred revenue | 23,694 | (23,692) |
| Contributions receivable | (85,340) | 244,000 |
| Deferred contributions | 85,340 | (244,000) |
| Current portion of long-term debt | (2,504) | 49,775 |
| | 188,385 | 351,082 |
| Investing activities | | |
| (Issuance) repayment of loans | 235,635 | (405,360) |
| Purchase of tangible capital assets | (3,653) | (395) |
| Acquisition of Investments | (200,000) | (2,500) |
| | 31,982 | (408,255) |
| Financing activities | | |
| Issuance (repayment) of long-term debt | (150,071) | 132,791 |
| Increase in cash | 70,296 | 75,618 |
| Cash, beginning of year | 905,754 | 830,136 |
| Cash, end of year | \$ 976,050 | \$ 905,754 |

Community Futures Development Corporation of the Sunshine Coast

Notes to the Non-Consolidated Financial Statements

March 31, 2019

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.

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

March 31, 2019

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.

Community Futures Development Corporation of the Sunshine Coast

Notes to the Non-Consolidated Financial Statements

March 31, 2019

2. Significant accounting policies, continued

(i) Loans receivable

Loans receivable consist 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. 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% (average interest rate of 5.70%). The facility is due on demand and is secured by a commercial security agreement. As at March 31, 2019, nothing has been drawn on this operating line of credit.

4. Term deposits

| | 2019 | 2018 |
|-----------|------------|-----------|
| Loan Fund | \$ 25,000 | \$ 25,000 |
| Core Fund | 200,000 | - |
| Total | \$ 225,000 | \$ 25,000 |

The loan fund holds a non-redeemable term deposit of \$25,000 (2018 - \$25,000) which bears interest of 2.00% and matures on August 22, 2019. This term deposit is held as security for the SCCU interest-only loan (note 12).

The core fund holds an escalator redeemable term deposit of \$200,000 (2018 - \$nil) which bears interest of 2.15% and matures on February 14, 2024. This term deposit is held as security for Rhiza Capital Corporation, a subsidiary (note 7) which 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. This loan security deposit is classified as long-term asset based on the expiration date of the underlying guarantee.

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

March 31, 2019

5. Investments

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

| | 2019 | 2018 |
|---|-------------------|-------------------|
| 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 | 2,500 |
| | \$ 352,500 | \$ 352,500 |

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%

Venture Connect Inc. is a company incorporated under the laws of the Province of British Columbia on September 9, 2011. The company was created to provide fee for service consulting to small businesses in the region. An original investment of \$25,000 was made which represents 16.67% ownership of the company and has been recorded at cost less adjustment for impairment. In previous years impairment losses of \$25,000 were recorded on this investment such that it is currently being carried at \$Nil (2018 - \$Nil)

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.

6. 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.

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

March 31, 2019

7. 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, Root 2 and Root 3), 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 | 2019 | | 2018 | |
|---|-----------|-----------------------------|-------|-------|-------|-------|
| 51% of Class A Common shares of Rhiza Capital Corporation | \$ - | \$ 51 | \$ 51 | \$ 51 | \$ 51 | \$ 51 |

8. Tangible capital assets

| | | | 2019 | | 2018 | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Capital cost | Accum. amort. | Net book value | Net book value | Net book value | Net book value |
| Furniture and equipment | \$ 45,032 | \$ 40,370 | \$ 4,662 | \$ 6,749 | \$ 6,749 | \$ 6,749 |
| Computers and software | 61,855 | 55,307 | 6,548 | 4,016 | 4,016 | 4,016 |
| Total tangible capital assets | \$ 61,855 | \$ 55,307 | \$ 11,209 | \$ 10,765 | \$ 10,765 | \$ 10,765 |

9. 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.

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

March 31, 2019

10. 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):

| | 2018-2019 Begin. Balance | Provision for credit loss (recovery) | 2018-2019 Ending Balance |
|-----------------------------------|--------------------------------|--|--------------------------------|
| Non-Repayable Fund | \$ 6,960 | \$ 1,794 | \$ 8,754 |
| Fisheries Legacy Fund | 22,350 | (22,350) | - |
| Forest Community Business Program | 86,308 | (57,184) | 29,124 |
| Disability Fund | - | 3,764 | 3,764 |
| | \$ 115,618 | \$ (73,976) | \$ 41,642 |

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.

11. Deferred contributions

The BC Rural Dividend Program granted the corporation a grant in the amount of \$85,340 which is restricted for the purpose of supporting the Community Resource Lab: Building Capacity Together project to be executed during the period of August 1, 2019 to August 1, 2021.

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

March 31, 2019

12. Long-Term Debt

a) Western Economic Diversification

| | Original Principal | Accrued Interest | Accumulated Write-offs | 2019 | 2018 |
|---------------------------------------|-----------------------|---------------------|---------------------------|---------------------|---------------------|
| WED Fisheries Legacy Trust Fund | \$ 421,589 | \$ - | \$ (239,249) | \$ 182,340 | \$ 204,690 |
| Stacked Licence Loans | 415,000 | - | - | 415,000 | 415,000 |
| WED Disability Fund | 200,000 | 74,663 | (61,454) | 213,209 | 206,693 |
| WED Repayable Investment Fund | 450,000 | 370,510 | (265,104) | 555,406 | 534,182 |
| Community Business Loan Fund | 250,000 | - | (245,265) | 4,735 | 62,865 |
| | \$ 1,736,589 | \$ 445,173 | \$ (811,072) | \$ 1,370,690 | \$ 1,423,430 |

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 \$74,663 (2018 - \$68,147) of accrued interest and the Repayable Investment Fund balance includes \$370,510 (2018 - \$349,286) 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 \$79,534 (2018 - \$8,618).

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

| | 2019 | 2018 |
|--|-----------|-----------|
| 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 (Note 5) | \$ 22,700 | \$ 22,700 |

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

March 31, 2019

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 has been received by the Corporation during the year ended March 31, 2015 and the remainder was received during the year ended March 31, 2017.

| | 2019 | 2018 |
|--|-------------------|-------------------|
| 5-year term loans bearing interest of Prime +0.25% payable in monthly blended payments totalling \$8,732 , secured by general security agreement and due on demand | \$ 212,660 | \$ 312,496 |
| Less current portion | (97,333) | (99,836) |
| | \$ 115,327 | \$ 212,660 |

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, 2019, the interest rate in effect was 2.33%.

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:

| | |
|------|-------------------|
| 2020 | \$ 97,333 |
| 2021 | 50,862 |
| 2022 | 52,060 |
| 2023 | 12,406 |
| | \$ 212,660 |

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.

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

March 31, 2019

14. Investment in Tangible Capital Assets

| | 2019 | 2018 |
|------------------|-------------------|-------------------|
| Balance, Opening | \$ 10,765 | \$ 12,481 |
| Acquisitions | 3,653 | 395 |
| Amortization | 14,418 (3,209) | 12,876 (2,111) |
| Balance, Closing | \$ 11,209 | \$ 10,765 |

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 \$50,000 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 \$50,000 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, 2019 in the amount of \$50,000 (2018 - \$47,500).

As at March 31, 2019 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. Additionally, Core fund owes \$100,000 each to Non-Repayable and FLTF WD 98 fund as it holds restricted term deposits for these loan funds (note 3).

Community Futures Development Corporation of the Sunshine Coast

Notes to the Non-Consolidated Financial Statements

March 31, 2019

17. Related party transactions

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

Subsequent to the year end, the Corporation disbursed \$150,000 to 0987152 B.C Ltd. pursuant to an existing loan agreement.

Additionally, the Corporation is related to its subsidiary Rhiza Capital Inc. During the year ended March 31, 2019, the corporation recorded administrative fee revenue of \$4,000 (2018 - \$8,378) pursuant to an operating agreement with Rhiza Capital Corporation, as well as total program costs of \$23,382 (2018 - \$30,196) funded through an interest transfer of \$25,000. During the year the corporation paid \$5,923 (2018 -\$nil) in consulting fees related to Rhiza Capital Corporation development.

Finally, the Corporation holds an escalator redeemable term deposit of \$200,000 as a guarantee for Rhiza Capital Corporation's line of credit through another lending institution (note 4).

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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.

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

March 31, 2019

19. Capital disclosure, continued

(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.

(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, 2019, the Corporation's capital was \$3,424,841 (2018 - \$3,157,473) which included \$2,016,756 (2018 - \$1,757,056) of restricted capital.

20. Loan commitments

As at March 31, 2019, the Corporation has loan commitments of \$nil (2018 - \$50,000) with respect to pre-approved loans which have not yet been disbursed.

| | 2019 | 2018 |
|--------------------------------------|-------------|------------------|
| Non-Repayable Investment Fund | \$ - | \$ 50,000 |

21. Lease commitments

The Corporation's commitment under its office operating lease, exclusive of occupancy costs, is \$22,215 per year until April 1, 2021, 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.

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

March 31, 2019

22. Financial Instruments, continued

(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.

(b) Liquidity risk

The Corporation is exposed to liquidity risk in accounts payable of \$28,953 (2018 - \$32,215). 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, 2019, the Corporation had working capital in the Core fund of \$35,867 (2018 - \$28,643).

(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.

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

March 31, 2019

23. Comparative figures

Certain accounts in the prior year's financial statements have been reclassified to conform with the presentation adopted in the current year. These changes had no effect on net income (loss) or fund balances of the previous year.

Community Futures Development Corporation of the Sunshine Coast
 Loan Investment Funds
 Statement of Operations and Changes in Fund Balances
 For the year ended March 31, 2019

Schedule 1

| | Loan Investment Funds | | | | | | Total | |
|--------------------------------|-------------------------------|-----------------|---------------|-----------|------------------------------|---------------------------|-----------|-----------|
| | Non-Repayable Investment Fund | FLTF WD 98 Fund | FLTF SLL Fund | CBLP Fund | Disability Entrepreneur Fund | Repayable Investment Fund | 2019 | 2018 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | | | |
| Interest - cash on deposit | 9,393 | 1,675 | 2,935 | 3,316 | 1,948 | 4,413 | 23,681 | 19,167 |
| Dividends earned | 14,000 | | | | | | 14,000 | 25,667 |
| Interest - loans | 155,530 | 3,931 | 27,317 | 29,812 | 11,506 | 38,036 | 266,132 | 267,406 |
| Other Income/grants (note 18) | 3,118 | - | 61 | 470 | 8,061 | 570 | 12,280 | 5,827 |
| | 182,041 | 5,606 | 30,313 | 33,598 | 21,514 | 43,018 | 316,092 | 318,066 |
| Operating Expenses | | | | | | | | |
| Administration Fees | 9,960 | 233 | 999 | 773 | 1,116 | 2,110 | 15,191 | 13,680 |
| Bad Debts (Recovery) | 14,679 | (2,007) | | | 3,764 | | 16,437 | (84) |
| Bank Charges | 269 | | | | | | 269 | 361 |
| Consulting fees | | | | | 7,350 | | 7,350 | |
| Interest on long-term debt | 4,938 | | | | 6,517 | 21,224 | 32,679 | 34,645 |
| Professional Fees | 4,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 14,000 | 14,700 |
| | 33,846 | 226 | 2,999 | 2,773 | 20,747 | 25,334 | 85,926 | 77,601 |
| Other item | | | | | | | | |
| Forgiveness of debt (note 12) | - | 22,350 | | 57,184 | | - | 79,534 | 8,618 |
| Net Income For The Year | 148,195 | 5,380 | 27,314 | 88,009 | 767 | 17,684 | 309,700 | 249,083 |
| Fund Balances, Opening | 2,442,420 | 82,020 | 258,130 | 197,538 | 12,197 | 145,959 | 3,138,264 | 2,936,681 |
| Interest Transferred to Core | 50,000 | - | - | - | - | - | 50,000 | 47,500 |
| Fund Balances, Closing | 2,540,614 | 87,400 | 285,444 | 285,547 | 12,964 | 163,643 | 3,397,964 | 3,138,264 |

Community Futures Development Corporation of the Sunshine Coas
 Loan Investment Funds
 Statement of Financial Position
 As at March 31, 2019

Schedule 2

| Assets | Loan Investment Funds | | | | | | Total | |
|--|-------------------------------|-----------------|---------------|-----------|------------------------------|---------------------------|----------------|----------------|
| | Non-Repayable Investment Fund | FLTF WD 98 Fund | FLTF SLL Fund | CBLP Fund | Disability Entrepreneur Fund | Repayable Investment Fund | March 31, 2019 | March 31, 2018 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Current | | | | | | | | |
| Cash | 312,851 | 10,265 | 120,766 | 153,727 | 98,613 | 228,772 | 924,993 | 885,148 |
| Term deposits (note 4) | - | - | 25,000 | - | - | - | 25,000 | 25,000 |
| Accounts Receivable | - | - | - | - | 7,350 | - | 7,350 | - |
| Interfund Receivable | 50,000 | 238,552 | 161,448 | (250,000) | - | - | 200,000 | - |
| Dividends receivable | 25,500 | - | - | - | - | - | 25,500 | 16,500 |
| Current Portion of Loans Receivable (note 9) | 537,407 | 5,907 | 36,826 | 50,777 | 29,800 | 100,555 | 761,272 | 675,206 |
| | 925,758 | 254,723 | 344,040 | (45,496) | 135,763 | 329,327 | 1,944,115 | 1,601,854 |
| Advances to Subsidiary (note 6) | 24,949 | - | - | - | - | - | 24,949 | 24,949 |
| Long Term Investments (note 5 & 7) | 350,051 | - | - | - | - | - | 350,051 | 350,051 |
| | 375,000 | - | - | - | - | - | 375,000 | 375,000 |
| Loans Receivable | | | | | | | | |
| Investment Loans Receivable (notes 9 & 10) | 1,448,646 | 38,919 | 356,033 | 363,848 | 95,561 | 389,570 | 2,692,577 | 3,680,197 |
| Accrued Interest Receivable | 16,626 | 446 | 2,371 | 3,054 | 615 | 2,153 | 25,266 | 22,463 |
| Less Allowance for Credit Loss (note 10) | (8,754) | - | - | (29,124) | (3,764) | - | (41,642) | (115,618) |
| Net Investment Loans Receivable | 1,456,518 | 39,366 | 358,404 | 337,779 | 92,411 | 391,723 | 2,676,201 | 3,587,042 |
| Less Current Portion | (537,407) | (5,907) | (36,826) | (50,777) | (29,800) | (100,555) | (761,272) | (675,206) |
| Total Investments | 919,111 | 33,459 | 321,578 | 287,002 | 62,611 | 291,168 | 1,914,929 | 2,911,836 |
| | 2,757,276 | 294,089 | 702,444 | 292,283 | 228,174 | 721,050 | 4,995,316 | 4,888,690 |
| Liabilities | | | | | | | | |
| Current | | | | | | | | |
| Accrued liabilities | 4,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 14,000 | 14,500 |
| Current portion of term loan (note 12) | 97,333 | - | - | - | - | - | 97,333 | 99,836 |
| | 101,333 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 111,333 | 114,336 |
| Long Term | | | | | | | | |
| Loan from CBLP (note 12) | - | - | - | 4,735 | - | - | 4,735 | 62,864 |
| Loan from BC Futures Fund (note 12) | 115,329 | - | - | - | - | - | 115,329 | 212,660 |
| Stacked Licence Loans (note 12) | - | - | 415,000 | - | - | - | 415,000 | 415,000 |
| Loan from Western Economic Diversification - Principal (note 12) | - | 182,339 | - | - | 138,546 | 184,896 | 505,781 | 528,132 |
| WED Loan Accrued Interest (note 12) | - | - | - | - | 74,664 | 370,510 | 445,174 | 417,433 |
| | 115,329 | 182,339 | 415,000 | 4,735 | 213,210 | 555,406 | 1,486,020 | 1,636,090 |
| Fund Balances | | | | | | | | |
| Contributed Surplus (note 13) | 1,381,208 | - | - | - | - | - | 1,381,208 | 1,381,208 |
| Externally Restricted (note 15) | 1,159,406 | 109,750 | 285,444 | 285,548 | 12,964 | 163,643 | 2,016,756 | 1,757,056 |
| Unrestricted | 2,540,614 | 109,750 | 285,444 | 285,548 | 12,964 | 163,643 | 3,397,964 | 3,138,264 |
| | 2,757,276 | 294,089 | 702,444 | 292,283 | 228,174 | 721,050 | 4,995,316 | 4,888,690 |