

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY
Index to Financial Statements
Year Ended March 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 14
Schedule of Operations - WD (<i>Schedule 1</i>)	15

INDEPENDENT AUDITOR'S REPORT

To the Members of Community Futures Development Corporation of Nicola Valley

Report on the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the 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 relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

(continues)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, we report that, in our opinion, the Society's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations.

WK Group LLP

West Kelowna, British Columbia
July 24, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Statement of Financial Position

March 31, 2020

	Operating	Non-repayable Investment (WD)	Conditionally Repayable Invest (WD)	Conditionally Repayable EDP (WD)	Community Business	2020	2019
ASSETS							
CURRENT							
Cash	\$ 50,506	\$ 54,868	\$ 27,803	\$ 184,380	\$ 179,363	\$ 496,920	\$ 847,898
Short term investments	116,866	-	-	-	-	116,866	140,583
Accounts receivable (Note 4)	5,531	35	-	-	-	5,566	28,967
Prepaid expenses	2,776	-	-	-	-	2,776	2,955
	175,679	54,903	27,803	184,380	179,363	622,128	1,020,403
PROPERTY AND EQUIPMENT (Net) (Note 5)	30,441	-	-	-	-	30,441	17,661
LOANS RECEIVABLE (Note 6)	-	483,783	341,450	142,409	358,596	1,326,238	989,286
	\$ 206,120	\$ 538,686	\$ 369,253	\$ 326,789	\$ 537,959	\$ 1,978,807	\$ 2,027,350
LIABILITIES AND NET ASSETS							
CURRENT							
Accounts payable and accrued liabilities (Note 7)	\$ 24,703	\$ 104	\$ -	\$ -	\$ -	\$ 24,807	\$ 40,591
Deferred income (Note 8)	23,795	-	-	-	-	23,795	23,793
Current portion of long term debt (Note 9)	-	-	-	-	-	-	30,000
Interfund loans	(5,804)	(18,593)	4,698	5,793	13,906	-	-
	42,694	(18,489)	4,698	5,793	13,906	48,602	94,384
NET ASSETS							
Equity in property and equipment	30,441	-	-	-	-	30,441	17,661
Externally restricted (Note 10)	-	557,175	364,555	320,996	524,053	1,766,779	1,748,157
Unrestricted	132,985	-	-	-	-	132,985	167,148
	163,426	557,175	364,555	320,996	524,053	1,930,205	1,932,966
	\$ 206,120	\$ 538,686	\$ 369,253	\$ 326,789	\$ 537,959	\$ 1,978,807	\$ 2,027,350

LEASE COMMITMENTS (Note 11)

ON BEHALF OF THE BOARD

JACK POLMERS Director

Jack Polmers Director

See notes to financial statements

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Statement of Operations

Year Ended March 31, 2020

	Operating	Non-repayable Investment (WD)	Conditionally Repayable Invest (WD)	Conditionally Repayable EDP (WD)	Community Business	2020	2019
REVENUES							
Core Operating Funds	\$ 285,536	\$ -	\$ -	\$ -	\$ -	\$ 285,536	\$ 285,540
Interest income	6,853	24,791	11,618	7,464	22,493	73,219	60,412
Other income	49,035	2,998	5,067	200	3,132	60,432	161,603
Recoveries	-	-	950	-	-	950	1,450
Program contributions	-	-	-	-	-	-	10,000
	<u>341,424</u>	<u>27,789</u>	<u>17,635</u>	<u>7,664</u>	<u>25,625</u>	<u>420,137</u>	<u>519,005</u>
EXPENSES							
Wages and benefits	243,150	-	-	-	-	243,150	252,793
Loan impairment provision	-	41,177	4,441	(3,272)	9,811	52,157	(50,106)
Projects	20,214	-	-	-	-	20,214	138,892
Rental	19,778	-	-	-	-	19,778	15,252
Office and sundry	16,368	1,478	-	-	-	17,846	23,874
Bad debts	17,446	-	-	-	-	17,446	-
Professional fees	11,703	-	-	-	-	11,703	9,379
Advertising and promotion	6,924	20	-	-	-	6,944	9,380
Telephone	5,639	-	-	-	-	5,639	5,199
Meetings	5,328	-	-	-	-	5,328	6,010
Amortization	4,049	-	-	-	-	4,049	3,021
Insurance	3,140	-	-	-	-	3,140	2,929
Training	2,955	-	-	-	-	2,955	4,520
Travel	2,778	-	-	-	-	2,778	3,387
Interest and bank charges	1,370	242	71	41	82	1,806	2,130
	<u>360,842</u>	<u>42,917</u>	<u>4,512</u>	<u>(3,231)</u>	<u>9,893</u>	<u>414,933</u>	<u>426,660</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	(19,418)	(15,128)	13,123	10,895	15,732	5,204	92,345
LOSS ON DISPOSAL OF ASSETS	(7,965)	-	-	-	-	(7,965)	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (27,383)</u>	<u>\$ (15,128)</u>	<u>\$ 13,123</u>	<u>\$ 10,895</u>	<u>\$ 15,732</u>	<u>\$ (2,761)</u>	<u>\$ 92,345</u>

See notes to financial statements

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Statement of Changes in Net Assets

Year Ended March 31, 2020

	Operating	Non-repayable Investment (WD)	Conditionally Repayable Invest (WD)	Conditionally Repayable EDP (WD)	Community Business	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 184,809	\$ 670,408	\$ 259,327	\$ 310,101	\$ 508,321	\$ 1,932,966	\$ 1,840,621
Deficiency of revenues over expenses	(27,383)	(15,128)	13,123	10,895	15,732	(2,761)	92,345
Interest transfers	6,000	-	(6,000)	-	-	-	-
Other interfund transfers	-	(98,105)	98,105	-	-	-	-
NET ASSETS - END OF YEAR	\$ 163,426	\$ 557,175	\$ 364,555	\$ 320,996	\$ 524,053	\$ 1,930,205	\$ 1,932,966

See notes to financial statements

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Statement of Cash Flows

Year Ended March 31, 2020

	Operating	Non-repayable Investment (WD)	Conditionally Repayable Invest (WD)	Conditionally Repayable EDP (WD)	Community Business	2020	2019
OPERATING ACTIVITIES							
Excess (deficiency) of revenues over expenses	\$ (27,383)	\$ (15,128)	\$ 13,123	\$ 10,895	\$ 15,732	\$ (2,761)	\$ 92,345
Items not affecting cash:							
Amortization	4,049	-	-	-	-	4,049	3,021
Loss on disposal of assets	7,965	-	-	-	-	7,965	-
Loan impairment provision	-	41,177	4,441	(3,272)	9,811	52,157	(50,106)
	(15,369)	26,049	17,564	7,623	25,543	61,410	45,260
Changes in non-cash working capital:							
Accounts receivable (Note 4)	23,392	9	-	-	-	23,401	(12,114)
Accounts payable and accrued liabilities	(10,431)	(5,352)	-	-	-	(15,783)	15,593
Deferred income	2	-	-	-	-	2	19,698
Prepaid expenses	179	-	-	-	-	179	11,075
Interfund loans	(5,220)	1,695	669	1,317	1,539	-	-
	7,922	(3,648)	669	1,317	1,539	7,799	34,252
Cash flow from (used by) operating activities	(7,447)	22,401	18,233	8,940	27,082	69,209	79,512
INVESTING ACTIVITIES							
Purchase of property and equipment	(26,294)	-	-	-	-	(26,294)	(1,463)
Proceeds on disposal of property and equipment	1,500	-	-	-	-	1,500	-
Receipt (payment) of loans receivable	-	(135,332)	(169,576)	11,716	(96,464)	(389,656)	(33,875)
Cash flow from (used by) investing activities	(24,794)	(135,332)	(169,576)	11,716	(96,464)	(414,450)	(35,338)
FINANCING ACTIVITIES							
Interfund transfers	-	(98,105)	98,105	-	-	-	-
Interest transfer	6,000	-	(6,000)	-	-	-	-
Repayment of partnership loan	-	(29,454)	-	-	-	(29,454)	(4,619)
Cash flow from (used by) financing activities	6,000	(127,559)	92,105	-	-	(29,454)	(4,619)
INCREASE (DECREASE) IN CASH FLOW	(26,241)	(240,490)	(59,238)	20,656	(69,382)	(374,695)	39,555
Cash - beginning of year	193,613	295,358	87,041	163,724	248,745	988,481	948,926
CASH - END OF YEAR	\$ 167,372	\$ 54,868	\$ 27,803	\$ 184,380	\$ 179,363	\$ 613,786	\$ 988,481
CASH CONSISTS OF:							
Cash	\$ 50,506	\$ 54,868	\$ 27,803	\$ 184,380	\$ 179,363	\$ 496,920	\$ 847,898
Short term investments	116,866	-	-	-	-	116,866	140,583
	\$ 167,372	\$ 54,868	\$ 27,803	\$ 184,380	\$ 179,363	\$ 613,786	\$ 988,481

See notes to financial statements

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Notes to Financial Statements

Year Ended March 31, 2020

1. PURPOSE OF THE CORPORATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Financial instruments

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

Short term investments

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

Loans receivable and allowance for loan impairment

Loans receivable records interest income on an accrual basis.

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

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

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

The establishment of the allowance for doubtful loans relies on the judgment of management, on historical precedent and expectations as to the future collections. It is reasonably possible that changes in future conditions could require a material change in the recognized amount of the allowance for doubtful loans.

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COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Notes to Financial Statements

Year Ended March 31, 2020

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

Property and equipment

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

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

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

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

Revenue recognition

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

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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

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

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Notes to Financial Statements

Year Ended March 31, 2020

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

Fund accounting

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

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

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

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

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

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

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The corporation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the corporation's risk exposure and concentration as of March 31, 2020.

(continues)

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Notes to Financial Statements

Year Ended March 31, 2020

3. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk

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

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the corporation manages exposure through its normal operating and financing activities. The corporation is exposed to interest rate risk primarily through short-term investments and loans receivable held during the year.

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

4. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Trade Receivables		
Accounts Receivable	\$ 20,846	\$ 25,271
Less: Allowance for Doubtful Accounts	(17,446)	-
	<u>3,400</u>	<u>25,271</u>
GST/HST Receivable		
Operating	2,131	3,652
Investment	35	44
	<u>2,166</u>	<u>3,696</u>
	<u>\$ 5,566</u>	<u>\$ 28,967</u>

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Equipment	\$ 19,345	\$ 8,403	\$ 10,942	\$ 13,059
Leasehold improvements	21,665	2,166	19,499	4,602
	<u>\$ 41,010</u>	<u>\$ 10,569</u>	<u>\$ 30,441</u>	<u>\$ 17,661</u>

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Notes to Financial Statements

Year Ended March 31, 2020

6. LOANS RECEIVABLE

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

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

During the year, one loan was advanced that exceeded \$150,000. 50% of the funding for this loan was transferred from WD non-repayable funds in the amount of \$98,105.

	Loans receivable	Less: allowance for doubtful loan accounts	2020	2019
WD Non-repayable Investment	\$ 537,280	\$ (53,497)	\$ 483,783	\$ 390,174
WD Conditionally Repayable Investment	412,442	(70,992)	341,450	176,315
WD Conditionally Repayable EDP Community Business	195,664	(53,255)	142,409	150,854
	398,440	(39,844)	358,596	271,943
	\$ 1,543,826	\$ (217,588)	\$ 1,326,238	\$ 989,286

Included in the loan impairment provision are provisions, write-offs and reversals of \$52,158 (2019 - \$50,106). The write-offs relate to a loan participation and administration agreement. The portion originally contributed by Community Futures of the Nicola Valley net of the contributions of the other partner Community Futures was \$145,000 and was allowed for prior years.

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

	2019	Provisions	Write-Offs	Reversals	2020
WD Non-repayable Investment	\$ 594,979	\$ 45,690	\$ (583,205)	\$ (3,967)	\$ 53,497
WD Conditionally Repayable Investment	66,551	4,441	-	-	70,992
WD Conditionally Repayable EDP	56,526	-	-	(3,271)	53,255
Community Business	30,033	9,811	-	-	39,844
	\$ 748,089	\$ 59,942	\$ (583,205)	\$ (7,238)	\$ 217,588

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Notes to Financial Statements

Year Ended March 31, 2020

7. ACCOUNTS PAYABLE

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

	<u>2020</u>		<u>2019</u>
Employee deductions payable	\$ 5,987	\$	8,353
WCB Payable	52		66
Government Remittances Payable	<u>6,039</u>		<u>8,419</u>
Accounts payable and accrued liabilities	<u>18,768</u>		<u>32,172</u>
	<u>\$ 24,807</u>	\$	<u>40,591</u>

8. DEFERRED CONTRIBUTIONS

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

9. LONG TERM DEBT

Community Futures Development Corporation of Nicola Valley entered into a loan participation and administration agreement with a number of Community Futures in order to advance a loan plus capitalized interest in the amount of \$604,098. The first payment commenced June 1, 2017 and as per the agreement, the corporation administered the loan and provided a portion of the loan in the amount of \$145,000. Registered January 2018, the loan receivable entered into receivership. The final payment was made during the current year. The balance in the partnership loan is nil. (2019 - \$30,000).

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Notes to Financial Statements

Year Ended March 31, 2020

10. EXTERNALLY RESTRICTED

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

	2020	2019
<u>WD Conditionally repayable contributions</u>		
WD Conditionally Repayable Investment	\$ 500,000	\$ 500,000
WD Repayable EDP	200,000	200,000
	-	-
	-	-
	<u>700,000</u>	<u>700,000</u>
Other contributions		
WD Non-repayable	840,000	840,000
Community business	100,000	100,000
	-	-
	<u>\$ 1,640,000</u>	<u>\$ 1,640,000</u>

WD Conditionally Repayable Contributions

Conditionally repayable contributions made by Western Economic Diversification Canada (WD) are non-interest bearing, unsecured and repayable upon 60 days notice in the event of default as defined in the contribution agreement. WD Conditionally repayable Contributions are subject to certain conditions as stipulated in the contribution agreement. The funds are repayable if any of the following conditions occur:

1. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the Agreement; or
2. Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund of the Corporation, the Conditionally Repayable Investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of Community-owned or controlled businesses, and strengthening of the Western Canadian economy; or
3. The Agreement is terminated as described in Section 12 (Conflict of Interest); or
4. An event of default occurs, as described in Section 7 (Default / Recovery of Assets and Termination of Agreement) of the Agreement; or
5. The Minister does not approve terms and conditions to extend the project beyond the current contract end date of March 31, 2021

Community Business Fund (Formerly Forest Renewal BC)

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

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Notes to Financial Statements

Year Ended March 31, 2020

11. LEASE COMMITMENTS

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

2021	\$	23,400
2022		23,400
2023		23,400
2024		15,600

12. ECONOMIC DEPENDENCE

The Corporation receives the majority of its operating revenue, approximately 84% (2019 - 63%), from the Federal Government and is economically dependent upon it to maintain current operations. The Federal Government has extended its funding until March 31, 2021.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

14. SUBSEQUENT EVENTS

The following events occurred subsequent to the fiscal year end:

COVID19 response:

Subsequent to year-end, Community Futures Development Corporation of Nicola Valley has been impact by COVID19 in the area of loans receivable. There have been adjustments made to loan and payment terms in response to COVID19 due to temporarily closures and other impacts on businesses. A minimum allowance for doubtful loans has been included in the provision for doubtful loan and new policies being implemented.

Additional loan funding:

Subsequent to year-end, the corporation has received new repayable funding from Community Futures British Columbia through a program called Regional Relief and Recovery Funding to provide assistance for businesses impacted by COVID-19. The initial amount of funding is \$750,000 with the option of additional funding should more be required by the community.

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF NICOLA VALLEY

Schedule of Operations - WD

(Schedule 1)

Year Ended March 31, 2020

	2020	2019
REVENUE		
Core Operating Funds	\$ 285,536	\$ 285,540
EXPENSES		
Wages and benefits	215,242	236,997
Rent and utilities	19,778	15,252
Office supplies and sundry	14,471	18,113
Projects	12,306	6,938
Professional fees	9,829	9,230
Advertising	6,924	9,084
Telecommunications	5,639	5,199
Meetings	5,328	6,010
Insurance	3,140	2,929
Training	2,955	4,520
Travel	2,778	3,387
Bank charges	1,370	1,385
	<u>299,760</u>	<u>319,044</u>
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	\$ (14,224)	\$ (33,504)

See notes to financial statements

25. Subsequent events

There have been no events between the balance sheet date and the date of this letter that would require recognition or disclosure in the financial statements.

There have been no events subsequent to the balance sheet date of the comparative financial statements that would require adjustment or disclosure in the current financial statements.

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

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

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

A handwritten signature in black ink, appearing to read "Raymond", is written over a horizontal line.

July 24, 2020

Date signed