

***Community Futures Development Association of B.C.
Auditor's Report***

Financial Statements

March 31, 2017

Community Futures Development Association of B.C.
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For the Year Ended March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

**To the Members,
Community Futures Development Association of B.C.**

We have audited the accompanying financial statements of Community Futures Development Association of B.C., which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, 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 controls as management determines is necessary to enable the preparation of financial statement 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. Except as explained in the following paragraph, we conducted our audit in accordance with Canadian 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 entity'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 is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenues from sources the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues was limited to the amounts recorded in the records of the organization and we were unable to determine whether any adjustments might be necessary to receipts, excess of expenditure over revenue, fund balance and assets and liabilities.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which might have been required had we been able to satisfy ourselves with respect to the completeness of revenues described in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Community Futures Development Association of B.C. as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

West Vancouver, B.C.

June 5, 2017

MacCormac & Company

Chartered Professional Accountants



AUDITOR'S REPORT ON COMPLIANCE WITH AN AGREEMENT

**To all Members and Western Economic Diversification,
Community Futures Development Association of B.C.**

We have audited the Community Futures Development Association of B.C.'s compliance as at March 31, 2017, with the criteria established in the Contribution Agreement between Western Economic Diversification Canada and the Association. Compliance with the criteria established by the provisions of the Agreement is the responsibility of the management of the Community Futures Development Association of B.C. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the corporation complied with the criteria established by the provisions of the agreements 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, the Community Futures Development Association of B.C. is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

West Vancouver, B.C.

June 5, 2017

MacCormac & Company

Chartered Professional Accountants

Community Futures Development Association of B.C.
Statement of Financial Position
For the Year Ended, March 31, 2017

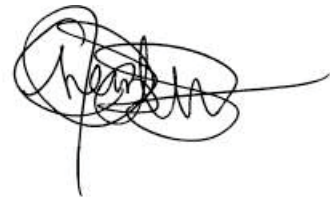
Assets	PAL / BCFF Funds	Operating Fund	2017	2016
Current				
Cash	\$ 2,309,231	111,345	\$ 2,420,576	3,505,224
Restricted cash (note 8)	-	427,347	427,347	430,994
Accounts receivable	9,900	44,139	54,039	39,679
Due from Operating Fund (note 11)	-	-	-	250,000
Sales taxes receivable	-	2,006	2,006	1,702
Loans receivable, current portion - BCFF (note 4)	1,047,240	-	1,047,240	740,894
Prepaid expenses	-	4,546	4,546	19,661
	3,366,371	589,383	3,955,754	4,988,154
Loans receivable - PAL (note 3)	250,000	-	250,000	250,000
Loans receivable - BCFF (note 4)	2,291,580	-	2,291,580	2,026,983
Property and equipment (note 5)	-	675	675	465
	\$ 5,907,951	590,058	\$ 6,498,009	7,265,602
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ -	28,639	\$ 28,639	43,003
Due to PAL / BCFF Funds (note 11)	-	-	-	250,000
Deferred contributions (note 6)	-	-	-	20,644
Current portion of loan payable - BCFF (note 7)	350,000	-	350,000	400,000
Employee deductions payable	-	4,905	4,905	570
	350,000	33,544	383,544	714,217
Due to Western Economic Diversification (note 3)	5,000,000	-	5,000,000	5,000,000
Loans payable - BCFF (note 7)	250,000	-	250,000	600,000
	5,600,000	33,544	5,633,544	6,314,217
Net Assets				
Operating fund	-	(153,512)	(153,512)	(107,769)
Internally restricted fund (note 8)	-	427,346	427,346	430,994
Entrepreneurs with Disabilities Program	-	2,787	2,787	3,038
BC Futures Fund	113,919	-	113,919	71,677
PAL administration	-	(69,771)	(69,771)	(38,636)
PAL funds	194,032	-	194,032	333,512
Miscellaneous	-	349,664	349,664	258,569
	307,951	556,514	864,465	951,385
	\$ 5,907,951	590,058	\$ 6,498,009	7,265,602

See accompanying notes to the financial statements

Approved by:



Director



Director

**Community Futures Development Association of B.C.
Statement of Operations
For the Year Ended, March 31, 2017**

	Operating	Internally Restricted	PAL	BC Futures Fund	Entrepreneur Disability Program	PAL / BC Futures Fund Admin.	Misc	2017	2016
Revenue									
WD contribution	\$ 295,174	-	-	-	150,000	-	-	\$ 445,174	445,174
Membership	-	-	-	-	-	-	33,000	33,000	33,000
Benefit plan	-	-	-	-	-	-	28,869	28,869	26,905
Interest revenue from loans	-	-	3,125	54,389	-	-	-	57,514	62,440
EDP administrative revenue	10,800	-	-	-	-	-	-	10,800	10,800
Other	-	4,283	24,395	(2,306)	-	46,298	141,403	214,073	69,744
	305,974	4,283	27,520	52,083	150,000	46,298	203,272	789,430	648,063
Expenses									
Project mgmt/admin assistance (note 13)	209,780	-	-	-	74,807	14,799	107,587	406,973	232,743
Consulting and contractors fees	14,229	3,310	-	-	27,202	450	50,704	95,895	85,353
Conference, meeting and training	1,538	121	-	-	763	39,791	49,520	91,733	59,340
Web maintenance	819	-	-	-	2,867	-	-	3,686	1,043
Miscellaneous	-	-	37,000	-	-	-	-	37,000	19,009
Marketing and promotion (note 13)	7,167	4,500	-	-	17,158	3,611	9,293	41,729	42,231
Insurance	3,412	-	-	-	-	-	-	3,412	3,355
Interest and bank charges	1,960	-	-	9,841	703	281	2,111	14,896	13,682
Dues and subscriptions	752	-	-	-	-	-	-	752	94
Office expenses	14,583	-	-	-	14,874	900	4,802	35,159	31,843
Professional fees (note 13)	5,846	-	-	-	-	6,885	9,224	21,955	18,227
Rent	20,359	-	-	-	6,368	-	-	26,727	26,535
Telephone, fax and internet	6,288	-	-	-	2,921	600	82	9,891	10,466
Travel expense (note 13)	64,181	-	-	-	2,588	10,116	8,854	85,739	74,294
Amortization	803	-	-	-	-	-	-	803	465
	351,717	7,931	37,000	9,841	150,251	77,433	242,177	876,350	618,680
Excess (Deficiency) of Revenue Over Expenses	\$ (45,743)	(3,648)	(9,480)	42,242	(251)	(31,135)	(38,905)	\$ (86,920)	29,383

See accompanying notes to the financial statements

MacCormac and Company

**Community Futures Development Association of B.C.
Statement of Changes in Net Assets
For the Year Ended, March 31, 2017**

	Operating	Internally Restricted	PAL	BC Futures Fund	Entrepreneur Disability Program	PAL Admin.	Misc	Total
Surplus (Deficiency), Beginning of Year, April 1, 2016	\$ (107,769)	430,994	333,512	71,677	3,038	(38,636)	258,569	\$ 951,385
Transfers (note 12)	-	-	(130,000)	-	-	-	130,000	-
Excess (deficiency) of revenue over expenses	(45,743)	(3,648)	(9,480)	42,242	(251)	(31,135)	(38,905)	(86,920)
Surplus (Deficiency), End of Year, March 31, 2017	\$ (153,512)	427,346	194,032	113,919	2,787	(69,771)	349,664	\$ 864,465

See accompanying notes to the financial statements

Community Futures Development Association of B.C.
Statement of Cash Flows
For the Year Ended, March 31, 2017

	2017	2016
Operating, Financing and Investing Activities:		
Sources of Cash		
WD contributions	\$ 429,014	513,553
Other contributions	242,942	96,649
Investments	59,314	2,850,998
Membership	33,000	33,000
Admin fees	10,800	10,800
Loans receivable - BCFF	-	391,403
Deferred contributions	-	20,644
GST received	-	904
	<u>775,070</u>	<u>3,917,951</u>
Use of Cash		
Loans receivable - BCFF	570,943	-
Salaries and benefits (note 13)	406,973	232,743
Loan payable - BCFF	400,000	30,000
General administration and services (note 13)	134,676	131,486
Consulting and contracting	95,895	85,353
Meetings and conferences	91,733	59,340
Travel and coordination (note 13)	85,739	74,294
Marketing and promotion (note 13)	41,729	42,231
Deferred contributions	20,644	-
Project costs	10,029	2,440
Website upgrades	3,686	1,043
Purchases of equipment	1,014	-
GST paid	304	-
	<u>1,863,365</u>	<u>658,930</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,088,295)	3,259,021
Cash and cash equivalents, beginning of the year	3,936,218	677,197
Cash and Cash Equivalents, End of the Year	<u>\$ 2,847,923</u>	<u>3,936,218</u>
Cash and Cash Equivalents Consists of:		
Cash	\$ 2,420,576	3,505,224
Restricted cash (note 8)	427,347	430,994
	<u>\$ 2,847,923</u>	<u>3,936,218</u>
Supplemental Disclosure of Cash Flows Information:		
Cash received (paid)		
Interest Expense	\$ (14,895)	(13,682)
Interest Revenue	85,687	83,413

Community Futures Development Association of B.C.
Notes to Financial Statements
For the Year Ended, March 31, 2017

1. Operations

The Community Futures Development Association of B.C. ("Community Futures British Columbia") was incorporated in April 1995 with capital stock under Part II of the Canadian Corporations Act.

The Community Futures Development Corporations ("Community Futures") formed Community Futures British Columbia to promote and encourage understanding and cooperation among its members. Other objectives include public and government education about the importance of community economic development; acting as a liaison between members and government services and other interested parties; and promoting the development of, and providing the framework for, a community-based economic strategy that reflects the distinct needs of the various regions of BC.

2. Significant Accounting Policies

(A) Fund Accounting

Funding for Community Futures British Columbia is provided by contributions from Western Economic Diversification ("WD"), membership revenues, other federal and provincial economic development funding programs, and private contracts.

Program expenditures include an operating fund and (2016 – 17) programs or projects:

i. Pooled Asset Lending - ("PAL"):

ii. Entrepreneurs with Disabilities Program:

This program provides support to Community Futures throughout B.C. to support entrepreneurs with disabilities.

iii. B.C. Futures Fund ("BCFF"):

The B.C. Futures Fund ("BCFF") is a membership based provincial pooled lending initiative by Community Futures British Columbia to promote access to investment loan funds for members who do not have sufficient investment fund cash on hand to meet their local demand for loans, and an investment opportunity for members who may have investment fund surpluses.

Capital for BCFF is supplied on an as needed basis by Community Futures organizations across British Columbia (depositors) for terms of one to five years, an investment by Community Futures British Columbia as well as on-going interest revenue. Community Futures organizations in B.C. requiring additional investment loan funds (borrowers) are eligible for loans from BCFF of up to five years with monthly payments of principle and interest.

Community Futures British Columbia long term strategy is to convert all existing Pooled Asset Lending Program (PAL) loans as they reach close to maturity to BCFF as well as reallocate Western Economic Diversifications \$5,000,000 PAL contribution to BCFF.

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Community Futures Development Association of B.C.
Notes to Financial Statements
For the Year Ended, March 31, 2017

2. Significant Accounting Policies (continued)

(B) Revenue Recognition

Contributions from funding sources are pursuant to specific approved expenditure budgets. Community Futures British Columbia must provide ongoing financial feedback to the program funders to ensure continued program funding and compliance with the program contract. Eligible and ineligible operating costs are defined in the contracts. Receipts are deferred and matched with related expenditures.

(C) Income Taxes

Community Futures British Columbia is exempt from corporate income taxes. It recovers 50% of the goods and services tax (GST) paid on its purchases.

(D) Amortization

Equipment is stated at cost less accumulated amortization which is recorded over the useful life of the assets using the following method:

Computer equipment	3 years straight line method
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(E) 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 and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of receipts and expenditures during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

(F) Financial Instruments

i. Financial assets measured at amortized cost

This category is comprised of cash, restricted cash, accounts receivable, loans receivable - BCFF, loans receivable - PAL.

ii. Financial liabilities measured at amortized cost

This category is comprised of accounts payable, due to Western Economic Diversification; loans payable - BCFF.

3. Pooled Assets Lending Program ("PAL")

The Pooled Asset Lending Program is an initiative of Community Futures British Columbia. Funds are administered by Community Futures British Columbia on behalf of Community Futures under the terms of a cash pooling agreement. Capital provided for the pooled asset lending fund is to be used to provide repayable financing to Community Futures to enable them to assist existing businesses or to help create new businesses.

continued...

Community Futures Development Association of B.C.
Notes to Financial Statements
For the Year Ended, March 31, 2017

3. Pooled Assets Lending Program ("PAL") (continued)

Western Diversification contributed \$5,000,000 towards this initiative. The contribution is repayable to Western Diversification in accordance with the terms of the agreement for a period of seven years following the completion date, or in the case of a termination under section 7.4 of the agreement for a period of seven years thereafter from the termination date.

Loans receivable - PAL:

PAL loans from Community Futures British Columbia to Community Futures network members bear interest at prime rate minus 2.25% or a minimum of 1.25%. Payments will be variable based on outstanding PAL principal, interest rate and number of days and the payers agree to waive the pre-notification period.

4. Loan Receivable – BCFF

BCFF loans from Community Futures British Columbia to Community Futures network members bear interest at 1.60%, plus a 0.25% administrative charge for the fiscal year ended 2017. The term of each loan is five years from the date of issuance.

5. Equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net Book Value</u>	<u>2016 Net Book Value</u>
Computer equipment	\$ 11,763	11,088	675	465

6. Deferred Contributions

Changes in the deferred contributions balance are as follows:

	<u>2017</u>	<u>2016</u>
Deferred contributions, beginning balance	\$ 20,644	-
Add: Contributions received during the year	-	20,644
Less: Amounts recognized as revenue in the year	(20,644)	-
Deferred contributions, ending balance	<u>\$ -</u>	<u>20,644</u>

7. Loan Payable – BCFF

BCFF loans from Community Futures network members to Community Futures British Columbia bear an interest rate based on RBC GIC rates which are adjusted annually. The interest rate for the fiscal year ended 2016 was from 0.9% to 1.6%. The term of each loan is from one to five years from the date of issuance.

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Community Futures Development Association of B.C.
Notes to Financial Statements
For the Year Ended, March 31, 2017

8. Internally Restricted Funds

The Board of Directors of Community Futures British Columbia has agreed to reallocate certain funds from its surplus accounts for Miscellaneous, Discontinued programs and Operating funds accounts (as shown in Net Assets on the Statement of Financial Position) to a fund that is restricted (internally) specifically for the following purposes and events:

	<u>2017</u>	<u>2016</u>
Emergency Funding for Continuing Operations	\$ 110,000	110,000
Membership Training & Development	104,811	104,811
Future Initiatives	67,440	70,000
Bank interest	12,556	8,273
Promotion of Community Futures Program	7,100	11,600
Support for Regional Activities	129	1,000
Miscellaneous	125,310	125,310
Total Internally Restricted Funds	<u>\$ 427,346</u>	<u>430,994</u>

Future expenditures for these items will be charged to the balance of the fund as required. Cash on deposit will be held in a bank account separate from the operating funds.

9. Commitments

Rent

Community Futures British Columbia entered in an office lease agreement in 2013 expiring March 31, 2018 at a basic rental rate of \$1,074 per month. Minimum lease payments are as follows:

2018	13,874
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10. Financial Instruments

(A) Foreign Exchange Risk

Community Futures British Columbia is not engaged in foreign currency transactions, and therefore is not exposed to foreign exchange risks arising from financial instruments.

(B) 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. Community Futures British Columbia is not exposed to any significant interest rate risks.

(C) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk exists with respect to Community Futures British Columbia's cash, as all amounts are held between two major Canadian financial institutions.

Credit risk is minimized by ensuring that these financial assets are placed with a Canadian financial institution with a strong investment-grade rating by a primary ratings agency.

Concentration of credit risk exists with respect to Community Futures British Columbia's Loan Receivable – PAL, and Loan Receivable – BCFF. Management reviews each individual receivable on an annual basis and as any issues arise during the year to ensure credit risk is held to an acceptable level.

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**Community Futures Development Association of B.C.
Notes to Financial Statements
For the Year Ended, March 31, 2017**

10. Financial Instruments (continued)

(D) Liquidity Risk

Liquidity risk is the risk that Community Futures British Columbia will encounter difficulty in satisfying financial obligations as they become due. Community Futures British Columbia manages its liquidity risk by forecasting cash flows from operations. Community Futures British Columbia's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

(E) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Community Futures British Columbia's activities.

11. Due from Operating Fund / Due to PAL / BCFF Funds

\$250,000 was transferred from the PAL / BCFF Funds bank account to the Operating Fund bank account on March 31, 2016 in preparation for the disbursement of BCFF Loan 250. The Loan was disbursed on April 1, 2016.

12. Interfund Transfers

During the year, \$130,000 from the PAL Fund was transferred to the Operating Fund. Of the \$130,000 transferred, \$45,942, \$51,295 and \$32,763 were related to interest earned in the years ended March 31, 2015, 2016, and 2017, respectively. The purpose of the transfer was to cover non-recurring expenses discussed in note 13 below.

13. Non-Recurring Salaries and Wages and Other Expenses

On the Statement of Operations, the following accounts included a total of \$119,528 in expenses that were non-recurring in nature: Project mgmt/admin assistance; Professional fees; Travel; Marketing and promotion. On the Statement of Cash Flows, the following accounts included a total of \$119,528 in expenses that were non-recurring in nature: Salaries and benefits; General administration and services; Travel and coordination; Marketing and promotion.