
**BLUE WATER BUSINESS DEVELOPMENT
CORPORATION LIMITED**

FINANCIAL STATEMENTS

March 31, 2011

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
FINANCIAL STATEMENTS
March 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Board of Directors of the
Blue Water Business Development Corporation Limited:

I have audited the accompanying financial statements of the Blue Water Business Development Corporation Limited, which comprise of the statement of financial position as at March 31, 2011, and the statement of operations, statement of changes in net assets and statement of 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 generally accepted accounting principles for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian auditing standards. Those standards require that I 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

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Cheticamp, NS
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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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

The Blue Water Business Development Corporation Limited has not identified and classified all its financial instruments, and recorded its financial instruments at fair value. Rather, all financial instruments are recorded at historical cost. The Corporation has not specifically disclosed information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance, including exposure to risks, methods of determining fair value and other relevant information. This basis of accounting in these financial statements differs from Canadian generally accepted accounting principles for not-for-profit organizations.

Opinion

In my opinion, except for the effect of matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Blue Water Business Development Corporation Limited as at March 31, 2011 and the results of operations and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles of not-for-profit organizations.

June , 2011
Bedford, NS

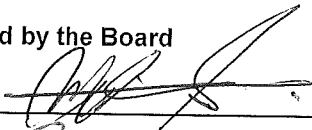


Certified General Accountant

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
 March 31, 2011

	<u>Operating</u> Fund	<u>Investment</u> Fund	<u>SEED</u> Fund	<u>Total</u> 2011	<u>Total</u> 2010
ASSETS					
Current assets					
Cash and term deposits	\$135,948	\$1,272,081	\$609,985	\$2,018,014	\$1,957,897
Receivables	14,000	17,700	-	31,700	19,507
Accrued interest receivable	-	-	-	-	0
HST refundable	8,022	-	-	8,022	7,323
Due from operating fund	-	-	-	-	22,682
Due from SEED fund	72,984	181,380	-	254,364	575
	<u>230,954</u>	<u>1,471,161</u>	<u>609,985</u>	<u>2,312,100</u>	<u>2,007,984</u>
Investments (Note 4)	-	6,226,165	-	6,226,165	6,638,160
Capital assets (Note 5)	4,534	-	-	4,534	7,974
	<u>\$235,488</u>	<u>\$7,697,326</u>	<u>\$609,985</u>	<u>\$8,542,799</u>	<u>\$8,654,118</u>
LIABILITIES					
Current liabilities					
Due to investment fund	\$ -	\$ -	\$ 181,380	\$181,380	\$22,682
Due to operating fund	-	-	72,984	72,984	575
Due to ACOA - SEED operating	-	-	28,202	28,202	-
Due to ACOA - SEED investment	-	-	327,419	327,419	-
Payables and accrued liabilities	942	303	-	1,245	6,253
Deferred ACOA contribution	-	-	-	-	-
Current portion of long term debt	-	360,000	-	360,000	570,000
	<u>942</u>	<u>360,303</u>	<u>609,985</u>	<u>971,230</u>	<u>599,510</u>
Long term debt					
Due to the Province of Nova Scotia				-	0
Due to related parties (Note 6)	-	459,983	-	459,983	805,911
Total liabilities	<u>942</u>	<u>820,286</u>	<u>609,985</u>	<u>1,431,213</u>	<u>1,405,421</u>
NET ASSETS					
Fund balances					
Net assets invested in capital assets	4,534	-	-	4,534	7,974
Externally restricted net assets	-	6,802,040	-	6,802,040	7,050,598
Internally restricted net assets	100,000	75,000	-	175,000	175,000
Unrestricted net assets	130,012	-	-	130,012	15,125
	<u>234,546</u>	<u>6,877,040</u>	<u>-</u>	<u>7,111,586</u>	<u>7,248,697</u>
	<u>\$235,488</u>	<u>\$7,697,326</u>	<u>\$609,985</u>	<u>\$8,542,799</u>	<u>\$8,654,118</u>

Approved by the Board



Director



Director

The accompanying notes form an integral part of these financial statements.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
STATEMENT OF OPERATIONS
Year ended March 31, 2011

	(Schedule 2)		(Schedule 3)		
	<u>Operating</u>	<u>Investment</u>	<u>SEED</u>	<u>Total</u>	<u>Total</u>
	Fund	Fund	Fund	2011	2010
Revenue					
ACOA contribution - Community Futures	\$395,000	\$ -	\$ -	\$395,000	\$421,644
Investment income - loan portfolio	-	457,737	81,672	539,409	584,987
Investment income - other interest	2,268	7,255	2,403	11,926	7,982
Loan application fees	13,485	-	-	13,485	14,042
Interchange	8,382	-	-	8,382	49,558
Student in Business Program	60,750	-	-	60,750	61,422
Youth Intern Program	-	-	-	-	37,500
Sundry	17,288	-	-	17,288	17,022
	<u>497,173</u>	<u>464,992</u>	<u>84,075</u>	<u>1,046,240</u>	<u>1,194,157</u>
Expenditures					
Advertising	4,090	-	-	4,090	11,861
Amortization	4,202	-	-	4,202	5,685
Bank charges	429	1,410	1,425	3,264	4,548
Credit checking	1,907	-	-	1,907	1,167
Equipment rental	3,629	-	-	3,629	3,897
Insurance	5,389	-	-	5,389	5,273
Interest expense - ACCBIFF	-	16,008	-	16,008	26,127
Loan write off	-	90,120	122,943	213,063	152,848
Meeting expenses	14,549	-	-	14,549	9,748
Memberships, dues and fees	4,300	-	-	4,300	4,606
Miscellaneous	-	2,810	24	2,834	909
Office supplies	7,856	300	-	8,156	8,708
Postage and courier	2,243	-	-	2,243	3,053
Professional fees - audit and accounting	13,617	-	-	13,617	12,176
Professional fees - legal	7,442	-	-	7,442	14,309
Rent and utilities	31,187	-	-	31,187	30,749
Repairs and maintenance	4,048	-	-	4,048	5,709
Salaries and wages	307,660	-	-	307,660	395,356
Employee benefits	26,967	-	-	26,967	33,293
Employee benefits - RRSP	15,266	-	-	15,266	14,894
Telecommunications	17,912	-	-	17,912	17,141
Training and development	12,947	-	62,477	75,424	28,088
Travel	44,573	-	-	44,573	52,032
	<u>530,213</u>	<u>110,648</u>	<u>186,869</u>	<u>827,730</u>	<u>842,177</u>
Excess of revenue over expenditures					
(expenditures over revenue)	<u>(\$33,040)</u>	<u>\$354,344</u>	<u>(\$102,794)</u>	<u>\$218,510</u>	<u>\$351,980</u>

The accompanying notes form an integral part of these financial statements.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2011

	<u>Operating</u> Fund	<u>Investment</u> Fund	<u>SEED</u> Fund	<u>Total</u> 2011	<u>Total</u> 2010
Balance, beginning of year	\$ 123,099	\$ 5,151,336	\$ 1,974,262	\$ 7,248,697	\$ 6,896,717
Transfers between funds	-	1,442,863	(1,442,863)	-	-
Transfers between funds	71,503	(71,503)	-	-	-
Transfers between funds	72,984	-	(72,984)	-	-
Return of ACOA funds					
Operating	-	-	(28,202)	(28,202)	-
Investment	-	-	(327,419)	(327,419)	-
Excess of revenue over expenditures (expenditures over revenue)	(33,040)	354,344	(102,794)	218,510	351,980
Balance, end of year	<u>\$ 234,546</u>	<u>\$ 6,877,040</u>	<u>\$ -</u>	<u>\$ 7,111,586</u>	<u>\$ 7,248,697</u>

The accompanying notes form an integral part of these financial statements.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
STATEMENT OF CASH FLOWS
Year ended March 31, 2011

	<u>Operating</u> Fund	<u>Investment</u> Fund	<u>SEED</u> Fund	<u>Total</u> 2,011	<u>Total</u> 2010
Net (outflow) inflow of cash related to the following activities:					
Operations					
Excess of revenue over expenditures (expenditures over revenue)	\$(33,040)	\$ 354,344	\$(102,794)	\$ 218,510	\$ 351,980
Items which do not involve cash					
Amortization	4,202	-	-	4,202	5,685
Guarantees provided during the year (net)	-	7,000	-	7,000	-
Transfer of loan portfolio	-	(1,389,789)	1,389,789	-	-
Transfer of loan impairment provision	-	117,430	(117,430)	-	-
Loans written off during the year	-	108,369	151,257	259,626	349,770
Loan loss provision	-	84,873	(36,116)	48,757	152,848
Changes in non-cash working capital					
Receivables	(10,394)	(1,862)	63	(12,193)	(19,315)
Inter fund receivables	(72,409)	(158,698)	-	(231,107)	48,481
HST receivable	(699)	-	-	(699)	6,260
Payable to ACOA	-	-	355,621	355,621	-
Interfund payables	(22,682)	-	253,789	231,107	(48,481)
Payables and accruals	(5,311)	303	0	(5,008)	(120)
	<u>(140,333)</u>	<u>(878,030)</u>	<u>1,894,179</u>	<u>875,816</u>	<u>847,108</u>
Investing					
Purchase of capital assets	(762)	-	-	(762)	(2,114)
Return of ACCOA funds	-	-	(355,621)	(355,621)	-
Repayment from clients during the year	-	1,666,941	467,468	2,134,409	2,082,673
Recovery of loans written off	-	117,499	5,316	122,815	165,818
Loans to clients	-	(1,618,885)	(541,727)	(2,160,612)	(2,933,228)
	<u>(762)</u>	<u>165,555</u>	<u>(424,564)</u>	<u>(259,771)</u>	<u>(686,851)</u>
Financing					
Due to related parties (net)	-	(555,928)	-	(555,928)	(287,543)
Interfund transfers	144,487	1,371,360	(1,515,847)	-	-
Deferred ACOA contribution	-	-	-	-	(20,830)
	<u>144,487</u>	<u>815,432</u>	<u>(1,515,847)</u>	<u>(555,928)</u>	<u>(308,373)</u>
Net cash inflow (outflow)	3,392	102,957	(46,232)	60,117	(148,116)
Cash and equivalents, beginning of year	132,556	1,169,124	656,217	1,957,897	2,106,013
Cash and equivalents, end of year	\$ 135,948	\$ 1,272,081	\$ 609,985	\$ 2,018,014	\$ 1,957,897

Represented by:

Cash and term deposits	<u>\$ 135,948</u>	<u>\$ 1,272,081</u>	<u>\$ 609,985</u>	<u>2,018,014</u>	<u>\$ 1,957,897</u>
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Supplemental information:

Interest paid to ACCBIFF	<u>\$ -</u>	<u>\$ 16,008</u>	<u>\$ -</u>	<u>\$ 16,008</u>	<u>\$ 26,127</u>
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The accompanying notes form an integral part of these financial statements.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

1. NATURE OF ORGANIZATION

The Corporation was incorporated January 20, 1989 under the Companies Act of the Province of Nova Scotia as Blue Water Business Developments Corporation Limited and operates under the name Blue Water Business Development Corporation Limited. The Corporation is a community Business Development Corporation, a not-for-profit community-based and community controlled corporation, working in cooperation with all levels of government and the private sector. It covers those in the rural areas of Halifax Regional Municipality which excludes the former cities of Halifax, Dartmouth and Bedford.

The **Mission Statement** is:

The organization is dedicated to assisting in community economic development by providing advisory and investment services to those involved in business in the rural Halifax Regional Municipality.

The **Vision Statement** is:

The organization will play the central role in the development of entrepreneurship. It will continue to develop and enhance its investment and advisory services by working collaboratively with partnered community economic development groups. It will provide innovative strategies and direction to entrepreneurs in the rural communities.

The Corporation is a non-profit organization under paragraph 149(1)(l) of the Income Tax Act and, as such, is not subject to federal or provincial income taxes.

Any accumulated net assets are to be used in promoting the Corporation's objectives and at no time will any dividends be paid. Should the corporation be dissolved the remaining assets would be transferred to another Community Business Development Corporation or to some other organization serving the community with similar objectives.

2. DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Corporation's financial statements have not adopted the new CICA Handbook Section 3855 - *Financial Instruments - Recognition and Measurement* and Section 3861 - *Financial Instruments - Disclosure and Presentation*, and as a result depart from Canadian generally accepted accounting principles. The effects of these sections have not been recorded or disclosed in these financial statements.

The Atlantic Canada Opportunities Agency has confirmed, within the 2011 CF agreement to all Atlantic CBDCs, it will accept qualified financial statements from CBDCs when not prepared in full compliance with the new CICA Handbook Section 3855 - *Financial Instruments - Recognition and Measurement* and Section 3861 - *Financial Instruments - Disclosure and Presentation* inclusively.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations with the exception of financial instruments as explained in note 2 and include the following significant accounting policies:

(a) Fund accounting

The Corporation follows the restricted fund method of accounting for contributions.

(b) Operating Fund

The Corporation has established an operating fund for the organization's program delivery and administrative activities. This fund reports unrestricted resources and operating contributions. Expenses of the operating fund are limited to those agreed upon in the contribution agreement with the Atlantic Canada Opportunities Agency (ACOA) under the Community Futures dated August 15, 2006 and extensions thereto. The most recent contract dated May 5, 2010 Contract # 193271 provides for an extension for the period April 1, 2010 to March 31, 2011.

(c) Investment Fund

The Corporation has established an investment fund to hold and administer the loan portfolio of the organization. These funds are restricted to investments meeting the mandate of the organization and all investments are approved and monitored by the Board of Directors. All investment income earned must be reinvested in the fund. These funds cannot be used to cover administrative expenses unless authorized in writing by the Atlantic Canada Opportunities Agency (ACOA), except where the conditions as outlined in the Statement of Work of the Community Futures/CBDC agreement are met.

(d) SEED Fund - wound up at year end

(e) Investments - Loans Receivable

Loans receivable are recorded at the lower of cost and estimated realizable value. Provision for loan impairment and collection costs related thereto are reported in the Investment and SEED fund.

Investments are recorded at the lower of cost and estimated realizable value.

(f) Allowance for Loan Impairment

Loans are classified for loan impairment into four categories. Category 'A' loans are loans which are deemed satisfactory as to credit risk and performance. An amount equal to of 2% of the balance of these loans is used as an allowance. Category 'B' loans are loans that are experiencing undesirable developments that are expected to be temporary in nature. The allowance for these loans is determined on a loan by loan basis. Category 'C' loans are loans where serious adverse developments have

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Allowance for Loan Impairment (continued)

occurred and are unlikely to be overcome, or there is little or no chance of the loan being repaid from earnings. The allowance for these loans is determined on a loan by loan basis. Category 'D' loans are loans where the owners of the business have lost control due to bankruptcy, appointment of a receiver or bailiff, judgment pursuant to a mortgage bond held by another secured mortgagee, seizure of any assets, or where assets have been abandoned or deemed missing. The allowance for these loans is determined on a loan by loan basis.

(g) Capital Assets

Capital assets are stated at cost. Amortization is provided on the straight line basis using the following annual rates:

Furniture and equipment	20%
Computers	33%
Software	100%

One-half year's amortization is taken in the year of acquisition.

(h) Externally restricted net assets

ACOA and other organizations have agreements in place that restrict the use of funds such that they can only be used for the purpose for which they were provided.

(i) Internally restricted net assets

The Board of Directors has restricted an amount to serve as a contingency for the organization. The intention is to restrict funds annually until it accumulates to an amount equivalent to three months operations. These amounts can not be used without prior approval of the Board of Directors.

Net assets have been restricted by the amount of loan guarantees in effect at the year end date.

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inter fund balances

The inter fund advances are not-interest bearing, with no set terms of repayment.

4. INVESTMENTS - Loans receivable and equity investments

	<u>Investment Fund</u>	<u>Seed Fund</u>	<u>2011</u>	<u>2010</u>
Loans to businesses				
including loan guarantees	\$6,754,666	\$ -	\$6,754,666	\$7,179,119
Loans to students in business (SIB)	103,500	-	103,500	35,285
Promissory note - ACCBIF Fund	37,500	-	37,500	37,500
Loan guarantees	(82,000)	-	(82,000)	(75,000)
Total loan portfolio	6,813,666	-	6,813,666	7,176,904
Allowance for loan impairment (Schedule 1)	(587,507)	-	(587,507)	(538,744)
Total investments in loans	\$6,226,159	\$ -	\$6,226,159	\$6,638,160

Continuity of loans and investments	<u>Investment Fund</u>	<u>Seed Fund</u>	<u>2011</u>
Balance, beginning of year	\$5,704,801	\$1,472,103	\$7,176,904
Loans advanced during the year	1,696,519	539,901	2,236,420
Disbursements charged to loans	10,017	3,115	13,132
Loans repaid during the year	(1,872,090)	(474,074)	(2,346,164)
Loans written off during the year	(108,369)	(151,257)	(259,626)
Additional loan guarantees	(7,000)	-	(7,000)
Transfer of loans	1,389,788	(1,389,788)	-
Balance, end of year	6,813,666	-	6,813,666

Continuity of allowance for loan impairment

Balance, beginning of year	385,198	153,546	538,744
Current year loss provision	84,873	(36,110)	48,763
Transfer of allowance	117,436	(117,436)	-
Balance, end of year	587,507	-	587,507
Total investments	\$6,226,159	\$ -	\$6,226,159

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

5. CAPITAL ASSETS	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Furniture and equipment	\$55,051	\$52,646	\$2,405	\$5,681
Computers	21,319	19,190	2,129	2,293
Software	5,015	5,015	-	-
	<u>\$81,385</u>	<u>\$76,851</u>	<u>\$4,534</u>	<u>\$7,974</u>

6. DUE TO RELATED PARTIES

	<u>2011</u>	<u>2010</u>
The Corporation borrowed funds from the Atlantic Association of Community Business Development Corporations - Technology Fund. These loans bear no interest and are unsecured. The amount of principal collected is repayable monthly.	\$139,983	\$65,911

The Corporation borrowed funds from ACCBIF (Atlantic Canada Community Business Investment Fund). The loans bear interest at 3% payable monthly. The loans are secured by promissory notes and an assignment of book debts. The loans are repayable annually.

Loan	<u>Amount</u>	<u>Repayments</u>	<u>Balance</u>		
Loan 1	\$ 750,000	750,000	-		
Loan 2	\$ 300,000	300,000	-		
Loan 3	\$ 500,000	400,000	100,000		
Loan 4	\$ 1,000,000	600,000	400,000		
Loan 5	\$ 300,000	120,000	180,000	680,000	1,310,000
				819,983	1,375,911
Current portion of long term debt				360,000	570,000
				<u>\$459,983</u>	<u>\$805,911</u>

Principal payments over the next five years are as follows:

March 31, 2012	\$360,000
2013	\$260,000
2014	\$60,000
2015	-
2016	-

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

7. CREDIT FACILITY

The organization has a Royal Bank Visa credit card with a \$5,000 credit limit.

8. LEASE COMMITMENTS

The organization has lease commitments for office rent and equipment as follows:

March 31, 2012	\$26,400
2013	\$3,100
2014	\$3,000
2015	\$2,700
2016	\$700

9. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash and term deposits, receivables, investments, payables and accrued liabilities, payroll deductions payable, HST refundable and amounts due to related parties. Except as noted below, it is our opinion that the Corporation is not exposed to significant credit, interest rate, liquidity, or market risks arising from these financial instruments. Market risks result from changes in interest rates, exchange rates of foreign currencies and market prices of financial instruments.

The Corporation is exposed to financial risk that arises from the fluctuation in interest rates, and in the credit quality of its clients.

Credit risk

The organization by its very nature is subject to a much higher credit risk on its loan portfolio than are other lending organizations.

Our credit risk consists principally of cash and term deposits, receivables and investments.

We maintain cash and cash equivalents with reputable and major financial institutions. We consider the risk of non-performance of these instruments to be remote.

No client comprises more than 10% of the receivables and investments. There is no particular concentration of credit risk. We perform an ongoing credit review of all our customers and establish allowance for loan impairment when the amounts are not collectible.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

9. FINANCIAL INSTRUMENTS (continued)

Currency risk

We are not exposed to currency risk as no sales or purchases are incurred in a foreign currency.

Interest rate risk

We are exposed to interest rate risk with respect to the following financial instruments:

- Cash and cash equivalents
- Investments
- Amounts due to related parties

Liquidity risk

We are exposed to liquidity risk in meeting our obligations associated with financial liabilities, which is dependent on receipt of funds from operations.

10. ECONOMIC DEPENDENCE

The Corporation receives an annual contribution from the Atlantic Canada Opportunities Agency (ACOA) to cover operating expenses of the organization. The operations of the organization would be significantly affected by the loss of these contributions.

11. CONTINGENCIES

(a) Contingent recoveries

ACOA and AACBDC under the auspices of The Women's Business Initiative (WBI) established a Loan Loss Reserve Fund for the purpose of facilitating the lending of funds to eligible female borrowers who would not otherwise qualify for financial assistance. Contingent upon certain criteria being met, this Fund provides for a potential recovery of 80% of loans that become unrecoverable. The organization has 1 loan covered under this program as of March 31, 2011. There are currently applications under this program to recover amounts.

(b) Contingent liabilities

The organization as part of its mandate has provided loan guarantees to qualified businesses. In the event these businesses default on their loans, the organization may be required to pay off these loans up to the amount of the guarantee. The amount of these loan guarantees as at March 31, 2011 was \$82,000.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
SCHEDULE OF ALLOWANCE FOR LOAN IMPAIRMENT
Year ended March 31, 2011

	<u>2011</u> Category A	<u>2011</u> Category B	<u>2011</u> Category C	<u>2011</u> Category D	<u>2011</u> Total
<u>Investment Fund</u>	\$4,380,609	\$412,058	\$532,282	\$39,928	\$5,364,877
Less: loan guarantees	(82,000)	-	-	-	(82,000)
	4,298,609	412,058	532,282	39,928	5,282,877
Student in Business	103,500	-	-	-	103,500
ACCBIF Fund Investment	37,500	-	-	-	37,500
	4,439,609	412,058	532,282	39,928	5,423,877
<u>SEED Fund</u>	1,184,289	95,408	93,576	16,516	1,389,789
	\$5,623,898	\$507,466	\$625,858	\$56,445	\$6,813,666
Allowance for loan impairment					
Investment Fund	\$88,145	\$68,221	\$289,345	\$24,361	\$470,072
SEED Fund	23,686	19,082	58,146	16,516	117,430
	\$111,831	\$ 87,302	\$347,491	\$40,878	\$587,501

Allowance as a percentage of the total loan portfolio

8.6%

	<u>2010</u> Category A	<u>2010</u> Category B	<u>2010</u> Category C	<u>2010</u> Category D	<u>2010</u> Total
<u>Investment Fund</u>	\$5,249,689	\$218,659	\$206,617	\$31,511	\$5,706,476
Less: loan guarantees	(75,000)	-	-	-	(75,000)
	5,174,689	218,659	206,617	31,511	5,631,476
Student in Business	35,825	-	-	-	35,825
ACCBIF Fund Investment	37,500	-	-	-	37,500
	5,248,014	218,659	206,617	31,511	5,704,801
<u>SEED Fund</u>	1,295,296	70,425	83,444	22,939	1,472,104
	\$6,543,310	\$289,084	\$290,061	\$54,450	\$7,176,905
Allowance for loan impairment					
Investment Fund	\$105,710	\$87,109	\$160,868	\$31,511	\$385,198
SEED Fund	25,906	21,375	83,326	22,939	153,546
	\$131,616	\$ 108,484	\$244,194	\$54,450	\$538,744

Allowance as a percentage of the total loan portfolio

7.5%

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
SCHEDULE OF OPERATIONS
Year ended March 31, 2011

	Operating Fund		
	Budget 2011	Actual 2011	Actual 2010
Revenue			
ACOA contribution - Community Futures	\$395,000	\$395,000	\$400,000
Interest income	-	2,268	3,402
Loan application fees	25,000	13,485	14,042
Interchange	8,822	8,382	49,558
Student in Business Program	67,500	60,750	61,422
Youth Intern Program	-	-	37,500
Sundry	14,970	17,288	13,637
	511,292	497,173	579,561
Expenditures			
Advertising	5,050	4,090	11,861
Amortization	3,000	4,202	5,685
Bank charges	1,200	429	855
Credit checking	1,800	1,907	1,167
Equipment rental	5,096	3,629	3,897
Insurance	5,650	5,389	5,273
Meeting expenses	17,024	14,549	9,748
Memberships, dues and fees	4,780	4,300	4,606
Miscellaneous	3,000	-	814
Office supplies	9,450	7,856	8,708
Postage and courier	3,510	2,243	3,053
Professional fees - audit and accounting	14,924	13,617	12,176
Professional fees - legal	5,750	7,442	14,309
Rent and utilities	30,159	31,187	30,749
Repairs and maintenance	5,346	4,048	5,709
Salaries and wages	323,579	307,660	395,356
Employee benefits - statutory and group benefits	11,724	26,967	33,293
Employee benefits - RRSP	15,266	15,266	14,894
Telecommunications	16,750	17,912	17,141
Training and development	14,900	12,947	5,631
Travel	55,132	44,573	52,032
	553,090	530,213	636,957
Excess of revenue over expenditures (expenditures over revenue)	(\$41,798)	(\$33,040)	(\$57,396)

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
SCHEDULE OF SEED OPERATIONS
Year ended March 31, 2011

	<u>Investment</u> 2011	<u>Operating</u> 2011	<u>Total</u> 2010
Revenue			
Investment income - loan portfolio	\$81,672	\$ -	\$81,672
Interest income	2,403	-	2,403
	<u>84,075</u>	<u>-</u>	<u>84,075</u>
Expenditures			
Bank charges	1,393	32	1,425
Loan write-off provision	122,943	-	122,943
Miscellaneous	24	-	24
Training and development	-	62,477	62,477
	<u>124,360</u>	<u>62,509</u>	<u>186,869</u>
Excess of revenue over expenditures (expenditures over revenue)	<u>(\$40,285)</u>	<u>(\$62,509)</u>	<u>(\$102,794)</u>