
**BLUE WATER BUSINESS DEVELOPMENT
CORPORATION LIMITED**

FINANCIAL STATEMENTS

March 31, 2016

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
FINANCIAL STATEMENTS
March 31, 2016

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INDEPENDENT AUDITORS' REPORT

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

We 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, 2016 the statement of operations, statement of changes in net assets and statement of cash flows for the year 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 control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 auditors' 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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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

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 accounting standards for not-for-profit organizations.

Opinion

In our opinion, except for the effect of matters 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, 2016 and the results of operations and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

June 2, 2016
Bedford, NS

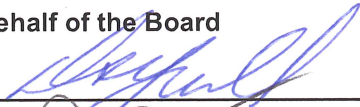


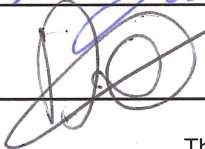
Chartered Professional Accountant

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
March 31, 2016

	<u>Operating</u> Fund	<u>Investment</u> Fund	2016	2015
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash and term deposits	308,563	1,520,478	1,829,041	2,098,723
Receivables (Note 5)	5,000	38,145	43,145	43,883
HST refundable	28,841	1,284	30,125	18,356
Prepaid expense	18,635	-	18,635	2,000
Due from operating fund	-	107,934	107,934	58,440
	<u>361,039</u>	<u>1,667,841</u>	<u>2,028,880</u>	<u>2,221,402</u>
Investments (Note 4)	-	6,416,646	6,416,646	6,612,982
Capital assets (Note 6)	6,712	-	6,712	6,407
	<u>367,751</u>	<u>8,084,487</u>	<u>8,452,238</u>	<u>8,840,791</u>
LIABILITIES				
Current liabilities				
Due to investment fund	107,934	-	107,934	58,440
Payables and accrued liabilities	4,634	-	4,634	2,474
Deferred revenue	30,296	-	30,296	-
Funds collected and held in trust (Note 7)	-	3,403	3,403	1,823
Current portion of long term debt (Note 8)	-	114,800	114,800	100,000
	<u>142,864</u>	<u>118,203</u>	<u>261,067</u>	<u>162,737</u>
Long term debt				
Due to related parties (Note 8)	-	145,463	145,463	461,625
	<u>142,864</u>	<u>263,666</u>	<u>406,530</u>	<u>624,362</u>
Total liabilities				
	<u>142,864</u>	<u>263,666</u>	<u>406,530</u>	<u>624,362</u>
NET ASSETS				
Fund balances				
Net assets invested in capital assets	6,712	-	6,712	6,407
Externally restricted net assets	-	7,728,821	7,728,821	7,811,926
Internally restricted net assets	200,000	92,000	292,000	342,000
Unrestricted net assets	18,175	-	18,175	56,096
	<u>224,887</u>	<u>7,820,821</u>	<u>8,045,708</u>	<u>8,216,429</u>
Total net assets				
	<u>224,887</u>	<u>7,820,821</u>	<u>8,045,708</u>	<u>8,216,429</u>
Total liabilities and net assets				
	<u>367,751</u>	<u>8,084,487</u>	<u>8,452,238</u>	<u>8,840,791</u>

On behalf of 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, 2016

(Schedule 2)

	<u>Operating</u> Fund	<u>Investment</u> Fund	<u>Total</u> 2016	<u>Total</u> 2015
	\$	\$	\$	\$
Revenue				
ACOA contribution - Community Futures	341,504	-	341,504	325,000
Investment income - loan portfolio	-	576,904	576,904	599,996
Sundry revenue (Schedule 3)	98,243	24,064	122,307	201,113
	<u>439,747</u>	<u>600,968</u>	<u>1,040,715</u>	<u>1,126,109</u>
Expenditures				
Advertising	6,007	-	6,007	6,266
Amortization	3,456	-	3,456	3,633
Bank charges	590	2,909	3,499	3,237
Board expenses	15,857	-	15,857	22,422
CAS expenses	-	-	-	4,626
Credit checking	3,185	-	3,185	1,021
Co-op expenses	21,012	-	21,012	-
Equipment rental	8,385	-	8,385	6,507
Get Connected Project	-	-	-	20,825
Insurance	3,485	-	3,485	3,043
Interest expense - ACCBIFF	-	6,126	6,126	7,916
Loan write-off / provision for bad debts	-	581,344	581,344	258,487
Memberships, dues and fees	5,701	-	5,701	6,328
Office supplies	5,505	-	5,505	5,536
Postage and courier	1,144	-	1,144	1,028
Professional fees - audit and accounting	15,034	-	15,034	14,244
Professional fees - legal and consulting	16,845	-	16,845	2,867
Rent and utilities	37,039	-	37,039	36,353
Repairs and maintenance	9,334	-	9,334	5,088
Salaries, wages and benefits	370,705	-	370,705	374,462
Self Employment Benefits	38,492	-	38,492	7,904
Telecommunications	17,312	-	17,312	14,342
Training and development	2,878	16,101	18,979	19,680
Travel	22,990	-	22,990	24,642
	<u>604,956</u>	<u>606,480</u>	<u>1,211,436</u>	<u>850,457</u>
Excess of revenue over expenditures (expenditures over revenue)	<u>(165,209)</u>	<u>(5,512)</u>	<u>(170,721)</u>	<u>275,652</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, 2016

	<u>Operating</u> Fund	<u>Investment</u> Fund	<u>Total</u> 2016	<u>Total</u> 2015
	\$	\$	\$	\$
Balance, beginning of year	312,503	7,903,926	8,216,429	7,940,777
Transfers between funds - unrestricted	77,593	(77,593)	-	-
Excess of revenue over expenditures (expenditures over revenue)	(165,209)	(5,512)	(170,721)	275,652
Balance, end of year	<u>224,887</u>	<u>7,820,821</u>	<u>8,045,708</u>	<u>8,216,429</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, 2016

	<u>Operating</u>	<u>Investment</u>	<u>Total</u>	<u>Total</u>
	Fund	Fund	2016	2015
	\$	\$	\$	\$
Net (outflow) inflow of cash related to the following activities:				
Operations				
Excess of revenue over expenditures (expenditures over revenue)	(165,209)	(5,512)	(170,721)	275,652
Items which do not involve cash				
Amortization	3,456	-	3,456	3,633
Loan write-off provision for bad debts	-	581,344	581,344	258,487
Changes in non-cash working capital				
Receivables	3,245	(2,507)	738	53,769
HST receivable	(10,485)	(1,284)	(11,769)	(8,245)
Prepaid expense	(16,635)	-	(16,635)	-
Inter fund receivables	49,494	-	49,494	(11,479)
Interfund payables	-	(49,494)	(49,494)	11,479
Payables and accruals	2,160	-	2,160	2,474
Deferred revenue	30,296	-	30,296	-
	<u>(103,678)</u>	<u>522,547</u>	<u>418,869</u>	<u>585,770</u>
Investing				
Purchase of capital assets	(3,761)	-	(3,761)	(2,551)
Loan repayment	-	1,417,164	1,417,164	2,447,584
Loan recoveries previously written off	-	24,654	24,654	49,020
Loans and guarantees to clients	-	(1,826,826)	(1,826,826)	(2,510,998)
	<u>(3,761)</u>	<u>(385,008)</u>	<u>(388,769)</u>	<u>(16,945)</u>
Financing				
Due to related parties (net)	-	(301,362)	(301,362)	(8,125)
Funds collected and held in trust	-	1,580	1,580	2,160
Repayment of funds held in trust	-	-	-	(337)
Interfund transfers	77,593	(77,593)	-	-
	<u>77,593</u>	<u>(377,375)</u>	<u>(299,782)</u>	<u>(6,302)</u>
Net cash inflow (outflow)	(29,846)	(239,836)	(269,682)	562,523
Cash and equivalents, beginning of year	<u>338,409</u>	<u>1,760,314</u>	<u>2,098,723</u>	<u>1,536,200</u>
Cash and equivalents, end of year	<u>308,563</u>	<u>1,520,478</u>	<u>1,829,041</u>	<u>2,098,723</u>
Represented by:				
Cash and term deposits	<u>308,563</u>	<u>1,520,478</u>	<u>1,829,041</u>	<u>2,098,723</u>
Supplemental information:				
Interest paid to ACCBIFF	<u>-</u>	<u>6,126</u>	<u>6,126</u>	<u>7,916</u>

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, 2016

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 the area between Ecum Secum and Hubbards, but excluding the urban areas of Halifax, Bedford and Dartmouth. Some of the communities served include Timberlea, Sackville, Beaverbank, Eastern Passage, Preston, Porters Lake, Sheet Harbour, and Middle Musquodoboit.

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 ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

The Corporation's financial statements have not adopted the CICA Handbook Section 3855 - *Financial Instruments - Recognition and Measurement* and Section 3861 - *Financial Instruments Disclosure and Presentation*, and as a result depart from Canadian accounting standards for not-for profit organizations. 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 CICA Handbook Section 3855 - *Financial Instruments - Recognition*

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2016

and Measurement and Section 3861 - *Financial Instruments - Disclosure and Presentation* inclusively.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards 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 May 13, 2014 and extensions thereto. The most recent contract dated May 13, 2014 Contract # 203991 provides for the period April 1, 2014 to March 31, 2017. Funding for 2015-2016 fiscal year is \$341,504.

(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) Investments - Loans Receivable

Investments 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 fund.

(e) 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 20% or as 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, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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.

(f) 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.

(g) 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.

(h) 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 plus windup costs. 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 for the investment fund.

(i) 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 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.

(j) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2016

4. INVESTMENTS - Loans receivable and equity investments

	Loans to Business	Loan Loss Reserve Fund	Loans to Students in Business	2016	2015
	\$	\$	\$	\$	\$
Loans and guarantees	6,769,380	149,958	100,300	7,019,638	7,302,776
Promissory note - ACCBIF Fund	37,500	-	-	37,500	37,500
Less: Loan guarantees	-	-	-	-	(92,000)
Total loan portfolio	6,806,880	149,958	100,300	7,057,138	7,248,276
Allowance for loan impairment (Schedule 1)	(534,340)	(106,152)	-	(640,492)	(635,294)
Total investments	<u>6,272,540</u>	<u>43,806</u>	<u>100,300</u>	<u>6,416,646</u>	<u>6,612,982</u>

Continuity of loans and investments

	Loans to Business	Loan Loss Reserve Fund	Loans to Students in Business	2016	2015
	\$	\$	\$	\$	\$
Loans and guarantees					
Balance, beginning of year	6,943,384	205,856	99,036	7,248,276	7,441,651
Loan additions during the year	1,721,017	-	105,809	1,826,826	2,474,023
Loans repaid during the year	(1,256,746)	(55,898)	(104,520)	(1,417,164)	(2,398,564)
Loans written off during the year	(600,775)	-	(25)	(600,800)	(268,834)
Balance, end of year	<u>6,806,880</u>	<u>149,958</u>	<u>100,300</u>	<u>7,057,138</u>	<u>7,248,276</u>
Allowance for loan impairment					
Balance, beginning of year	585,035	50,259	-	635,294	584,576
Loans written off to allowance	(132,909)	0	-	(132,909)	-
Current year loss provision	82,214	55,893	-	138,107	50,718
Balance, end of year	<u>534,340</u>	<u>106,152</u>	<u>-</u>	<u>640,492</u>	<u>635,294</u>
Total investments	<u>6,272,540</u>	<u>43,806</u>	<u>100,300</u>	<u>6,416,646</u>	<u>6,612,982</u>

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2016

5. RECEIVABLES	<u>Operating</u>	<u>Investment</u>	<u>2016</u>	<u>2015</u>
	Fund	Fund	\$	\$
NSACBCDs - Program recoveries	-	8,063	8,063	2,000
NSACBCDs - Students In Business - rebates	-	-	-	2,250
AACBCDs - Entrepreneurial Training Fund	-	5,399	5,399	3,400
Due from employee	5,000	-	5,000	5,000
Insurance premiums receivable	-	-	-	1,840
Investment fees receivable	-	870	870	1,128
Accrued interest receivable on loans	-	23,813	23,813	27,270
Other	-	-	-	995
	<u>5,000</u>	<u>38,145</u>	<u>43,145</u>	<u>43,883</u>

6. CAPITAL ASSETS	<u>\$</u>	<u>\$</u>	<u>2016</u>	<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	60,364	58,702	1,662	1,947
Computers	33,318	28,268	5,050	4,235
Software	5,825	5,825	-	225
	<u>99,507</u>	<u>92,795</u>	<u>6,712</u>	<u>6,407</u>

7. FUNDS COLLECTED AND HELD IN TRUST

The Corporation has been engaged to collect and administer 11 CEED loans in the amount of \$40,285 on behalf of NSACBDCs. The balance at March 31, 2016 is \$2,685 (2015 - \$4,265). The amounts collected on these loans are being held in trust.

	<u>2016</u>	<u>2015</u>
	\$	\$
Balance, beginning of the year	1,823	-
Funds collected during the year	1,580	2,160
Repaid to NSACBDC during the year	-	(337)
Balance, end of the year	<u>3,403</u>	<u>1,823</u>

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2016

8. DUE TO RELATED PARTIES

	<u>2016</u>	<u>2015</u>
	\$	\$
The Corporation borrowed funds from ACCBIF (Atlantic Canada Community Business Investment Fund). The loans bear interest at 1.5% payable monthly. The loans are secured by promissory notes and an assignment of book debts. The loans are repayable annually.	200,000	500,000
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.	<u>60,263</u>	<u>61,625</u>
Current portion of long term debt	<u>(114,800)</u>	<u>561,625</u> <u>(100,000)</u>
	<u>145,463</u>	<u>461,625</u>

Principal payments over the next five years are as follows:

March 31, 2017	\$114,800
2018	\$100,000
2019	-
2020	-
2021	-

9. CREDIT FACILITY

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

10. LEASE COMMITMENTS

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

March 31, 2017	\$31,000
2018	\$100
2019	-
2020	-
2021	-

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2016

11. 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 clients and establish an allowance for loan impairment to estimate amounts that may not be collectible as set out in note 2(e).

Atlantic Canada Opportunities Agency (ACOA) and the Atlantic Association of Community Business Development Corporations (AACBDC) have entered into an agreement dated June 28, 2012, to establish a Risk Mitigation Fund (RMF) under the auspices of the Business Development Program (BDP). This fund is to be used to fund 35% of the losses on qualified loan products. Loans granted after March 31, 2018 shall not qualify for coverage by the RMF. The amount covered is based upon the declining balance of the loan. Qualified loans products are (a) Youth Loan Products, (b) First-Time Entrepreneur Loan Products and (c) AACBDC pre-approved CBDC Innovation Loan Products.

Currency risk

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

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2016

11. FINANCIAL INSTRUMENTS (continued)

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.

12. 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.

13. LOAN STATISTICS

(a) Loans approved during the year.

The loans approved by the Board of Directors during the current year were 54 loans in the amount of \$2,517,700 (includes capitalized interest of \$20,288 and re-financed loans of \$78,910)

(b) Active investment loans under management

This is defined as any loan that had a balance and/or investment activity during the year. For example, a loan that was repaid during the year, although had no balance at year end is deemed to be a loan under management for purposes of these statistics. Loans under active management numbered 279.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2015

14. CONTINGENCIES

(a) Contingent liabilities

- (i) On or about June 21, 2011, Blue Water received \$48,813 from the sale of the assets of Monster Pizza Inc. These funds were applied against the respective CORE loan (secured) and the balance against the SEED loan (unsecured) and legal fees relating to both. Two letters, dated December 14, 2011, were received from the Canada Revenue Agency. One seeking to recover GST/HST in the amount of \$94,719 pursuant to subsections 222 (1) and/or 222 (3) of the Excise Tax Act on the proceeds from the sale of a business. The other seeking to recover \$38,051 under the Income Tax Act, Unemployment Insurance Act and the Canada Pension Plan. CRA contends that the Crown has a beneficial right in all the property of the employer and any proceeds arising from the property, to the extent of the total amount with a priority over any security interest, other than a prescribed security interest in such property.

According to our legal counsel, the main issue is priority among Blue Water as a secured creditor of Monster Pizza Inc. and whether CRA's claim against the property in priority to our secured interest is valid.

Our position is that, after legal costs of \$2,000, we received \$40,204 in satisfaction of the CORE loan and \$6,608 in satisfaction of the SEED loan and as such would only be subject to return \$6,608 as being subject to the deemed trust. This amount has been remitted.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
SCHEDULE OF ALLOWANCE FOR LOAN IMPAIRMENT
Year ended March 31, 2016

	<u>2016</u> \$ Category A	<u>2016</u> \$ Category B	<u>2016</u> \$ Category C	<u>2016</u> \$ Category D	<u>2016</u> \$ Total
<u>Investment Fund</u>	5,487,931	737,313	448,091	346,303	7,019,638
Less: loan guarantees	-	-	-	-	-
	5,487,931	737,313	448,091	346,303	7,019,638
Student in Business	(100,300)	-	-	-	(100,300)
	5,387,631	737,313	448,091	346,303	6,919,338
ACCBIF Fund Investment	37,500	-	-	-	37,500
	<u>5,425,131</u>	<u>737,313</u>	<u>448,091</u>	<u>346,303</u>	<u>6,956,838</u>
Allowance for loan impairment	<u>107,411</u>	<u>184,992</u>	<u>181,588</u>	<u>166,501</u>	<u>640,492</u>
Allowance as a percentage of the total loan portfolio					9.2%

	<u>2015</u> \$ Category A	<u>2015</u> \$ Category B	<u>2015</u> \$ Category C	<u>2015</u> \$ Category D	<u>2015</u> \$ Total
<u>Investment Fund</u>	6,029,246	550,719	575,271	147,540	7,302,776
Less: loan guarantees	(92,000)	-	-	-	(92,000)
	5,937,246	550,719	575,271	147,540	7,210,776
Student in Business	(99,036)	-	-	-	(99,036)
	5,838,210	550,719	575,271	147,540	7,111,740
ACCBIF Fund Investment	37,500	-	-	-	37,500
	<u>5,875,710</u>	<u>550,719</u>	<u>575,271</u>	<u>147,540</u>	<u>7,149,240</u>
Allowance for loan impairment	<u>116,684</u>	<u>136,181</u>	<u>234,889</u>	<u>147,540</u>	<u>635,294</u>
Allowance as a percentage of the total loan portfolio					8.9%

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
SCHEDULE OF OPERATIONS
Year ended March 31, 2016

	Operating Fund		
	<u>Budget</u> 2016	<u>Actual</u> 2016	<u>Actual</u> 2015
	\$	\$	\$
Revenue			
ACOA contribution - Community Futures	341,504	341,504	325,000
Sundry revenue (Schedule 3)	172,700	98,243	161,497
	<u>514,204</u>	<u>439,747</u>	<u>486,497</u>
Expenditures			
Advertising	3,000	6,007	6,266
Amortization	2,000	3,456	3,633
Bank charges	660	590	648
Board expenses	15,460	15,857	22,422
Credit checking	1,800	3,185	1,021
Co-op expenses	9,805	21,012	-
Equipment rental	6,984	8,385	6,507
Get Connected Project	-	-	20,825
Insurance	3,390	3,485	3,043
Memberships, dues and fees	2,500	5,701	6,328
Miscellaneous	3,500	-	-
Office supplies	6,000	5,505	5,536
Postage and courier	900	1,144	1,028
Professional fees - audit and accounting	14,100	15,034	14,244
Professional fees - legal and consulting	13,000	16,845	2,867
Rent and utilities	39,192	37,039	36,353
Repairs and maintenance	4,986	9,334	5,088
Salaries and wages	335,334	324,278	339,032
Salaries and wages - statutory and group benefits	59,796	46,427	35,430
Students in Business	250	-	-
Self Employment Benefits	16,140	38,492	7,904
Telecommunications	15,000	17,312	14,342
Training and development	3,000	2,878	3,632
Travel	35,000	22,990	24,642
	<u>591,797</u>	<u>604,956</u>	<u>560,791</u>
Excess of revenue over expenditures (expenditures over revenue)	<u>(77,593)</u>	<u>(165,209)</u>	<u>(74,294)</u>
Amounts transferred from Investment fund	<u>77,593</u>	<u>77,593</u>	<u>74,294</u>
Excess refundable to (due from) Investment fund	<u>-</u>	<u>(87,616)</u>	<u>-</u>

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
SCHEDULE OF SUNDRY REVENUE
Year ended March 31, 2016

	Operating Fund		Investment	<u>Total</u>	<u>Total</u>
	<u>Budget</u>	<u>Actual</u>	<u>Fund</u>	<u>2016</u>	<u>2015</u>
	2016	2016	2016	2016	2015
	\$	\$	\$	\$	\$
Sundry revenue					
Administration fees	41,700	8,701	-	8,701	34,329
Co-op student	5,750	9,225	-	9,225	5,063
Interest income	-	1,998	7,113	9,111	14,499
Loan application fees	31,250	24,812	-	24,812	28,223
NSACBCD support services	-	-	16,101	16,101	16,048
Other	2,000	8,279	850	9,129	15,223
Self Employment Benefit	72,000	33,078	-	33,078	81,653
Student in Business Program	20,000	12,150	-	12,150	6,075
	<u>172,700</u>	<u>98,243</u>	<u>24,064</u>	<u>122,307</u>	<u>201,113</u>