



2018-2019  
**Annual report**





## Northumberland

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**CBDC Northumberland Inc. has now completed thirty-three years of operation. In an attempt to summarize our work during the past fiscal year, I will provide an overview of the Corporation's major activities.**

During the past twelve (12) month period from April 2018 to March 2019, the Corporation received 280 service inquiries from clients approaching the Corporation for the first time. The assistance thus provided, resulted in the creation/maintenance of a minimum of 131 employment positions. As for the number of jobs that were created, I think that it is important to note that CBDC Northumberland Inc. did not create all the above-mentioned jobs, but rather these jobs were created by the business people that the Corporation assisted with its technical and/or financial services.

Under the various programs, we deliver on behalf of the Federal and Provincial governments; there were 40 projects approved for direct funding from the Corporation's Investment Fund in the amount of \$3,113,981. Our administration and delivery of the Self Employment Benefit (SEB) Program has

resulted in an additional 23 project approvals, resulting in financial assistance of a minimum of \$402,500. Each investment was made with the understanding that it would benefit both the business and the community in their entirety.

The last fiscal year has been satisfying in many ways, and we are undertaking the next fiscal year with determination and enthusiasm. I feel we have within our reach all that is required for continued success: an excellent Board of Directors for the coming year, a good working relationship with the different public and private agencies throughout the region, and finally... the entrepreneurial spirit that is definitely alive on the Miramichi today.

**Greg McNulty**  
**General Manager**



The CBDC Northumberland functions according to its purpose within the boundaries of Northumberland County, with the exception of the Parish of Rogersville, but including that portion of York County that is included in the provincial electoral constituency of Southwest Miramichi-Bay du Vin.

**Investments in the region for the year 2018 - 2019**

**Requests processed**

Applications received	54
Applications approved	40
Amounts invested	\$3,113,981

**Number of business counselling sessions**

Number of clients	73
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**Impact on businesses**

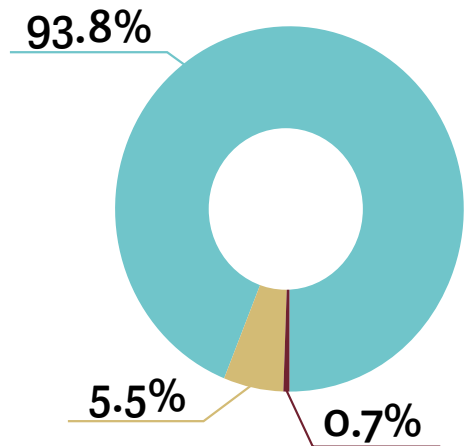
New businesses	18
Existing businesses	15
Total	33

**Impact on employment**

Jobs created	50
Jobs maintained	53
Total	103

**Loans by Sector**

- Transportation and Storage
- Wholesale and Retail Trade
- Other



**Training sessions**

Number of sessions	9
Amounts granted	\$9,802

**Self-Employment Benefit**

Applications approved	23
Value of assistance	\$402,500

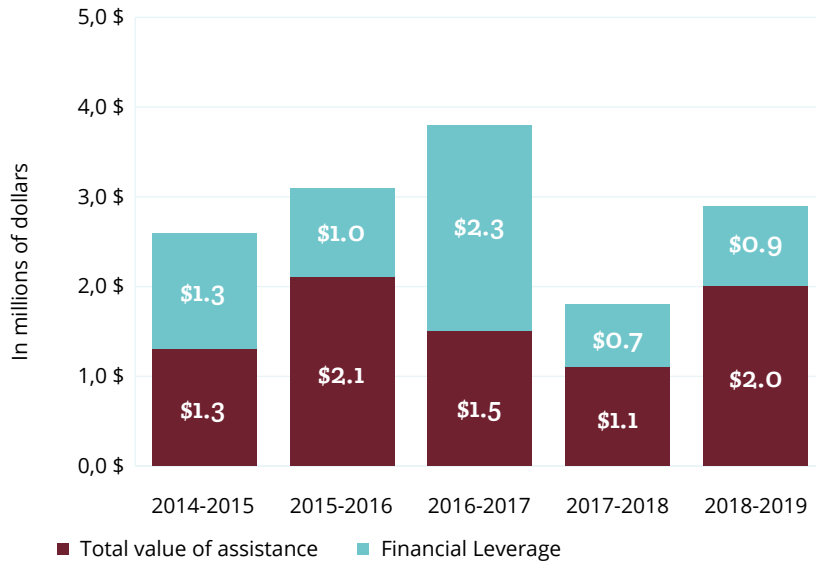
**Consulting Advisory Services**

Number of clients	6
Amounts granted	\$37,749



# Building strong entrepreneurial leverage in the Northumberland region

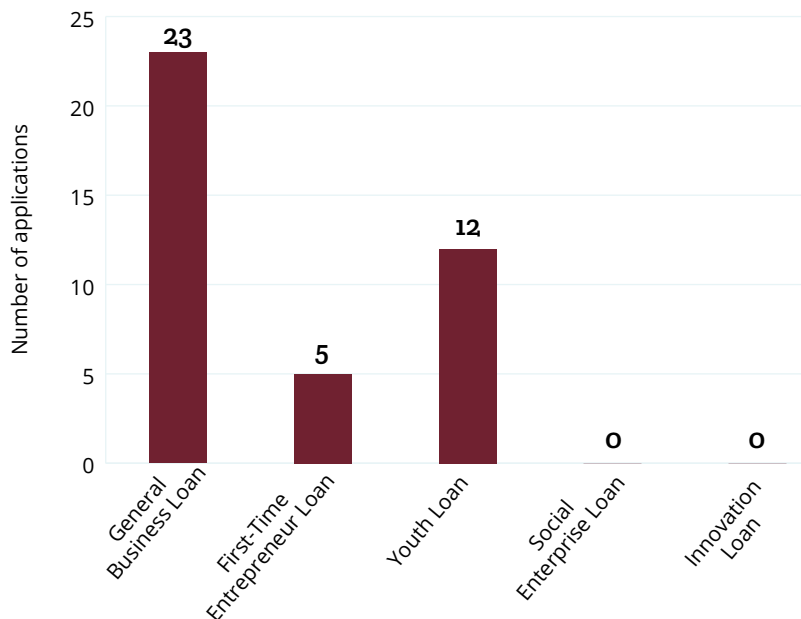
The total value of assistance from the CBDC and financial leverage over the past five years



CBDC Northumberland has had significant loan advances during 2018-2019 compared to the two previous years (2016-2017 & 2017-2018) returning to loan advances reached during 2015-2016.

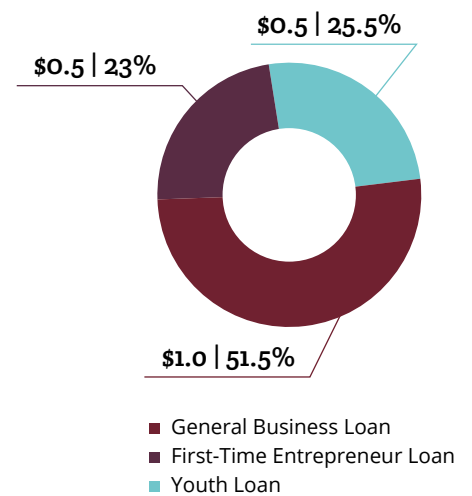
Since inception, CBDC Northumberland has injected *\$29.7 million dollars* in the community.

Number of applications approved for each CBDC loan product

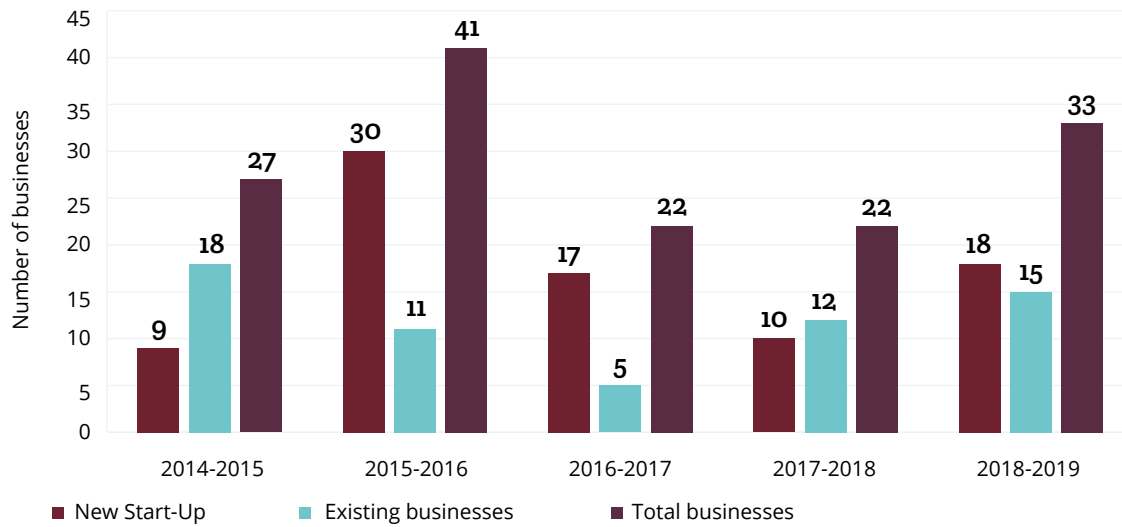


Breakdown of amounts disbursed per loan product

(in millions of dollars)



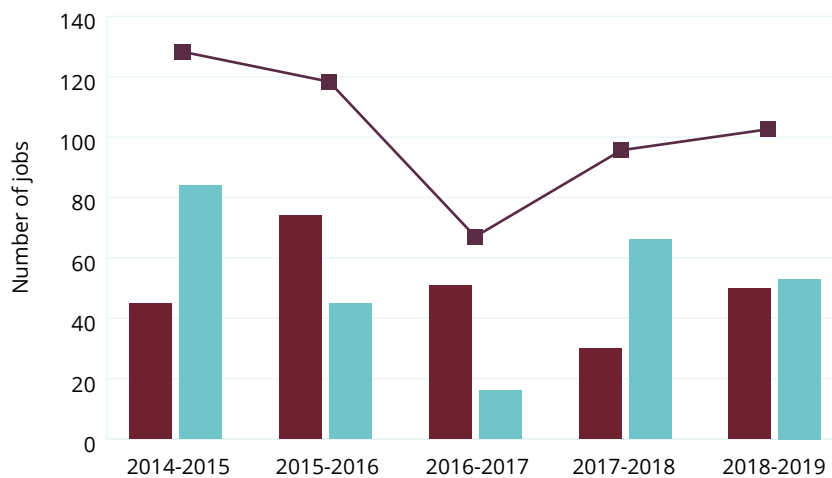
## The number of businesses who received financial assistance over the past five years



The number of businesses that received financial assistance increased by 50% compared to the previous year.

An increase of 7% of jobs created and maintained has been observed in comparison with the previous year.

## Jobs created and maintained in the community over the last five years



■ Jobs created	45	74	51	30	50
■ Jobs maintained	84	45	16	66	53
— Total	129	119	67	96	103

# Celebrating 33<sup>rd</sup> Anniversary

Since 1985, CBDC Northumberland Inc. has helped potential and existing entrepreneurs in the region to access capital and other business resources. We are a not-for-profit organization run by a team of 12 volunteers from the local business community who firmly believe in improving the economic viability in the region by investing in small and medium-sized enterprises. Investment decisions are made by our Board of Directors sensitive to the needs of the Northumberland region. These

directors are volunteers from the business sector dedicated to making the community a better place in which to live and work. Beyond a doubt, the strength of CBDC Northumberland Inc. is in our volunteer board; they have an intimate knowledge of the local markets, the business environment and the people in their communities.



**Alphonse Turbide**  
Chairperson



**Wayne Bushey**  
Vice-Chairperson



**Therese Savoie**  
Secretary



**Russell Vye**  
Treasurer



**Sharon Deroche**  
Director



**David Hamilton**  
Director



**Stephen Lynch**  
Director



**Clarissa Harris LeBreton**  
Director



**Les Saunders**  
Director



**Marcel Muisse**  
Director



**Tara Ross-Robinson**  
Director



**Lynn O'Neill**  
Director

As CBDC Northumberland Inc. moves forward after thirty-three years of operation, our focus will continue to be on servicing the business community at an optimal level. This will be accomplished by offering reliable assistance to our clients, by arranging adequate and creative financial packages, and by continuing to improve our relationships with private and public agencies, and thus, encouraging local entrepreneurs to take advantage of our services.

The past thirty-three years have been satisfying in many ways, and we are undertaking future years with determination and enthusiasm. We believe that we have within our reach all that is required for continued success: an excellent Board of Directors, a good working relationship with the different public and private agencies throughout the region and, finally, the entrepreneurial spirit that is definitely alive on the Miramichi today. CBDC Northumberland Inc. is a valuable resource

for business people and more are utilizing our financial and technical expertise to help start or expand a business. We, through this type of assistance, are fulfilling our mandate to help establish and/or expand businesses.

Our Board of Directors consisting of 12 members are knowledgeable in finance, planning, small business development and marketing.

It is worthwhile to congratulate our staff: General Manager - Greg McNulty; Project Analysts - Pauline Tenass, Cheryl Daigle and Pierre-Luc Beaudin and Administrative Assistant - Lucie Daigle for their dedication and hard work. And a very big thanks to the CBDC's many clients and the public in general, because we urge you to take advantage of our technical and financial services and to support us in our quest for the economic development of the region.

## The CBDC Northumberland's Team



**Greg McNulty**  
General Manager



**Pauline Tenass**  
Project Analyst



**Cheryl Daigle**  
Project Analyst



**Pierre-Luc Beaudin**  
Project Analyst



**Lucie Daigle**  
Administrative Assistant

# A variety of products and services for the success of our entrepreneurs



## Business Management Skills Training

Tailored skills training in special areas such as market development, bookkeeping, feasibility studies, funding sources and business analysis.

## Consulting Advisory Services

Assistance provided through an external counselling agent in various fields of expertise to improve business performance. A certain financial contribution is requested from client.

## Business Counselling

Business counselling in the form of advice to new and established entrepreneurs.

## Self-Employment Benefit Program

Allows participants to continue to receive their Employment Insurance Benefits while they are getting their business up and running. Also offers a weekly allowance for the business start-up if the person has received Employment Insurance Benefits over the past few years (according to the existing policy).

## Clean Technology Initiative

Loan or advisory services ideas for a clean technology process, and products or services that reduce negative environmental impacts.

## General Business Loan

Business is booming and you need funding for an expansion of your existing premises or have to construct a new building. Perhaps it's time to purchase new equipment and additional materials in order to fulfill increased customer demand for your product. This more flexible loan can even facilitate the acquisition of an existing business.

## First-Time Entrepreneur Loan

Offers counselling services for individuals who wish to become a self-sufficient and profitable business owner. This is the perfect loan to put your plans into action.

## Youth Loan

Provides start-up capital for youth between the ages of 18 to 34 who experience difficulty obtaining necessary financing.

## Social Enterprise Loan

Tailored to social enterprises operating in rural communities where people are able to live, work and enjoy social activities in their region.

## Innovation Loan

Helps promote the development of the knowledgebase economy and aids in the adoption or commercialization of new technologies.



Community Business  
Development Corporation

## Contact Us

For more information on the programs offered by your CBDC, contact us or visit the following link:

✉ 1773 Water Street,  
Miramichi, NB E1N 1B2

☎ 506.778.2121

🌐 [www.northumberlandcbdc.ca](http://www.northumberlandcbdc.ca)

f CBDC Northumberland Inc

🐦 CBDCAtlantic / NB CBDC

Canada  
New Brunswick  
Nouveau Brunswick





Financial Statements

CBDC Northumberland Inc.

March 31, 2019

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# Independent auditor's report

Grant Thornton LLP  
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Miramichi, NB  
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To the Board of Directors of CBDC Northumberland Inc.

## Qualified Opinion

We have audited the financial statements of CBDC Northumberland Inc. (“the Organization”), which comprise the statement of financial position as at March 31, 2019, and the statements of revenue and expenditure and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly in all material respects, the financial position of CBDC Northumberland Inc. as at March 31, 2019, 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 Qualified Opinion

Loans receivable have been written down to the estimated net realizable value in accordance with criteria outlined by the Government of Canada as explained in Note 3 of the financial statements. Due to the uncertainty of the loans and the related security we have not been able to determine if the loans are presented at net realizable value.

CBDC Northumberland Inc. has not adopted CPA Canada Handbook section 3856 “Financial Instruments.”

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization 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 qualified opinion.

### **Responsibilities of Management and Those Charged with Governance 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 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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 Organization 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.

*Grant Thornton LLP*

Miramichi, New Brunswick  
June 13, 2019

Chartered Professional Accountants

**CBDC Northumberland Inc.**  
**Statements of Revenue and Expenditure and Changes in**  
**Fund Balances**  
**Year Ended March 31**

	<u>Operating</u> <u>Fund</u>	<u>Investment</u> <u>Fund</u>	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
<b>Revenues</b>				
ACOA operating grant	\$ 276,056	\$ -	\$ 276,056	\$ 277,780
Self-Employment Benefit Program	90,672	-	90,672	89,131
Interest income	-	524,381	524,381	512,807
Financial assistance	19,448	-	19,448	10,982
Other revenues	4,622	1,325	5,947	4,665
<b>Total Revenues</b>	<b>390,798</b>	<b>525,706</b>	<b>916,504</b>	<b>895,365</b>
<b>Expenses</b>				
Advertising	10,493	-	10,493	9,653
Amortization	330	-	330	3,119
Bank charges	3,604	4,258	7,862	7,302
Dues and fees	2,695	-	2,695	2,695
Equipment rental	6,887	-	6,887	7,608
Insurance	3,064	-	3,064	3,034
Interest expense – ACCBIF	-	22,596	22,596	27,440
Loan loss provision (Note 4)	-	259,234	259,234	108,401
Miscellaneous	8,764	-	8,764	5,957
Office supplies	15,681	-	15,681	9,096
Professional fees	11,450	-	11,450	9,630
Rent	35,906	-	35,906	35,906
Repairs and maintenance	12,617	-	12,617	12,617
Self-employment training	2,267	-	2,267	2,688
Telephone	10,676	-	10,676	11,105
Training	-	-	-	1,667
Travel and board meetings	24,893	-	24,893	23,606
Utilities	6,152	-	6,152	4,450
Wages and benefits	380,589	-	380,589	338,072
<b>Total Expenses</b>	<b>536,068</b>	<b>286,088</b>	<b>822,156</b>	<b>624,046</b>
Excess of revenue over expenditures (expenditures over revenue) before contribution	(145,270)	239,618	94,348	271,319
Contribution to operating from investment fund	145,270	(145,270)	-	-
<b>Excess of revenue over expenditures</b>	<b>\$ -</b>	<b>\$ 94,348</b>	<b>\$ 94,348</b>	<b>\$ 271,319</b>
Fund balance, beginning of year	\$ (46,623)	\$ 1,782,083	\$ 1,735,460	\$ 1,464,141
Excess of revenue over expenditures	-	94,348	94,348	271,319
Fund balance, end of year	<b>\$ (46,623)</b>	<b>\$ 1,876,431</b>	<b>\$ 1,829,808</b>	<b>\$ 1,735,460</b>

See accompanying notes to the financial statements.

# CBDC Northumberland Inc.

## Statement of Financial Position

March 31

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>2019 Total</u>	<u>2018 Total</u>
<b>Assets</b>				
<b>Current</b>				
Cash and term deposits	\$ (28,831)	\$ 646,890	\$ 618,059	\$ 922,061
Receivables				
Interest & fees	-	66,519	66,519	58,097
Other receivables	34,343	-	34,343	40,052
Prepaid expenses	<u>2,802</u>	<u>-</u>	<u>2,802</u>	<u>2,802</u>
	8,314	713,409	721,723	1,023,012
Loans (Note 4)	-	6,984,828	6,984,828	6,439,428
Investments- ACCBIF (Note 5)	-	37,500	37,500	37,500
Capital assets (Note 6)	<u>2,640</u>	<u>-</u>	<u>2,640</u>	<u>2,970</u>
	<u>\$ 10,954</u>	<u>\$ 7,735,737</u>	<u>\$ 7,746,691</u>	<u>\$ 7,502,910</u>
<b>Liabilities</b>				
<b>Current</b>				
Payable and accrual	\$ 44,561	\$ 1,808	\$ 46,369	\$ 39,532
Inter-fund payable (receivable)	13,016	(13,016)	-	-
Current portion of long term debt (Note 10)	<u>-</u>	<u>456,043</u>	<u>456,043</u>	<u>458,331</u>
	57,577	444,835	502,412	497,863
Long term debt (Note 10)	<u>-</u>	<u>1,249,677</u>	<u>1,249,677</u>	<u>1,104,793</u>
	57,577	1,694,512	1,752,089	1,602,656
<b>Equity</b>				
<b>Fund balances</b>				
<b>Restricted (Note 7)</b>				
Capital contributions	-	4,164,794	4,164,794	4,164,794
Surplus (deficit)	-	1,876,431	1,876,431	1,782,083
Unrestricted	<u>(46,623)</u>	<u>-</u>	<u>(46,623)</u>	<u>(46,623)</u>
	<u>(46,623)</u>	<u>6,041,225</u>	<u>5,994,602</u>	<u>5,900,254</u>
	<u>\$ 10,954</u>	<u>\$ 7,735,737</u>	<u>\$ 7,746,691</u>	<u>\$ 7,502,910</u>

Commitments (Note 14)

On Behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes to the financial statements

# CBDC Northumberland Inc.

## Statement of Cash Flows

Year Ended March 31

	<b>Operating Fund</b>	<b>Investment Fund</b>	<b>2019 Total</b>	<b>2018 Total</b>
Cash derived from (applied to)				
<b>Operating</b>				
Excess of revenue over expenditures	\$ -	\$ 94,348	\$ 94,348	\$ 271,316
Depreciation	330	-	330	3,119
Loan loss provision	-	259,234	259,234	108,401
	<u>330</u>	<u>353,582</u>	<u>353,912</u>	<u>382,839</u>
Change in				
Receivables	5,709	(8,422)	(2,713)	15,204
Prepaid expenses	-	-	-	-
Interfund transfer	13,016	(13,016)	-	-
Payables & accruals	6,837	-	6,837	(5,340)
	<u>25,892</u>	<u>332,144</u>	<u>358,036</u>	<u>392,703</u>
<b>Investing</b>				
Investing in loans	-	(2,004,316)	(2,004,316)	(1,111,242)
Repayment of loans	-	1,199,682	1,199,682	976,106
	<u>-</u>	<u>(804,634)</u>	<u>(804,634)</u>	<u>(135,136)</u>
<b>Financing</b>				
Borrowings from ACCBIF	-	600,000	600,000	600,000
Repayment of ACCBIF	-	(457,404)	(457,404)	(452,561)
	<u>-</u>	<u>142,596</u>	<u>142,596</u>	<u>147,439</u>
Net (decrease) increase in cash	25,892	(329,894)	(304,002)	405,006
Cash and term deposits (indebtedness)				
Beginning of year	<u>(54,723)</u>	<u>976,784</u>	<u>922,061</u>	<u>517,055</u>
End of year	<u>\$ (28,831)</u>	<u>\$ 646,890</u>	<u>\$ 618,059</u>	<u>\$ 922,061</u>

See accompanying notes to the financial statements



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# CBDC Northumberland Inc.

## Notes to the Financial Statements

March 31, 2019

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### 1. Nature of operations

CBDC Northumberland Inc.'s mission statement is to "create sustainable employment through promoting business development in our communities by providing capital and mentoring assistance."

CBDC Northumberland Inc. is a community-based and community controlled corporation with a mandate to provide lending and other investment to small businesses in the Northumberland County of New Brunswick who have had difficulty obtaining financing from conventional sources. CBDC Northumberland Inc. is incorporated as a not-for-profit organization and as such is exempt from income tax by virtue of Paragraph 149(1)(1) of the Income Tax Act.

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### 2. Departure from Accounting Standards for not-for-profit organizations (ASNPO)

CBDC Northumberland Inc. Financial statements have not adopted the CPA Canada Handbook Section 3856- *Financial Instruments*, 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 2019 CF agreement to all Atlantic CBDCs, it will accept qualified financial statements from CBDCs when not prepared in full compliance with the CPA Canada Handbook Section 3856-Financial Instruments.

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### 3. Summary of significant accounting policies

#### Basis of accounting

The Company's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### Fund accounting

CBDC Northumberland Inc. follows the restricted fund method of accounting for the Investment and Operating Fund.

The Operating Fund accounts 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 between the Atlantic Canada Opportunities Agency (ACOA) and CBDC Northumberland Inc.

The Investment Fund reports all restricted resources of the Investment fund. The investment income resulting from investing activities is retained in the Investment Fund.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

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# CBDC Northumberland Inc.

## Notes to the Financial Statements

March 31, 2019

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### 3. Summary of significant accounting policies (continued)

#### **Tangible capital assets**

Tangible capital assets are recorded at cost and depreciation on a straight line basis at the rates indicated in Note 6.

#### **Revenue recognition**

Interest income on loans is recorded on an accrual basis at the rate specified in the loan agreement when collection is reasonably assured. Accruals of interest income are not recorded on non-performing loans.

Government funding is recorded when received in the period to which the funding relates in accordance with the agreement with ACOA.

#### **Provision for loan losses**

Provision for loan losses are determined based on delinquent loans that are deemed doubtful by management, less estimated amounts recoverable from security, net of estimated costs associated with converting the security into cash.

#### Category "A" Accounts

Accounts which are entirely satisfactory as to credit risk and performance, i.e. proven or established earnings and management, and on which loan arrears, if any, would represent less than two months' instalments of principal and interest. It should be noted that all accounts are automatically classified as category "A" upon authorization.

#### Category "B" Accounts

Accounts in which it is expected that, in spite of undesirable developments, the difficulties will be overcome and the loan will in time be recovered, in full without the need to call the loan. Principal and/or interest are no more than 6 months in arrears.

#### Category "C" Accounts

Accounts in which serious adverse developments have occurred, difficulties are unlikely to be overcome, or there is little or no chance of the loan being repaid from earnings and one or more of the following conditions apply:

- operations have ceased and are unlikely to recommence under existing ownership;
- voluntary liquidation of assets has started with a view to winding up the business;
- other creditors, regardless of rank, may be expected to realize on their security;
- a proposal either formal or informal to secured creditors has been made, or is under preparation; and
- no principal payments have been made for a 6 month period.

#### Category "D" Accounts

- No recovery is anticipated and application for "Request to Waive Repayment" and loan write-off is in the process of being submitted or awaiting approval.

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# CBDC Northumberland Inc.

## Notes to the Financial Statements

March 31, 2019

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### 3. Summary of significant accounting policies (continued)

#### Use of estimates

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Significant estimates are required in recording the provision for loan loss. Actual results could differ from these estimates.

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<b>4. Loans</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Loans	\$ 7,325,876	\$ 6,821,826
Less provision for loan losses	<u>(341,048)</u>	<u>(382,398)</u>
	<b><u>\$ 6,984,828</u></b>	<b><u>\$ 6,439,428</u></b>

The loans are at varying interest rates and terms of repayment. Certain loans are in arrears and others are non-active.

Included in the loans receivable at March 31, 2019 are delinquent loans totalling \$847,693 (2018 – \$740,037) of which \$108,650 (2018 - \$382,398) has been allowed for. Management believes the balance of these loans will be collectible.

<b>Loans and Mortgages Receivable</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
---------------------------------------	--------------------	--------------------

The loans receivable balance is comprised of:

Balance, beginning of year	\$ 6,821,826	\$ 6,884,465
Loans advanced during the year	2,004,316	1,111,242
Loans repaid during the year	(1,199,682)	(976,106)
Loans written-off during the year	<u>(300,584)</u>	<u>(197,775)</u>
Balance, Principal	7,325,876	6,821,826
Allowance for doubtful accounts	<u>(341,048)</u>	<u>(382,398)</u>
Balance, end of year	<b><u>\$ 6,984,828</u></b>	<b><u>\$ 6,439,428</u></b>

The Activity in the Allowance for Doubtful Loans account is as follows:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Balance, beginning of year	\$ 382,398	\$ 471,772
Loans written-off during the year	(300,584)	(197,775)
Recovery of loans written-off in previous periods	(38,832)	(16,301)
Current year's loan loss provision	<u>298,066</u>	<u>124,702</u>
Balance, end of year	<b><u>\$ 341,048</u></b>	<b><u>\$ 382,398</u></b>

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# CBDC Northumberland Inc.

## Notes to the Financial Statements

March 31, 2019

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### 5. Investments - ACCBIF

The corporation has made an investment in the Atlantic Canada Community Business Investment Fund which has a duration of nine years. Having contributed to this fund, the corporation is now eligible to borrow from this fund to finance new investment loans in excess of its own cash resources.

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6. Capital assets	Rate	Cost	Accumulated Depreciation	2019	2018
				Net Book Value	Net Book Value
Computer equipment	3 years	\$ 6,049	\$ 6,049	\$ -	\$ -
Leasehold Improvements	10 years	55,819	55,819	-	-
Office equipment	5 years	<u>10,783</u>	<u>8,143</u>	<u>2,640</u>	<u>2,970</u>
Total		<u>\$ 72,651</u>	<u>\$ 70,011</u>	<u>\$ 2,640</u>	<u>\$ 2,970</u>

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### 7. Externally restricted funds

#### Investment Fund

The investment fund has externally imposed restrictions on net assets as well as the income earned from those net assets.

	<u>Investment</u>
Restricted for investing in business	
Capital contributions from ACOA, beginning of year	\$ 4,164,794
Capital contribution received during the year	-
Accumulated surpluses	-
End of the year	<u>\$ 4,164,794</u>

**9.1** Funds credited to the Investment Fund shall not be used for purposes other than Investment Fund activities without the prior written approval of ACOA. This includes funds lent or received from ACCBIF.

**9.2** Notwithstanding (9.1), funds credited to the Investment Fund account may be transferred to the Eligible Costs account of the CBDC where the following conditions are met:

**9.2.1** The CBDCs Annual Budget submitted with the Business Plan projects a deficit (the "Deficit") and is accepted by ACOA;

**9.2.2** The Deficit was in fact incurred as projected; and,

**9.2.3** The CBDC shall provide to ACOA written confirmation of the transfer of the funds from the Investment Fund account to the Eligible Costs account within 90 days of the end of each fiscal year.

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## CBDC Northumberland Inc.

### Notes to the Financial Statements

March 31, 2019

#### 8. Economic dependence

The corporation receives an annual operating contribution from ACOA to cover a portion of the operating expenses of the Operating fund. The continued operation of the organization currently depends on the receipt of the annual operation contribution.

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#### 9. Surplus - operating fund

Certain expenditures from surplus are required to be approved, in advance, by ACOA.

#### 10. Long-term debt – ACCBIF

ACCBIF lends money to CBDCs Investment Funds throughout Atlantic Canada. To be a member, a CBDC must lend \$37,500 to ACCBIF. Loans from ACCBIF carry an interest charge which is set every two years by the ACCBIF Board of Governance.

	<u>2019</u>	<u>2018</u>
Atlantic Canada Community Business Investment term loan, interest at 1.6% per annum, maturing in November 2022. Payable in equal monthly instalments of \$40,000 including interest. Promissory note provided as security.	1,705,720	1,563,124
Less: current portion	<u>456,043</u>	<u>458,331</u>
	<u>\$ 1,249,677</u>	<u>\$ 1,104,793</u>

Principal repayments for the next four years are expected as follows: 2020- \$456,043, 2021- \$463,394 2022- \$470,862; 2023 - \$315,421.

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#### 11. Bank indebtedness

The Company has an authorized line of credit of \$200,000 bearing interest at prime rate plus 1.55%. None was used at year end. The line of credit is secured by a general security agreement over all assets of the Company, except real estate.

The Company has a second authorized line of credit for \$25,000 bearing interest at prime rate plus 3%. The line of credit is unsecured. The amount utilized at year end was \$15,667.

	<u>Operating</u> <u>Fund</u>	<u>Investment</u> <u>Fund</u>	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
Cash & term deposits	\$ (28,831)	\$ 646,890	<u>\$ 618,059</u>	<u>\$ 922,061</u>

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# CBDC Northumberland Inc.

## Notes to the Financial Statements

March 31, 2019

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### 12. Payables and accruals

Included in payables and accruals are government remittances of \$7,900 (2018 - \$6,787).

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### 13. Financial instruments

The types of risk inherent in the Organization's environment in which it operates include credit, liquidity and market rate risk:

#### **Credit risk**

Credit risk is the risk that the Organization will incur a loss because the receivables are not recovered. The Organization's financial instruments that are exposed to credit risk include receivables and loans.

The maximum credit risk exposure at March 31, 2019 is equal to the carrying value of the receivables and loans as at the balance sheet date.

#### **Concentrations of credit risk**

Concentrations of credit risk exist if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the CBDC's performance to developments affecting a particular segment of borrowers or geographic region. Geographic credit risk exists for the CBDC due to most of its activities being primarily provided in Northumberland County.

The exposure to credit risk associated with the non-performance of these borrowers can be directly impacted by a decline in economic conditions which would impair CBDC client's ability to satisfy their obligations to the CBDC. In order to reduce this economic risk, the CBDC has comprehensive credit procedures in place whereby analyses are performed to control the granting of credit to all borrowers. Additionally, CBDC is a member of a Risk Mitigation Fund whereby they will be entitled to receive up to 35% of specified loans losses.

#### **Liquidity risk**

Liquidity risk is the risk that the Organization may not have cash available to satisfy financial liabilities as they come due. To mitigate this risk, the Organization is internally monitoring this level of liquidity on a regular basis.

#### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument, that is short-term investments, will fluctuate because of changes in market prices. For purposes of this disclosure, the Organization segregates market risk into two categories: fair value risk and interest rate risk. The Organization is exposed to interest rate risk.

Interest rate risk is the potential for loss arising from changes in interest rates. Financial instruments that potentially subject the Organization to interest rate risk are loans and long term debt. The Organization does not hedge interest rate risk.

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# CBDC Northumberland Inc.

## Notes to the Financial Statements

March 31, 2019

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### 14. Commitments

The company is party to an agreement to lease office space for \$3,135 inclusive of HST per month (\$37,620 per year). The agreement is subject to an escalation clause of up to 3% per year for inflation until 2023.

During the year, the company committed to disburse \$703,500 of loans for which conditions of disbursements were not met by the borrower as of March 31, 2019.

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### 15. Investment loan portfolio

	<u>2019</u>	<u>2018</u>
Investment loans approved during the year	<b>40</b>	19
Total active investment loans under management	<b>135</b>	135

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# CBDC Northumberland Inc.

## Schedule of Allowance for Loan Impairment

March 31, 2019

	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>
	Category A	Category B	Category C	Category D	Total
<u>Investment Fund</u>	\$ 5,029,201	\$ 1,085,562	\$ 146,743	\$ 180,941	\$ 6,442,447
<u>Youth Fund</u>	687,558	155,759	0	40,113	883,430
	<u>\$ 5,716,759</u>	<u>\$ 1,241,321</u>	<u>\$ 146,743</u>	<u>\$ 221,054</u>	<u>\$ 7,325,877</u>

### Allowance for loan impairment

<u>Investment Fund</u>	\$ -	\$ -	\$ 130,000	\$ 170,936	\$ 300,936
<u>Youth Fund</u>	-	-	-	40,113	40,113
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 211,049</u>	<u>\$ 341,049</u>

Allowance Percentage

4.7%

	<u>2018</u>	<u>2018</u>	<u>2018</u>	<u>2018</u>	<u>2018</u>
	Category A	Category B	Category C	Category D	Total
<u>Investment Fund</u>	\$ 5,185,911	\$ 603,938	\$ 137,652	\$ 350,498	\$ 6,277,999
<u>Youth Fund</u>	323,364	186,214	10,195	24,054	543,827
	<u>\$ 5,509,275</u>	<u>\$ 790,152</u>	<u>\$ 147,847</u>	<u>\$ 374,552</u>	<u>\$ 6,821,826</u>

### Allowance for loan impairment

<u>Investment Fund</u>	\$ -	\$ -	\$ 87,652	\$ 260,497	\$ 348,149
<u>Youth Fund</u>	-	-	10,195	24,054	34,249
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,847</u>	<u>\$ 284,551</u>	<u>\$ 382,398</u>

Allowance Percentage

5.6%