



2018-2019
Rapport annuel





Northumberland

La CBDC Northumberland Inc. en est à sa trente-troisième année d'exploitation. Afin de résumer notre travail du dernier exercice financier, nous vous présenterons un aperçu des principales activités de la Corporation.

Au cours des douze (12) derniers mois, d'avril 2018 à mars 2019, la Corporation a reçu 280 demandes de clients s'adressant à la Corporation pour la première fois. L'aide offerte a entraîné la création et le maintien d'un minimum de 131 emplois. En ce qui concerne le nombre d'emplois créés, nous croyons qu'il est important de souligner que la CBDC Northumberland Inc. n'a pas créé tous les emplois susmentionnés, mais que ces emplois ont plutôt été créés par les entrepreneurs que la Corporation a su aider grâce à ses services techniques ou financiers.

Dans le cadre des divers programmes que nous offrons au nom des gouvernements provincial et fédéral, 40 projets ont reçu un financement de 3 113 981 \$ directement du Fonds d'investissement de la Corporation. Notre administration et prestation du programme d'Aide au travail indépendant (ATI) ont donné lieu à 23 approbations de projets additionnelles, se traduisant par une contribution financière d'un minimum de 402 500 \$. Chaque investissement a été réalisé en tenant compte du fait qu'il profiterait tant à l'entreprise qu'à la collectivité dans son ensemble.

Le dernier exercice financier s'est révélé satisfaisant de bien des façons et nous entreprenons le prochain exercice financier avec détermination et enthousiasme. Je crois que nous avons à notre portée tout ce qui est nécessaire pour assurer une réussite continue : un conseil d'administration expérimenté pour l'année à venir, de bonnes relations de travail avec les diverses agences publiques et privées à travers la région et, finalement, l'esprit d'entreprise qui est bien vivant dans la région de Miramichi de nos jours.

Greg McNulty
Directeur général



Corporations au bénéfice du développement communautaire
NORTHUMBERLAND

La CBDC Northumberland exerce ses activités conformément à ses objectifs à l'intérieur des frontières du comté de Northumberland, à l'exception de la paroisse de Rogersville, mais incluant la partie du comté de York comprise dans la circonscription électorale provinciale de Miramichi-Sud-Ouest-Baie du Vin.

Les investissements dans la région pour l'année 2018 - 2019

Les requêtes traitées

Demandes reçues	54
Demandes approuvées	40
Sommes investies	3 113 981 \$

Nombre de séances de consultation d'affaires

Nombre de clients	73
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Impact sur les entreprises

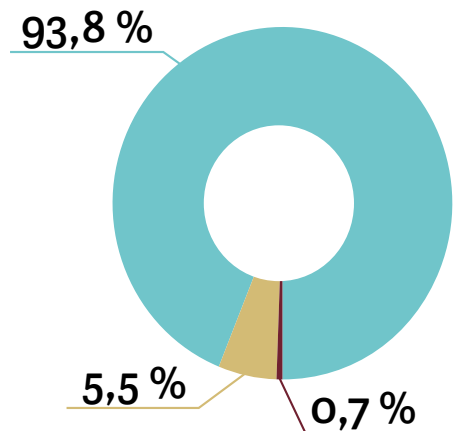
Nouvelles entreprises	18
Entreprises existantes	15
Total	33

Impact sur l'emploi

Emplois créés	50
Emplois maintenus	53
Total	103

Prêts par secteurs d'activité

- Transport et entreposage
- Commerce de gros et de détail
- Autre



Sessions de formations

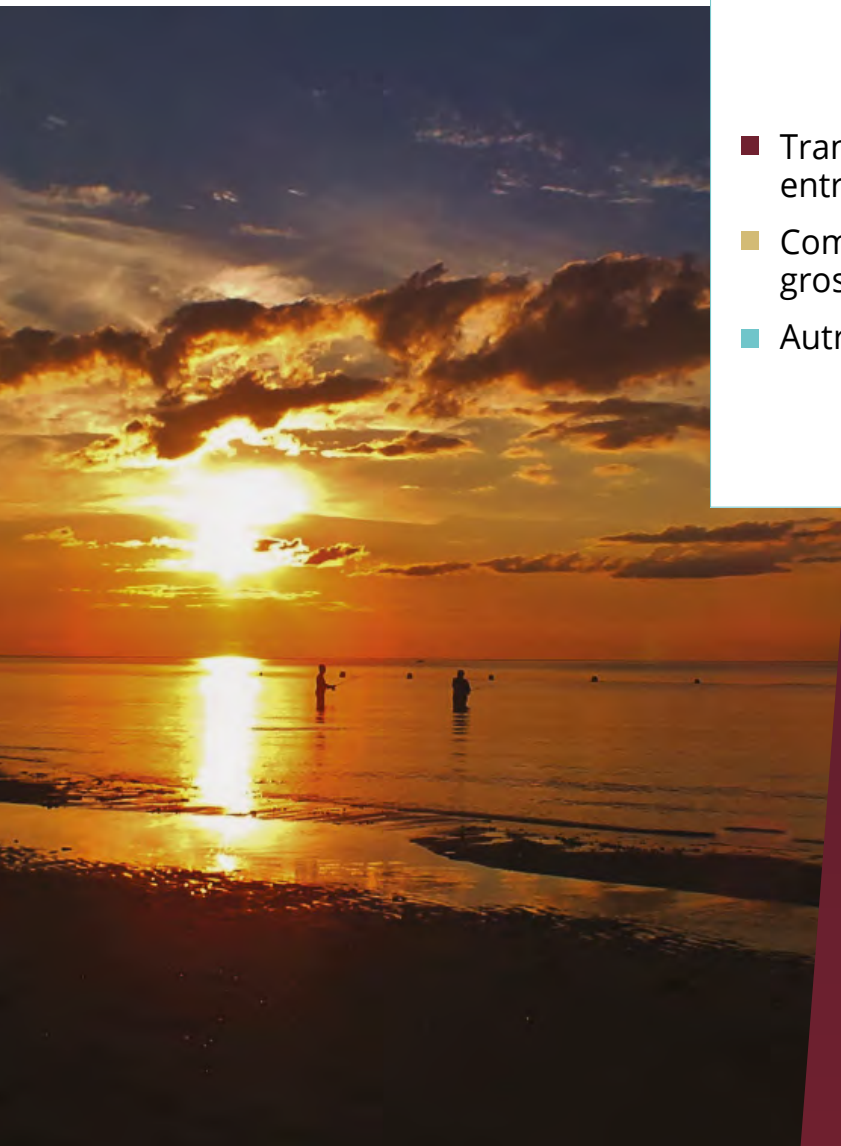
Nombre de sessions	9
Montants accordés	9 802 \$

Aide au travail indépendant

Demandes approuvées	23
Aide financière	402 500 \$

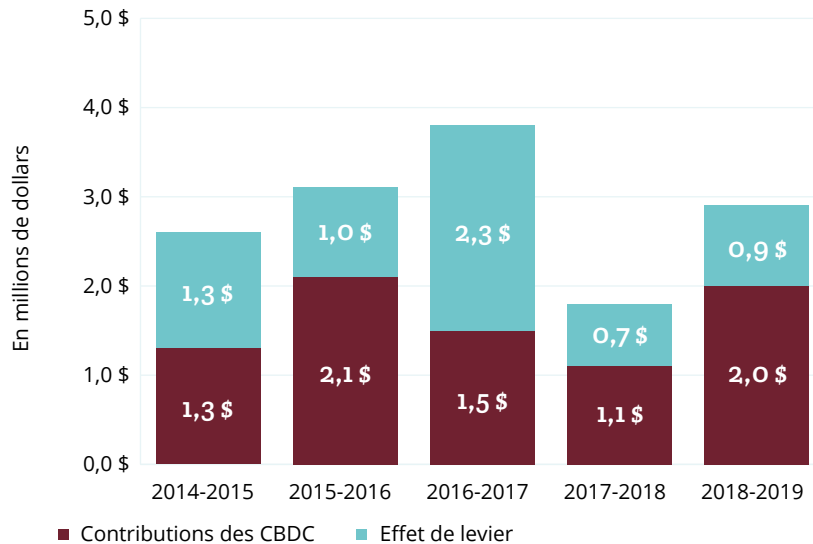
Programme de services-conseils aux entrepreneurs

Nombre de participants	6
Investissements	37 749 \$



Bâtir un levier entrepreneurial fort dans la région de Northumberland

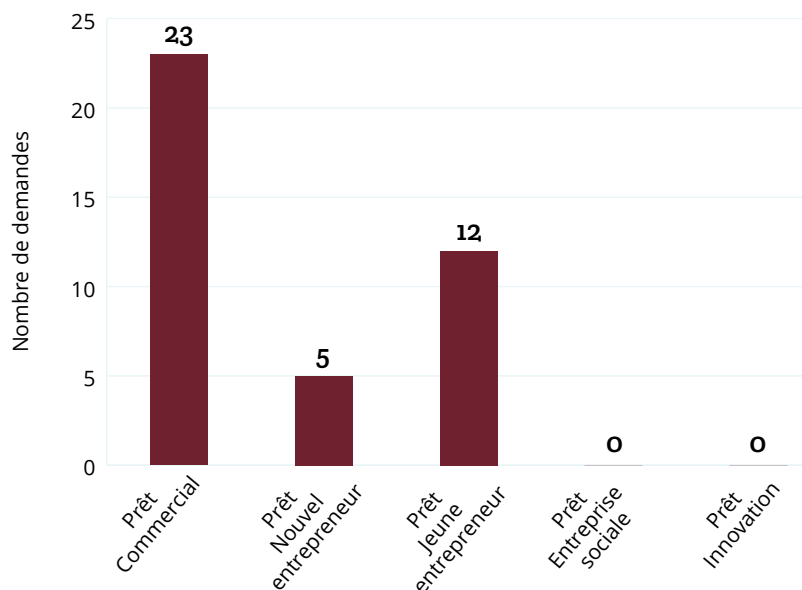
Les montants des contributions de la CBDC et de l'effet de levier depuis les cinq dernières années



La CBDC Northumberland a déboursé un nombre important de prêts en 2018-2019 par rapport aux deux années précédentes (2016-2017 et 2017-2018), revenant aux montants de prêts consentis en 2015-2016.

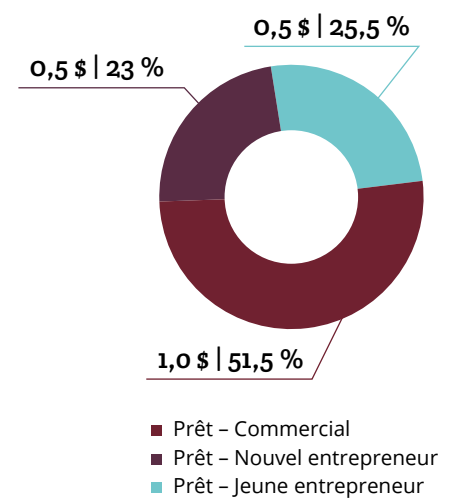
Depuis sa création, la CBDC Northumberland a injecté 29,7 millions de dollars dans la collectivité.

Nombre de demandes approuvées selon les programmes de prêts de la CBDC

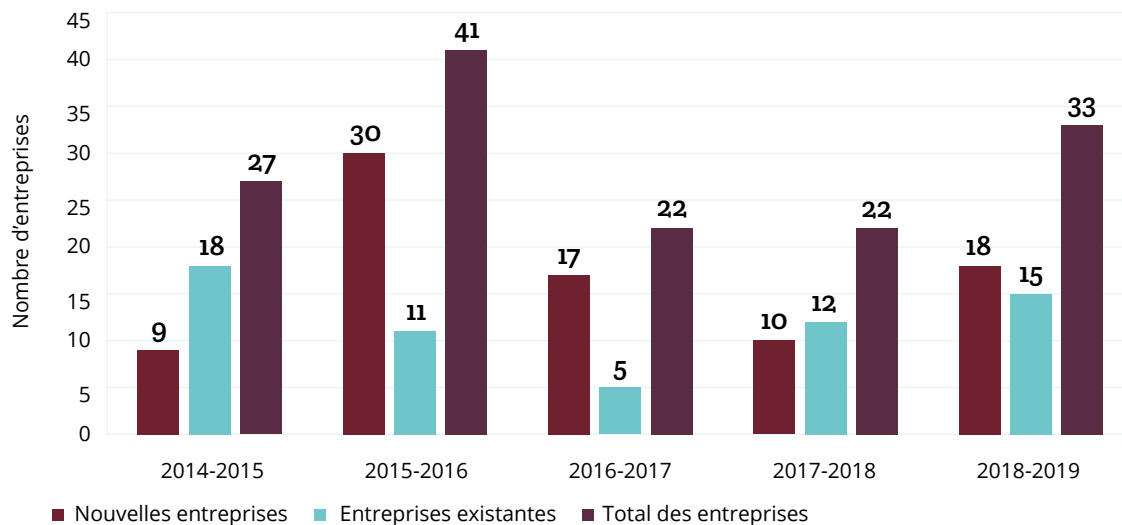


Répartition des montants déboursés selon le type de prêt

(en millions de dollars)



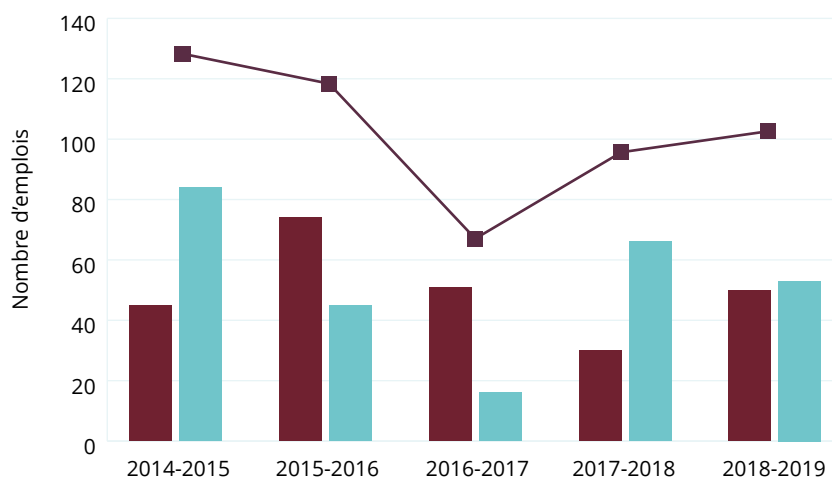
Le nombre d'entreprises qui ont bénéficié d'une aide financière depuis les cinq dernières années



Le nombre d'entreprises qui ont reçu une aide financière a augmenté de 50 % par rapport à l'année précédente.

Une augmentation de 7 % des emplois créés et maintenus a été constatée par rapport à l'année précédente.

La création et le maintien d'emplois dans la communauté depuis les cinq dernières années



■ Création d'emplois	45	74	51	30	50
■ Maintien d'emplois	84	45	16	66	53
■ Total	129	119	67	96	103

Nous célébrons notre 33^e anniversaire

Depuis 1985, la CBDC Northumberland Inc. aide les entrepreneurs potentiels et existants de la région à accéder à des capitaux et des ressources commerciales. Nous formons un organisme sans but lucratif dirigé par une équipe de 12 bénévoles du milieu d'affaires local qui croit fermement à améliorer la viabilité économique de la région en investissant dans les petites et moyennes entreprises. Les décisions d'investissement sont prises par notre conseil d'administration à l'écoute

des besoins de la région de Northumberland. Ces administrateurs sont des bénévoles du secteur des affaires dévoués à faire de la collectivité un meilleur endroit où vivre et travailler. Il ne fait pas de doute que la force de la CBDC Northumberland Inc. réside dans son conseil de bénévoles; ils ont une connaissance approfondie des marchés locaux, de l'environnement commercial et des personnes dans leurs collectivités.



Alphonse Turbide
Président



Wayne Bushey
Vice-président



Therese Savoie
Secrétaire



Russell Vye
Trésorier



Sharon Deroche
Directrice



David Hamilton
Directeur



Stephen Lynch
Directeur



Clarissa Harris LeBreton
Directrice



Les Saunders
Directeur



Marcel Muise
Directeur



Tara Ross-Robinson
Directrice



Lynn O'Neill
Directrice

À mesure que la CBDC Northumberland Inc. progresse après trente-trois ans d'exploitation, nous continuerons de mettre l'accent sur la prestation d'un niveau de service optimal à la communauté d'affaires. Pour ce faire, nous offrirons une assistance fiable à nos clients, en préparant des montages financiers pertinents et créatifs, et en continuant d'améliorer nos relations avec les agences privées et publiques et, par conséquent, nous encouragerons les entrepreneurs locaux à profiter de nos services.

Les trente-trois dernières années ont été enrichissantes de bien des façons et nous entreprenons les prochaines années avec détermination et enthousiasme. Nous croyons que nous avons à notre portée tout ce qui est nécessaire pour assurer une réussite continue : un conseil d'administration expérimenté, de bonnes relations de travail avec les diverses agences publiques et privées à travers la région et, finalement, l'esprit d'entreprise qui est bien vivant dans la région de Miramichi de nos jours. La CBDC Northumberland Inc. est une ressource précieuse

pour les gens d'affaires et de plus en plus d'entre eux mettent à profit notre expertise financière et technique pour aider à démarrer ou agrandir une entreprise. Par l'entremise de ce type d'assistance, nous réalisons notre mandat visant à aider à la création ou l'expansion des entreprises.

Notre conseil d'administration est composé de 12 membres spécialisés dans les domaines des finances, de la planification, du développement des petites entreprises et du marketing.

Nous tenons à féliciter notre personnel : le directeur général, Greg McNulty ; les analystes de projet, Pauline Tenass, Cheryl Daigle et Pierre-Luc Beaudin, ainsi que notre assistante administrative, Lucie Daigle, pour leur dévouement et leur travail remarquable. Nous tenons également à remercier sincèrement les nombreux clients de la CBDC ainsi que le public en général. Nous vous encourageons à profiter de nos services techniques et financiers et à nous appuyer dans notre poursuite du développement économique de la région.

L'équipe de la CBDC Northumberland



Greg McNulty
Directeur général



Pauline Tenass
Analyste de projet



Cheryl Daigle
Analyste de projet



Pierre-Luc Beaudin
Analyste de projet



Lucie Daigle
Assistante administrative

Une variété de produits et services pour le succès de nos entrepreneurs



Formation axée sur les compétences

Offre une formation adaptée dans des domaines particuliers tels que le développement du marché, la comptabilité, les études de faisabilité, les sources de financement et l'analyse opérationnelle.

Services-conseils aux entrepreneurs

Offre une aide par le biais d'un agent externe en matière de services-conseils dans des champs d'expertise variés pour accroître la performance de l'entreprise. Une certaine contribution financière est demandée de la part du client.

Conseils aux entreprises

Des conseils aux entreprises offerts aux nouveaux entrepreneurs et aux entrepreneurs déjà établis.

Programme Aide au travail indépendant

Permet aux participants de continuer de recevoir leurs prestations d'assurance-emploi pendant l'étape de démarrage de leur entreprise. Offre également une allocation hebdomadaire pour la mise sur pied de l'entreprise si la personne a reçu du chômage durant les dernières années (selon la politique en vigueur).

Initiative pour les technologies propres

Prêt et services-conseils pour des idées de processus en technologies propres, et des produits ou services qui atténuent les effets néfastes sur l'environnement.

Prêt – Commercial

Permet aux entreprises florissantes de poursuivre leur croissance avec de plus grands locaux, de l'équipement renouvelé, ou l'acquisition d'autres éléments afin de répondre à l'expansion de la clientèle. Un prêt plus souple qui peut même faciliter l'acquisition d'une entreprise existante.

Prêt – Nouvel entrepreneur

Offre des services de consultation pour aider quiconque aspire à devenir un chef d'entreprise autonome et prospère. Le prêt est idéal pour permettre à votre projet de prendre forme.

Prêt – Jeune entrepreneur

Offre pour les jeunes de 18 à 34 ans du capital de mise en exploitation pour démarrer une entreprise, alors qu'il peut être périlleux d'obtenir le financement nécessaire.

Prêt – Entreprise sociale

Cible des entreprises sociales qui exercent des activités au sein des collectivités rurales, où les gens peuvent vivre, travailler et profiter des activités sociales dans leur région.

Prêt – Innovation

Permet le développement de l'économie du savoir et facilite l'adoption des nouvelles technologies et la commercialisation.



Corporations au bénéfice
du développement communautaire

Comment nous joindre?

Pour des renseignements supplémentaires sur les programmes offerts par votre CBDC, appelez-nous ou consultez les liens suivants :

✉ 1773, rue Water
Miramichi, N.-B. E1N 1B2

☎ 506.778.2121

🌐 www.northumberlandcbdc.ca

📘 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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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 Fund</u>	<u>Investment Fund</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenues				
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	<u>4,622</u>	<u>1,325</u>	<u>5,947</u>	<u>4,665</u>
Total Revenues	390,798	525,706	916,504	895,365
Expenses				
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	<u>380,589</u>	-	<u>380,589</u>	<u>338,072</u>
Total Expenses	<u>536,068</u>	<u>286,088</u>	<u>822,156</u>	<u>624,046</u>
Excess of revenue over expenditures (expenditures over revenue) before contribution	(145,270)	239,618	94,348	271,319
Contribution to operating from investment fund	<u>145,270</u>	<u>(145,270)</u>	<u>-</u>	<u>-</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ 94,348</u>	<u>\$ 94,348</u>	<u>\$ 271,319</u>
Fund balance, beginning of year	\$ (46,623)	\$ 1,782,083	\$ 1,735,460	\$ 1,464,141
Excess of revenue over expenditures	<u>-</u>	<u>94,348</u>	<u>94,348</u>	<u>271,319</u>
Fund balance, end of year	<u>\$ (46,623)</u>	<u>\$ 1,876,431</u>	<u>\$ 1,829,808</u>	<u>\$ 1,735,460</u>

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>
Assets				
Current				
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>
Liabilities				
Current				
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
Equity				
Fund balances				
Restricted (Note 7)				
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

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>2019 Total</u>	<u>2018 Total</u>
Cash derived from (applied to)				
Operating				
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>
Investing				
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>
Financing				
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

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2019

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.

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.

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.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2019

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.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2019

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.

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

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.

Loans and Mortgages Receivable	<u>2019</u>	<u>2018</u>
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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	<u>\$ 6,984,828</u>	<u>\$ 6,439,428</u>

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

	<u>2019</u>	<u>2018</u>
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	<u>\$ 341,048</u>	<u>\$ 382,398</u>

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2019

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.

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>

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.

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.

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.

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>

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2019

12. Payables and accruals

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

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.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2019

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.

15. Investment loan portfolio

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

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%