

**Northern Opportunities For Business Limited**

**Financial Statements**

**March 31, 2012**

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## AUDITOR'S REPORT

### **To the members of Northern Opportunities For Business Limited**

We have audited the accompanying financial statements of Northern Opportunities for Business Limited, which comprise the statements of financial position as at March 31, 2012, and the statements of operations and changes in fund balances, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

#### *Basis for qualified opinion*

Northern Opportunities For Business 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 company 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 used in these financial statements differs from Canadian generally accepted accounting principles.

#### *Qualified opinion*

In our opinion, except for the effects of the matter described above, the financial statements present fairly, in all material respects, the financial position of Northern Opportunities For Business Limited as at March 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

New Glasgow, Nova Scotia

June 26, 2012

AC Williams MacDonald Inc.

Chartered Accountants

**NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED**

**CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**

**YEAR ENDED MARCH 31, 2012**

	Operating Fund	Restricted Funds			Total 2012	Total 2011
		Investment Fund	Connexions Fund	CSBLP Fund		
<b>Revenues</b>						
ACOA contribution - core funding	\$ 390,000	\$	\$	\$	\$ 390,000	\$ 400,000
- equipment financing	475				475	3,482
Investment income - loan portfolio		772,907			772,907	802,206
SEB contributions	108,954				108,954	102,695
NSACBDC contributions	27,286				27,286	21,637
SIB fund admin fee	40,500				40,500	16,500
Technology fund interest	6,252				6,252	8,136
Sundry and fees income	7,957	4,420			12,377	22,767
Dept of Labour	7,174				7,174	
Canada Life commissions	5,636				5,636	4,766
	<u>594,233</u>	<u>777,327</u>			<u>1,371,560</u>	<u>1,382,189</u>
<b>Expenses</b>						
Loan loss provision		497,377			497,377	284,117
Salaries and benefits	380,844				380,844	372,432
Interest		50,843			50,843	66,392
Travel, conferences, and memberships	29,624				29,624	31,432
Client diagnostic training and software	26,728				26,728	21,637
Rent	25,582				25,582	26,100
Advertising and promotion	19,656				19,656	13,668
Collection costs	14,376				14,376	9,548
SEB training	11,448				11,448	13,272
Professional fees	11,405				11,405	8,250
Net HST expense	9,848				9,848	10,571
Telephone and internet	8,441				8,441	8,918
Training cost	6,117				6,117	20,236
Loss on disposal of computers	4,850				4,850	
Repairs and maintenance	4,171				4,171	4,206
Supplies	3,021				3,021	4,072
Taxes and insurance on repossessed properties	2,924				2,924	6,023
Insurance	2,783				2,783	3,715
Bank charges	2,388				2,388	2,897
Partnership	2,203				2,203	4,119
Postage	1,738				1,738	1,460
Amortization	1,580				1,580	3,812
Credit checks	1,246				1,246	1,060
SIB program support						4,806
	<u>570,974</u>	<u>548,220</u>			<u>1,119,193</u>	<u>922,743</u>
Excess revenues (expenses)	23,260	229,107			252,367	459,446
Fund balances, beginning of year	<u>170,409</u>	<u>5,788,506</u>	<u>1,094,373</u>	<u>22,797</u>	<u>7,076,085</u>	<u>6,616,639</u>
	193,669	6,017,613	1,094,373	22,797	7,328,452	7,076,085
Adjustment		2,134,789	(1,094,373)	(22,797)	1,017,619	
Fund balances, end of year	<u>\$ 193,669</u>	<u>\$ 8,152,402</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,346,071</u>	<u>\$ 7,076,085</u>

**NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****MARCH 31, 2012**

	Operating Fund	Restricted Funds		2012	2011
		Investment Fund	SIB Fund		
<b>ASSETS</b>					
Current assets					
Cash and equivalents	\$ 121,075	\$ 498,411	\$ 895	\$ 620,381	\$ 1,056,842
Accounts receivable - SEB	14,768			14,768	19,187
- NSACBDC	35,749		500	36,249	21,579
- AACBDC	5,896			5,896	
- PNS	38,696			38,696	
- HST	307			307	3,383
- Interfund	18,451	20,534		38,985	20,048
Prepaid expenses	33,473			33,473	28,624
	268,415	518,945	1,395	788,755	1,149,663
Capital assets	6,640			6,640	11,785
Investments					
Loan and equity investments		10,463,683	37,590	10,501,273	10,660,521
ACCBIF		37,500		37,500	37,500
	<u>\$ 275,055</u>	<u>\$ 11,020,128</u>	<u>\$ 38,985</u>	<u>\$ 11,334,168</u>	<u>\$ 11,859,469</u>
<b>LIABILITIES</b>					
Current					
Payables - trade	\$ 15,171	\$	\$ 38,985	\$ 15,171	\$ 46,776
- interfund				38,985	20,048
- ACCBIF		856,942		856,942	844,613
- AACBDC					26,060
- ACOA					253,238
Deferred revenue	66,216			66,216	26,843
Callable loan - ACCBIF		2,010,784		2,010,784	3,261,486
	81,387	2,867,726	38,985	2,988,098	4,479,064
Long term loans					
AACBDC					256,150
NSACBDC					48,170
					304,320
	81,387	2,867,726	38,985	2,988,098	4,783,384
<b>FUND BALANCES</b>					
Invested in capital assets	6,640			6,640	11,785
Unrestricted fund balances	187,028			187,028	158,624
Externally restricted					
CEIC		1,950,000		1,950,000	1,950,000
ACOA		100,000		100,000	100,000
ACOA (Connexions)		1,094,373		1,094,373	1,094,373
CORDA		44,915		44,915	44,915
CSBLP		22,797		22,797	22,797
Recapitalization		1,017,619		1,017,619	
Surplus		3,922,698		3,922,698	3,693,591
	193,668	8,152,402		8,346,070	7,076,085
	<u>\$ 275,055</u>	<u>\$ 11,020,128</u>	<u>\$ 38,985</u>	<u>\$ 11,334,168</u>	<u>\$ 11,859,469</u>
<b>ON BEHALF OF THE BOARD</b>					

Director

Director

**NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**YEAR ENDED MARCH 31, 2012**

	Operating Fund	Restricted Funds			2012 Total	2011 Total
		Investment Fund	Connexions Fund	CSBLP Fund		
Cash derived from (applied to)						
<b>Operations</b>						
Excess of revenues over expenses	\$ 23,260	\$ 229,107	\$	\$	\$	\$ 459,446
Amortization	1,580				1,580	3,812
Loss on disposal of capital assets	4,890				4,890	
Loan loss provision		497,377			497,377	284,117
<b>Changes in:</b>						
Interfund balance	(19,332)	(7,413)		200	21,910	(4,635)
HST receivable	3,076					3,076
NSACBDC receivable	(14,920)				250	(14,670)
SEB receivable	4,419					4,419
Other receivables	(44,592)					(44,592)
Prepaid expenses	(4,849)					(4,849)
Payables	(27,011)					(27,011)
<b>Net cash flows from operations</b>	<b>(73,480)</b>	<b>719,071</b>		<b>200</b>	<b>22,160</b>	<b>667,952</b>
<b>Financing</b>						
Deferred revenue	39,373					39,373
ACCBIF - loans from						(8,331)
- repayments to		(1,238,373)				840,000
NSACBDC - loans from				1,840	26,645	(1,238,373)
- repayments to					(48,170)	28,485
ACOA			(253,238)			(48,170)
Recapitalization funding		1,017,619				(253,238)
Interfund transfers		1,114,417	(1,091,620)	(22,797)		1,017,619
<b>Net cash flows from financing</b>	<b>39,373</b>	<b>893,663</b>	<b>(1,344,858)</b>	<b>(20,957)</b>	<b>(21,525)</b>	<b>(454,304)</b>
<b>Investing</b>						
Purchase/disposal of capital assets	(1,285)					(1,285)
Loans to clients		(3,336,000)				(3,336,000)
Repayments from clients		1,727,479	959,697			(3,041,367)
<b>Net cash flows from investing</b>	<b>(1,285)</b>	<b>(1,608,521)</b>	<b>959,697</b>			<b>2,687,176</b>
<b>Net change in cash and equivalents</b>	<b>(35,391)</b>	<b>4,213</b>	<b>(385,161)</b>	<b>(20,757)</b>	<b>635</b>	<b>(436,461)</b>
Cash and equivalents, beginning of year	156,466	494,198	385,161	20,757	260	1,061,753
Cash and equivalents, end of year	\$ 121,075	\$ 498,411	\$	\$	\$ 895	\$ 1,056,842



**NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED****SCHEDULE OF ALLOWANCE FOR LOAN IMPAIRMENT****MARCH 31, 2012**

	<u>2012</u> <u>Category A</u>	<u>2012</u> <u>Category B</u>	<u>2012</u> <u>Category C</u>	<u>2012</u> <u>Category D</u>	<u>2012</u> <u>Total</u>
<b><u>Investment Fund</u></b>	\$ 8,463,088	\$ 1,640,763	\$ 747,583	\$ 192,061	<b>\$ 11,043,495</b>
Allowance for loan impairment		236,022	226,729	117,061	<b>579,812</b>
	<u>\$ 8,463,088</u>	<u>\$ 1,404,741</u>	<u>\$ 520,854</u>	<u>\$ 75,000</u>	<u><b>\$ 10,463,683</b></u>
Allowance percentage					<b>5.3%</b>

The loans in the Investment Fund are classified by management in the categories above based on the credit risk and performance with Category A representing the accounts that are maintained in accordance with the terms established and Category D representing the accounts which collection is highly doubtful.