
**BLUE WATER BUSINESS DEVELOPMENT
CORPORATION LIMITED**

FINANCIAL STATEMENTS

March 31, 2015

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
FINANCIAL STATEMENTS
March 31, 2015

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INDEPENDENT AUDITOR'S REPORT

**Etter MacLeod
& Associates Inc.**

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

117 Brentwood Drive
Bedford, NS B4A 3S3
Tel: (902) 456-1031
david@davidetter.ca
www.porterhetu.com

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, 2015 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.

**Independent
Member Firm of
Porter Héту International**

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.

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 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.

Member Offices

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Cheticamp, NS
Dartmouth, NS

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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 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, 2015 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 25, 2015
Bedford, NS

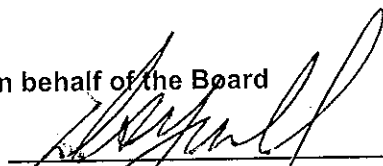


Certified General Accountant

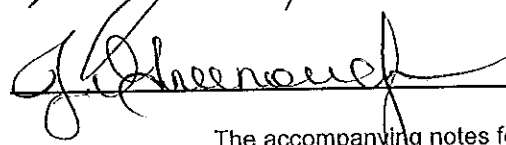
BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
March 31, 2015

| | <u>Operating</u> Fund | <u>Investment</u> Fund | 2015 | 2014 |
|--|--------------------------|---------------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and term deposits | 338,409 | 1,760,314 | 2,098,723 | 1,536,200 |
| Receivables (Note 5) | 8,245 | 35,638 | 43,883 | 97,652 |
| HST refundable | 18,356 | - | 18,356 | 10,111 |
| Prepaid expense | 2,000 | - | 2,000 | 2,000 |
| Due from operating fund | - | 58,440 | 58,440 | 69,919 |
| | <u>367,010</u> | <u>1,854,392</u> | <u>2,221,402</u> | <u>1,715,882</u> |
| Investments (Note 4) | - | 6,612,982 | 6,612,982 | 6,857,075 |
| Capital assets (Note 6) | 6,407 | - | 6,407 | 7,489 |
| | <u>373,417</u> | <u>8,467,374</u> | <u>8,840,791</u> | <u>8,580,446</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Due to investment fund | 58,440 | - | 58,440 | 69,919 |
| Payables and accrued liabilities | 2,474 | - | 2,474 | - |
| Funds collected and held in trust (Note 7) | - | 1,823 | 1,823 | - |
| Current portion of long term debt (Note 8) | - | 100,000 | 100,000 | 100,000 |
| | <u>60,914</u> | <u>101,823</u> | <u>162,737</u> | <u>169,919</u> |
| Long term debt | | | | |
| Due to related parties (Note 8) | - | 461,625 | 461,625 | 469,750 |
| | <u>60,914</u> | <u>563,448</u> | <u>624,362</u> | <u>639,669</u> |
| NET ASSETS | | | | |
| Fund balances | | | | |
| Net assets invested in capital assets | 6,407 | - | 6,407 | 7,489 |
| Externally restricted net assets | - | 7,811,926 | 7,811,926 | 7,456,274 |
| Internally restricted net assets | 250,000 | 92,000 | 342,000 | 322,000 |
| Unrestricted net assets | 56,096 | - | 56,096 | 155,014 |
| | <u>312,503</u> | <u>7,903,926</u> | <u>8,216,429</u> | <u>7,940,777</u> |
| | <u>373,417</u> | <u>8,467,374</u> | <u>8,840,791</u> | <u>8,580,446</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, 2015

(Schedule 2)

| | <u>Operating</u> Fund | <u>Investment</u> Fund | <u>Total</u> 2015 | <u>Total</u> 2014 |
|--|--------------------------|---------------------------|----------------------|----------------------|
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| ACOA contribution - Community Futures | 325,000 | - | 325,000 | 325,000 |
| Investment income - loan portfolio | - | 599,996 | 599,996 | 519,206 |
| Sundry revenue (Schedule 3) | 161,497 | 39,616 | 201,113 | 200,627 |
| | <u>486,497</u> | <u>639,612</u> | <u>1,126,109</u> | <u>1,044,833</u> |
| Expenditures | | | | |
| Advertising | 6,266 | - | 6,266 | 6,455 |
| Amortization | 3,633 | - | 3,633 | 3,258 |
| Bank charges | 648 | 2,589 | 3,237 | 3,373 |
| Board expenses | 22,422 | - | 22,422 | 8,796 |
| CAS expenses | - | 4,626 | 4,626 | - |
| Credit checking | 1,021 | - | 1,021 | 1,200 |
| Equipment rental | 6,507 | - | 6,507 | 5,998 |
| Get Connected Project | 20,825 | - | 20,825 | 33,725 |
| Insurance | 3,043 | - | 3,043 | 3,461 |
| Interest expense - ACCBIFF | - | 7,916 | 7,916 | 247 |
| Loan write-off provision for bad debts | - | 258,487 | 258,487 | 204,929 |
| Memberships, dues and fees | 6,328 | - | 6,328 | 3,834 |
| Miscellaneous | - | - | - | 1,001 |
| Office supplies | 5,536 | - | 5,536 | 6,762 |
| Postage and courier | 1,028 | - | 1,028 | 1,006 |
| Professional fees - audit and accounting | 14,244 | - | 14,244 | 16,958 |
| Professional fees - legal and consulting | 2,867 | - | 2,867 | 4,103 |
| Rent and utilities | 36,353 | - | 36,353 | 35,266 |
| Repairs and maintenance | 5,088 | - | 5,088 | 5,464 |
| Salaries, wages and benefits | 374,462 | - | 374,462 | 361,988 |
| Students in Business | - | - | - | 14,513 |
| Self Employment Benefits | 7,904 | - | 7,904 | 5,980 |
| Telecommunications | 14,342 | - | 14,342 | 14,236 |
| Training and development | 3,632 | 16,048 | 19,680 | 18,448 |
| Travel | 24,642 | - | 24,642 | 40,386 |
| | <u>560,791</u> | <u>289,666</u> | <u>850,457</u> | <u>801,387</u> |
| Excess of revenue over expenditures (expenditures over revenue) | <u>(74,294)</u> | <u>349,946</u> | <u>275,652</u> | <u>243,446</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, 2015

| | <u>Operating</u> Fund | <u>Investment</u> Fund | <u>Total</u> 2015 | <u>Total</u> 2014 |
|---|--------------------------|---------------------------|----------------------|----------------------|
| | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 312,503 | 7,628,274 | 7,940,777 | 7,697,331 |
| Transfers between funds - unrestricted | 24,294 | (24,294) | - | - |
| Transfers between funds - unrestricted | 50,000 | (50,000) | - | - |
| | <u>74,294</u> | <u>(74,294)</u> | <u>-</u> | <u>-</u> |
| Excess of revenue over expenditures (expenditures over revenue) | <u>(74,294)</u> | <u>349,946</u> | <u>275,652</u> | <u>243,446</u> |
| Balance, end of year | <u>312,503</u> | <u>7,903,926</u> | <u>8,216,429</u> | <u>7,940,777</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, 2015

| | <u>Operating</u> Fund | <u>Investment</u> Fund | <u>Total</u> 2015 | <u>Total</u> 2014 |
|---|--------------------------|---------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ | \$ |
| Net (outflow) inflow of cash related to the following activities: | | | | |
| Operations | | | | |
| Excess of revenue over expenditures (expenditures over revenue) | (74,294) | 349,946 | 275,652 | 243,446 |
| Items which do not involve cash | | | | |
| Amortization | 3,633 | - | 3,633 | 3,258 |
| Loan write-off provision for bad debts | - | 258,487 | 258,487 | 204,929 |
| Changes in non-cash working capital | | | | |
| Receivables | 27,342 | 26,427 | 53,769 | (57,431) |
| HST receivable | (8,245) | - | (8,245) | 3,780 |
| Inter fund receivables | (11,479) | - | (11,479) | 39,404 |
| Interfund payables | - | 11,479 | 11,479 | (39,404) |
| Payables and accruals | 2,474 | - | 2,474 | (2,719) |
| | <u>(60,569)</u> | <u>646,339</u> | <u>585,770</u> | <u>395,263</u> |
| Investing | | | | |
| Purchase of capital assets | (2,551) | - | (2,551) | (1,879) |
| Loan repayment | - | 2,447,584 | 2,447,584 | 2,534,328 |
| Loan recoveries previously written off | - | 49,020 | 49,020 | 32,843 |
| Loans and guarantees to clients | - | 2,510,998 | (2,510,998) | (3,600,456) |
| | <u>(2,551)</u> | <u>(14,394)</u> | <u>(16,945)</u> | <u>(1,035,164)</u> |
| Financing | | | | |
| Due to related parties (net) | - | (8,125) | (8,125) | 487,288 |
| Funds collected and held in trust | - | 2,160 | 2,160 | 2,399 |
| Repayment of funds held in trust | - | (337) | (337) | (8,580) |
| Interfund transfers | 74,294 | (74,294) | - | - |
| | <u>74,294</u> | <u>(80,596)</u> | <u>(6,302)</u> | <u>481,107</u> |
| Net cash inflow (outflow) | 11,174 | 551,349 | 562,523 | (158,794) |
| Cash and equivalents, beginning of year | <u>327,235</u> | <u>1,208,965</u> | <u>1,536,200</u> | <u>1,694,994</u> |
| Cash and equivalents, end of year | <u>338,409</u> | <u>1,760,314</u> | <u>2,098,723</u> | <u>1,536,200</u> |
| Represented by: | | | | |
| Cash and term deposits | <u>338,409</u> | <u>1,760,314</u> | <u>2,098,723</u> | <u>1,536,200</u> |
| Supplemental information: | | | | |
| Interest paid to ACCBIFF | <u>-</u> | <u>7,916</u> | <u>7,916</u> | <u>247</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, 2015

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, 2015

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 2014-2015 fiscal year is \$325,000.

(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, 2015

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.

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

4. INVESTMENTS - Loans receivable and equity investments

| | Loans to Business | Loan Guarantees | Loan Loss Reserve Fund | Loans to Students in Business | 2015 | 2014 |
|---|----------------------|--------------------|------------------------------|-------------------------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Loans and guarantees | 6,905,884 | 92,000 | 205,856 | 99,036 | 7,302,776 | 7,576,151 |
| Promissory note - ACCBIF Fund | 37,500 | - | - | - | 37,500 | 37,500 |
| Less: Loan guarantees | - | (92,000) | - | - | (92,000) | (172,000) |
| Total loan portfolio | 6,943,384 | - | 205,856 | 99,036 | 7,248,276 | 7,441,651 |
| Allowance for loan impairment (Schedule 1) | (585,035) | - | (50,259) | - | (635,294) | (584,576) |
| Total investments | 6,358,349 | - | 155,597 | 99,036 | 6,612,982 | 6,857,075 |

Continuity of loans and investments

| | Loans to Business | Loan Guarantees | Loan Loss Reserve Fund | Loans to Students in Business | 2015 | 2014 |
|-----------------------------------|----------------------|--------------------|------------------------------|-------------------------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Loans and guarantees | | | | | | |
| Balance, beginning of year | 7,060,100 | - | 238,401 | 143,150 | 7,441,651 | 6,564,984 |
| Loan additions during the year * | 2,412,023 | - | - | 62,000 | 2,474,023 | 3,600,456 |
| Loans repaid during the year | (2,259,905) | - | (32,545) | (106,114) | (2,398,564) | (2,532,099) |
| Loans written off during the year | (268,834) | - | - | - | (268,834) | (191,690) |
| Balance, end of year | 6,943,384 | - | 205,856 | 99,036 | 7,248,276 | 7,441,651 |
| Allowance for loan impairment | | | | | | |
| Balance, beginning of year | 570,503 | - | 14,073 | - | 584,576 | 536,265 |
| Current year loss provision | 14,532 | - | 36,186 | - | 50,718 | 48,311 |
| Balance, end of year | 585,035 | - | 50,259 | - | 635,294 | 584,576 |
| Total investments | 6,358,349 | - | 155,597 | 99,036 | 6,612,982 | 6,857,075 |

* included in additions to loans are amount refinanced for 2015 in the amount of \$116,003 (2014 - \$491,256)

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

| 5. RECEIVABLES | <u>Operating</u> | <u>Investment</u> | 2015 | 2014 |
|---|------------------|-------------------|---------------|---------------|
| | <u>Fund</u> | <u>Fund</u> | | |
| | \$ | \$ | \$ | \$ |
| NSACBCDs - Program recoveries | - | 2,000 | 2,000 | 45,528 |
| NSACBCDs - Students In Business - rebates | 2,250 | - | 2,250 | 1,250 |
| NSACBCDs - Students In Business - admin. fees | - | - | - | 7,000 |
| AACBCDs - Entrepreneurial Training Fund | - | 3,400 | 3,400 | 9,462 |
| Due from employee | 5,000 | - | 5,000 | 4,000 |
| Get Connected Project | - | - | - | 21,842 |
| Insurance premiums receivable | - | 1,840 | 1,840 | - |
| Investment fees receivable | - | 1,128 | 1,128 | - |
| Accrued interest receivable on loans | - | 27,270 | 27,270 | - |
| Other | 995 | - | 995 | 8,570 |
| | <u>8,245</u> | <u>35,638</u> | <u>43,883</u> | <u>97,652</u> |

| 6. CAPITAL ASSETS | 2015 | 2014 | 2015 | 2014 |
|-------------------------|---------------|---------------------------------|-----------------------|-----------------------|
| | | | | |
| | \$ | \$ | \$ | \$ |
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> | <u>Net Book Value</u> |
| Furniture and equipment | 59,635 | 57,688 | 1,947 | 2,429 |
| Computers | 30,286 | 26,051 | 4,235 | 4,950 |
| Software | 5,825 | 5,600 | 225 | 110 |
| | <u>95,746</u> | <u>89,339</u> | <u>6,407</u> | <u>7,489</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, 2015 is \$4,265 (2014 - \$6,350). The amounts collected on these loans are being held in trust.

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|--------------|----------------|
| | \$ | \$ |
| Balance, beginning of the year | - | 6,181 |
| Funds collected during the year | 2,160 | 2,399 |
| Repaid to NSACBDC during the year | <u>(337)</u> | <u>(8,580)</u> |
| Balance, end of the year | <u>1,823</u> | <u>-</u> |

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

8. DUE TO RELATED PARTIES

| | <u>2015</u> | <u>2014</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. | 500,000 | 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>61,625</u> | <u>69,750</u> |
| | 561,625 | 569,750 |
| Current portion of long term debt | <u>(100,000)</u> | <u>(100,000)</u> |
| | <u>461,625</u> | <u>469,750</u> |

Principal payments over the next five years are as follows:

| | |
|----------------|-----------|
| March 31, 2016 | \$100,000 |
| 2017 | \$100,000 |
| 2018 | \$100,000 |
| 2019 | \$100,000 |
| 2020 | \$100,000 |

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, 2016 | \$50,800 |
| 2017 | \$39,600 |
| 2018 | - |
| 2019 | - |
| 2020 | - |

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

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, 2015

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. CONTINGENCIES

(a) Contingent liabilities

- (i) The organization as part of its mandate has provided loan guarantees to qualified businesses. In the event these businesses default on their loans, the organization may be required to pay on these loans up to the amount of the guarantee.

The amount of these loan guarantees as at March 31, 2015 was \$92,000 (2014 -\$172,000).

- (ii) 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.

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

13. CONTINGENCIES (continued)

(a) Contingent liabilities (continued)

- (ii) 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, 2015

| | <u>2015</u> \$ | <u>2015</u> \$ | <u>2015</u> \$ | <u>2015</u> \$ | <u>2015</u> \$ |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Category A | Category B | Category C | Category D | 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% |

| | <u>2014</u> \$ | <u>2014</u> \$ | <u>2014</u> \$ | <u>2014</u> \$ | <u>2014</u> \$ |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Category A | Category B | Category C | Category D | Total |
| <u>Investment Fund</u> | 6,178,231 | 568,605 | 690,951 | 138,364 | 7,576,151 |
| Less: loan guarantees | (172,000) | - | - | - | (172,000) |
| | 6,006,231 | 568,605 | 690,951 | 138,364 | 7,404,151 |
| Student in Business | (143,150) | - | - | - | (143,150) |
| | 5,863,081 | 568,605 | 690,951 | 138,364 | 7,261,001 |
| ACCBIF Fund Investment | 37,500 | - | - | - | 37,500 |
| | <u>5,900,581</u> | <u>568,605</u> | <u>690,951</u> | <u>138,364</u> | <u>7,298,501</u> |
| Allowance for loan impairment | <u>117,261</u> | <u>97,594</u> | <u>231,357</u> | <u>138,364</u> | <u>584,576</u> |
| Allowance as a percentage of the total loan portfolio | | | | | 8.0% |

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
SCHEDULE OF OPERATIONS
Year ended March 31, 2015

| | Operating Fund | | |
|--|---------------------------|-----------------|-----------------|
| | Revised Budget 2015 | Actual 2015 | Actual 2014 |
| | \$ | \$ | \$ |
| Revenue | | | |
| ACOA contribution - Community Futures | 325,000 | 325,000 | 325,000 |
| Sundry revenue (Schedule 3) | 161,497 | 161,497 | 200,627 |
| | <u>486,497</u> | <u>486,497</u> | <u>525,627</u> |
| Expenditures | | | |
| Advertising | 6,100 | 6,266 | 6,455 |
| Amortization | 3,000 | 3,633 | 3,258 |
| Bank charges | 600 | 648 | 689 |
| Board expenses | 15,135 | 22,422 | 8,796 |
| Credit checking | 1,800 | 1,021 | 1,200 |
| Co-op expenses | 9,805 | - | - |
| Equipment rental | 6,984 | 6,507 | 5,998 |
| Get Connected Project | - | 20,825 | 33,725 |
| Insurance | 3,390 | 3,043 | 3,461 |
| Memberships, dues and fees | 2,500 | 6,328 | 3,834 |
| Miscellaneous | 3,500 | - | 1,001 |
| Office supplies | 7,500 | 5,536 | 6,762 |
| Postage and courier | 350 | 1,028 | 1,006 |
| Professional fees - audit and accounting | 14,100 | 14,244 | 16,958 |
| Professional fees - legal and consulting | 6,750 | 2,867 | 4,103 |
| Rent and utilities | 39,192 | 36,353 | 35,266 |
| Repairs and maintenance | 4,986 | 5,088 | 5,464 |
| Salaries and wages | 310,621 | 339,032 | 330,381 |
| Salaries and wages - statutory and group benefits | 30,725 | 35,430 | 31,607 |
| Students in Business | 11,000 | - | 14,513 |
| Self Employment Benefits | 6,520 | 7,904 | 5,980 |
| Telecommunications | 14,650 | 14,342 | 14,236 |
| Training and development | 5,500 | 3,632 | 4,985 |
| Travel | 40,500 | 24,642 | 40,386 |
| | <u>545,208</u> | <u>560,791</u> | <u>580,064</u> |
| Excess of revenue over expenditures (expenditures over revenue) | <u>(58,711)</u> | <u>(74,294)</u> | <u>(54,437)</u> |
| Amounts transferred from Investment fund | <u>84,546</u> | <u>74,294</u> | |
| Excess refundable to Investment fund | <u>25,835</u> | <u>-</u> | |

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
SCHEDULE OF SUNDRY REVENUE
Year ended March 31, 2015

| | Operating Fund | | Investment | <u>Total</u> | <u>Total</u> |
|-----------------------------|----------------|----------------|---------------|----------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Fund</u> | <u>2015</u> | <u>2014</u> |
| | 2015 | 2015 | 2015 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ | \$ |
| Sundry revenue | | | | | |
| CAS Program | - | 1,170 | 4,626 | 5,796 | 2,047 |
| Co-op student | 5,750 | 5,063 | - | 5,063 | 8,944 |
| Get Connected Project | - | 24,602 | - | 24,602 | 34,192 |
| Interest income | - | 3,222 | 11,277 | 14,499 | 16,032 |
| Literacy and Essentials | - | 4,694 | - | 4,694 | - |
| Loan application fees | 30,000 | 28,223 | - | 28,223 | 41,102 |
| NSACBCD support services | - | - | 16,048 | 16,048 | 12,379 |
| Other | 8,150 | 8,820 | 5,640 | 14,460 | 15,352 |
| Self Employment Benefit | 70,632 | 81,653 | - | 81,653 | 42,579 |
| Student in Business Program | 20,000 | 4,050 | 2,025 | 6,075 | 28,000 |
| | <u>134,532</u> | <u>161,497</u> | <u>39,616</u> | <u>201,113</u> | <u>200,627</u> |