



Financial Statements

Blue Water Business Development
Corporation Limited

March 31, 2020

Contents

	Page
Independent auditor's report	1-2
Statement of financial position	3
Statement of operations	4
Statement of changes in net assets	5
Statement of cash flows	6
Notes to the financial statements	7-13
Schedule 1 – Schedule of allowance for loan impairment	14
Schedule 2 – Schedule of operations	15
Schedule 3 – Schedule of sundry revenue	16

Independent auditor's report

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To the Directors of
Blue Water Business Development Corporation Limited

Opinion

We have audited the financial statements of Blue Water Business Development Corporation Limited (the "Corporation"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Blue Water Business Development Corporation Limited as at March 31, 2020, and its results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation 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 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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

Halifax, Canada
June 30, 2020

Chartered Professional Accountants

Blue Water Business Development Corporation Limited

Statement of financial position

March 31

2020

2019

	Operating Fund	Investment Fund	Total	Total
Assets				
Current				
Cash and cash equivalents	\$ 308,579	\$ 1,887,155	\$ 2,195,734	\$ 2,026,181
Receivables (Note 4)	1,906	150,393	152,299	140,570
HST receivable	4,519	883	5,402	5,314
Prepaid expense	3,839	848	4,687	2,316
Interfund balances	(70,534)	70,534	-	-
	<u>248,309</u>	<u>2,109,813</u>	<u>2,358,122</u>	<u>2,174,381</u>
Investment	-	40,000	40,000	-
Loans receivable (Note 3)	-	7,020,609	7,020,609	6,400,112
Property and equipment (Note 5)	<u>12,281</u>	<u>-</u>	<u>12,281</u>	<u>15,216</u>
	<u>\$ 260,590</u>	<u>\$ 9,170,422</u>	<u>\$ 9,431,012</u>	<u>\$ 8,589,709</u>

Liabilities and fund balances

Liabilities

Current

Payables and accruals	\$ 22,238	\$ 5,672	\$ 27,910	\$ 23,642
Unearned revenue	19,720	-	19,720	18,942
Funds collected and held in trust (Note 6)	-	1,200	1,200	600
Current portion of related party loan (Note 7)	-	289,973	289,973	-
	<u>41,958</u>	<u>296,845</u>	<u>338,803</u>	<u>43,184</u>

Related party loan (Note 7)

	-	469,746	469,746	-
	<u>41,958</u>	<u>766,591</u>	<u>808,549</u>	<u>43,184</u>

Fund balances

Externally restricted net assets	-	8,403,831	8,403,831	8,327,893
Internally restricted net assets	200,000	-	200,000	200,000
Unrestricted net assets	<u>18,632</u>	<u>-</u>	<u>18,632</u>	<u>18,632</u>
	<u>218,632</u>	<u>8,403,831</u>	<u>8,622,463</u>	<u>8,546,525</u>

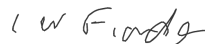
	<u>\$ 260,590</u>	<u>\$ 9,170,422</u>	<u>\$ 9,431,012</u>	<u>\$ 8,589,709</u>
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Commitments (Note 9)
Contingencies (Note 12)
Subsequent events (Note 13)

On behalf of the Board



Director



Director

Blue Water Business Development Corporation Limited

Statement of operations

Year ended March 31

2020

2019

	Operating Fund	Investment Fund	Total	Total
Revenue				
ACOA contribution	\$ 327,485	\$ -	\$ 327,485	\$ 331,629
Interest income	-	552,797	552,797	538,983
Sundry revenue (Schedule 3)	191,066	58,195	249,261	183,151
	<u>518,551</u>	<u>610,992</u>	<u>1,129,543</u>	<u>1,053,763</u>
Expenses				
Advertising	7,013	-	7,013	3,044
Amortization	4,129	-	4,129	4,061
Bank charges	843	2,270	3,113	3,720
Board expenses	13,642	-	13,642	14,448
Co-op expenses	48,405	-	48,405	-
Credit checking	-	5,233	5,233	5,216
Equipment rental	4,836	-	4,836	4,509
Insurance	3,976	-	3,976	3,886
Interest	-	10,858	10,858	-
Loan write-off / provision for bad debts	-	326,902	326,902	11,678
Memberships, dues and fees	6,084	-	6,084	6,006
Office supplies	5,299	-	5,299	4,546
Postage and courier	236	-	236	755
Professional fees – audit and accounting	19,700	-	19,700	28,818
Professional fees – legal and consulting	9,344	2,343	11,687	5,900
Rent and utilities	49,520	-	49,520	47,573
Repairs and maintenance	6,171	-	6,171	4,327
Salaries, wages and benefits	391,913	-	391,913	362,491
Self-employment benefit	61,197	-	61,197	57,755
Telecommunications	9,101	-	9,101	8,862
Training and development	17,797	11,373	29,170	17,890
Travel	35,420	-	35,420	26,051
	<u>694,626</u>	<u>358,979</u>	<u>1,053,605</u>	<u>621,536</u>
Excess (deficiency) of revenue over expenses	\$ (176,075)	\$ 252,013	\$ 75,938	\$ 432,227

See accompanying notes to the financial statements

Blue Water Business Development Corporation Limited

Statement of changes in net assets

Year ended March 31

	Unrestricted <u>Net assets</u>	Internally restricted <u>net assets</u>	Externally restricted <u>Net assets</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 18,632	\$ 200,000	\$ 8,327,893	\$ 8,546,525	\$ 8,114,298
Excess (deficiency) of revenue over expenses	(176,075)	-	252,013	75,938	432,227
ACOA approved operational transfer	182,877	-	(182,877)	-	-
Other interfund transfers (Note 8)	<u>(6,802)</u>	-	<u>6,802</u>	-	-
Balance, end of year	<u>\$ 18,632</u>	<u>\$ 200,000</u>	<u>\$ 8,403,831</u>	<u>\$ 8,622,463</u>	<u>\$ 8,546,525</u>

See accompanying notes to the financial statements

Blue Water Business Development Corporation Limited

Statement of cash flows

Year ended March 31

2020

2019

Increase (decrease) in cash and cash equivalents

	Operating Fund	Investment Fund	Total	Total
Operating				
Excess (deficiency) of revenue over expenses	\$ (176,075)	\$ 252,013	\$ 83,797	\$ 432,227
Items not involving cash				
Amortization	4,129	-	4,129	4,061
Loan write-off / provision for bad debt	-	326,902	319,043	11,678
	<u>(171,946)</u>	<u>578,915</u>	<u>406,969</u>	<u>447,966</u>
Change in non-cash working capital				
Receivables	694	(12,423)	(11,729)	(42,002)
HST receivable	374	(462)	(88)	3,309
Prepaid expense	(1,523)	(848)	(2,371)	574
Payables and accruals	2,056	2,212	4,268	10,836
Interfund balances	(1,075)	1,075	-	-
Unearned revenue	778	-	778	10,444
	<u>(170,642)</u>	<u>568,469</u>	<u>397,827</u>	<u>431,127</u>
Investing				
Purchase of property and equipment	(1,194)	-	(1,194)	(6,299)
Purchase of investments	-	(40,000)	(40,000)	-
Loan repayments	-	1,820,064	1,820,064	1,636,313
Loan disbursements	-	(2,767,463)	(2,767,463)	(2,295,436)
	<u>(1,194)</u>	<u>(987,399)</u>	<u>(988,593)</u>	<u>(665,422)</u>
Financing				
Advances from related party loan	-	1,000,000	1,000,000	-
Repayment of related party loan	-	(240,281)	(240,281)	(19,299)
Funds collected and held in trust	-	600	600	(4,263)
Interfund transfers	176,075	(176,075)	-	-
	<u>176,075</u>	<u>584,244</u>	<u>760,319</u>	<u>(23,562)</u>
Net increase (decrease) in cash and cash equivalents	4,239	165,314	169,553	(257,857)
Cash and cash equivalents				
Beginning of year	<u>304,340</u>	<u>1,721,841</u>	<u>2,026,181</u>	<u>2,284,038</u>
End of year	<u>\$ 308,579</u>	<u>\$ 1,887,155</u>	<u>\$ 2,195,734</u>	<u>\$ 2,026,181</u>

Blue Water Business Development Corporation Limited

Notes to the financial statements

March 31, 2020

1. Nature of organization

Blue Water Business Development Corporation Limited (the "Corporation"), was incorporated January 20, 1989 under the Companies Act of the Province of Nova Scotia as Blue Water Business Development 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 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 not 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. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The significant accounting policies are as follows:

Fund accounting

The Corporation applies fund accounting.

Operating Fund

The Corporation has established an Operating Fund for the Corporation'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 Atlantic Canada Opportunities Agency ("ACOA") under the Community Futures dated April 13, 2014 and extensions thereto. The most recent contract dated April 13, 2017, Contract #210006, provides for the period April 1, 2017 to March 31, 2020. Funding for 2019-2020 fiscal year is \$327,485.

Investment Fund

The Corporation has established an Investment Fund to hold and administer the loan portfolio of the Corporation. These funds are externally restricted to investments meeting the mandate of the Corporation 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 ACOA, except where the conditions as outlined in the Statement of Work of the Community Futures/company agreement are met.

Revenue recognition

The Corporation applies the restricted fund method for accounting for contributions. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The principal sources of revenue are interest income and ACOA contribution.

Interest income is recorded on the accrual basis using the effective interest method and the ACOA contribution is recorded as revenue when received each quarter.

Blue Water Business Development Corporation Limited

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, short term deposits and balances with banks, net of bank indebtedness.

Investments

The Corporation holds investments in certain entities in which the extent of investment is sufficient to provide the Corporation with significant influence. The Corporation accounts for these investments using the cost method.

Loans receivable

Loans receivable 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.

Allowance for loan impairment

Loans receivable 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 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 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, judgement 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.

Property and equipment

Property and equipment are stated at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Computer	3 years
Leaseholds	5 years
Software	1 year

Whenever events or changes in circumstances indicate a capital asset no longer has any long term service potential to the Corporation, the excess of its net carrying amount over any residual value would be recognized as an expense. Such a write-down is not reversed if the service potential subsequently improves.

Internally restricted net assets

The board of Directors has restricted an amount to serve as a contingency for the Corporation. The intention is to restrict funds until it accumulates to an amount equivalent to three months operations plus windup costs. The amounts cannot be used without prior approval of the Board of Directors.

Financial instruments

The Corporation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in limited circumstances. The Corporation's financial instruments consist of cash and cash equivalents, receivables, HST receivable, loans receivable, payables and accruals and long term debt.

Blue Water Business Development Corporation Limited

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

A financial asset or liability is recognized when the Corporation becomes party to contractual provisions of the instrument.

Financial assets or liabilities in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with the Corporation is in the capacity of management in which case they are accounted for in accordance with financial instruments.

The Corporation subsequently measures all of its financial assets and financial liabilities at amortized cost. The Corporation removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. Impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amount of any write-downs or reversals are recognized in net income.

Financial assets and financial liabilities, which are not subsequently measured at fair value, are initially adjusted for transaction costs and financing fees directly attributable to their origination, acquisition, issuance or assumption.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's credit risk arises from the possibility that customers may not fulfil their payment obligations. The Corporation mitigates this risk by performing credit checks and getting collateral over certain receivables.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities. The Corporation is exposed to liquidity risk in meeting their obligations associated with financial liabilities, which is dependent on receipt of funds from operations. There was no significant change in risk exposure from the prior year.

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its amounts due to related parties. There was no significant change in exposure from the prior year.

Blue Water Business Development Corporation Limited

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

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 expenses during the reporting period. Actual results could differ from those estimates.

Revisions to accounting estimates are recorded in the period in which the estimate reversed if the revision affects only that period or in the period of revision and in future periods if the revision affects both the current and future periods.

The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include measurements of fair value of financial instruments and the allowance for impaired loans receivable including the continued economic impact COVID-19 has on the active loans.

3. Loans receivable

	Loans to Business	Loan Loss Reserve Fund	Loans to Students in Business	<u>2020</u>	<u>2019</u>
Loans and guarantees	\$ 7,798,670	\$ -	\$ -	\$ 7,798,670	\$ 6,999,037
Promissory note – ACCBIF Fund	<u>37,500</u>	-	-	<u>37,500</u>	<u>37,500</u>
Total loan portfolio	7,836,170	-	-	7,836,170	7,036,537
Allowance for loan impairment	<u>(815,561)</u>	-	-	<u>(815,561)</u>	<u>(636,425)</u>
Total loans receivable	<u>\$ 7,020,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,020,609</u>	<u>\$ 6,400,112</u>

Continuity of loans and investments

Loans and guarantees					
Balance, beginning of year	\$ 6,975,279	\$ 54,758	\$ 6,500	\$ 7,036,537	\$ 6,384,777
Advances during the year	2,754,965	-	-	2,754,965	2,372,030
Loans repaid during the year	(1,764,081)	(54,758)	(625)	(1,819,464)	(1,636,313)
Loans written off during the year	(129,993)	-	(5,875)	(135,868)	(84,412)
Capitalization of fees	-	-	-	-	455
Balance, end of year	<u>7,836,170</u>	-	-	<u>7,836,170</u>	<u>7,036,537</u>
Allowance for loan impairment					
Balance, beginning of year	609,046	27,379	-	636,425	632,110
Loans written off from allowance	(109,972)	-	-	(109,972)	(80,682)
Current year loss provision	<u>316,487</u>	<u>(27,379)</u>	-	<u>289,108</u>	<u>84,997</u>
Balance, end of year	<u>815,561</u>	-	-	<u>815,561</u>	<u>636,425</u>
Total loans receivable	<u>\$ 7,020,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,020,609</u>	<u>\$ 6,400,112</u>

Blue Water Business Development Corporation Limited

Notes to the financial statements

March 31, 2020

4. Receivables

	Operating Fund	Investment Fund	<u>2020</u>	<u>2019</u>
NSACBDC's – program recoveries	\$ 1,706	\$ -	\$ 1,706	\$ 2,600
AACBDC's – Entrepreneurial Training Fund	200	4,289	4,489	2,151
Investment fees	-	20,080	20,080	21,085
Accrued interest on loans	-	126,024	126,024	114,734
	<u>\$ 1,906</u>	<u>\$ 150,393</u>	<u>\$ 152,299</u>	<u>\$ 140,570</u>

5. Property and equipment

	Cost	Accumulated depreciation	<u>2020</u> Net book value	<u>2019</u> Net book value
Furniture and equipment	\$ 61,343	\$ 59,919	\$ 1,424	\$ 1,157
Computer	41,992	36,689	5,303	7,118
Leaseholds	11,188	5,634	5,554	6,941
Software	5,825	5,825	-	-
	<u>\$ 120,348</u>	<u>\$ 108,067</u>	<u>\$ 12,281</u>	<u>\$ 15,216</u>

6. Funds collected and held in trust

The Corporation had previously been engaged to collect and administer 11 CEED loans in the amount of \$40,285 on behalf of NSACBDC. The balance outstanding at March 31, 2020 is \$25 (2019 - \$625). The amounts collected on these loans are being held in trust.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 600	\$ 4,863
Funds paid during the year	(600)	(4,863)
Funds collected during the year	<u>1,200</u>	<u>600</u>
Balance, end of the year	<u>\$ 1,200</u>	<u>\$ 600</u>

7. Related party loan

	<u>2020</u>	<u>2019</u>
The Corporation borrowed funds from the Atlantic Association of Community Business Development Corporations. This loan bears a floating interest based on the Annual interest rate charged on loans by ACCBIF to CBCDCs to a maximum of 15%, payable in equal monthly instalments of principal and interest of \$25,000. At year end the rate was 1.60%.	\$ 759,719	\$ -
Less: Current portion of long-term debt	<u>289,973</u>	<u>-</u>
	<u>\$ 469,746</u>	<u>\$ -</u>

Blue Water Business Development Corporation Limited

Notes to the financial statements

March 31, 2020

7. Related party loan (continued)

Repayments for the remaining three years are due as follows:

2021	\$	289,973
2022		294,647
2023		175,099

8. Other interfund transfers

The Operating Fund generated results being more positive than budget during the year resulting in an excess refundable to the Investment Fund. Other interfund transfers adjust the interfund balance to agree to the calculation in Schedule 2.

9. Lease commitments

The Corporation has lease commitments for office rent. Minimum lease payments for the premises for each of the remaining years are as follows:

2021	\$	45,672
2022		34,254

10. Economic dependence

The Corporation is economically dependent as it received an annual operating contribution from ACOA that covers all operating expenses of the Operating Fund that are not designated under specific programs. During the year, the Corporation received \$327,485 (2019 - \$331,629).

11. Loan statistics

Loans approved during the year

The Board of Directors approved 59 loans during the year in the amount of \$3,077,834 (including re-financed loans of \$199,929).

Active investment loans under management

This has been defined as any loan where a regular payment has been received within the fiscal year and any loan where the terms of the loan do not call for a regular payment within the fiscal year, inclusive of rural student in business loans. Excluded from active loans are urban student in business loans, loans written off in the fiscal year, and loans repaid as of fiscal year end. There are 179 loans under active management as at March 31, 2020.

12. Contingencies

Government contributions and grants received under the Community Business Development Centre contribution agreements and Investment Fund agreements are subject to repayment if the Corporation fails to comply with the terms and conditions of the agreement.

Blue Water Business Development Corporation Limited

Notes to the financial statements

March 31, 2020

13. Subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Corporation has provided client relief in the form of waiving principal and interest payments for the three months of April, May and June 2020 and is administering the Federal Regional Relief and Recovery Fund (RRRF) program to help clients and small businesses as they proceed through these challenging economic times. The Corporation expects to see increased levels of delinquencies and business failures over the next few years due to the impacts of COVID-19, however, also expects the establishment of new business opportunities as the economy adapts to the “new normal” in conducting business. Operationally, the Corporation will remain an important economic development organization and will continue to be recognized for its role by government through continued annual funding.

Blue Water Business Development Corporation Limited

Schedule 1 - Schedule of allowance for loan impairment

March 31, 2020

<u>2020</u>	<u>Category A</u>	<u>Category B</u>	<u>Category C</u>	<u>Category D</u>	<u>Total</u>
Investment Fund	\$ 5,865,708	\$ 576,527	\$ 604,791	\$ 751,644	\$ 7,798,670
Add: ACCBIF Fund investment	<u>37,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,500</u>
	<u>\$ 5,903,209</u>	<u>\$ 576,527</u>	<u>\$ 604,791</u>	<u>\$ 751,644</u>	<u>\$ 7,836,170</u>
Allowance for loan impairment	<u>\$ 117,313</u>	<u>\$ 84,708</u>	<u>\$ 231,884</u>	<u>\$ 381,656</u>	<u>\$ 815,561</u>

Allowance as a percentage of the total loan portfolio: 10.4%

<u>2019</u>	<u>Category A</u>	<u>Category B</u>	<u>Category C</u>	<u>Category D</u>	<u>Total</u>
Investment Fund	\$ 5,510,499	\$ 666,141	\$ 299,912	\$ 522,485	\$ 6,999,037
Less: Student in Business	(6,500)	-	-	-	(6,500)
Add: ACCBIF Fund investment	<u>37,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,500</u>
	<u>\$ 5,541,499</u>	<u>\$ 666,141</u>	<u>\$ 299,912</u>	<u>\$ 522,485</u>	<u>\$ 7,030,037</u>
Allowance for loan impairment	<u>\$ 110,080</u>	<u>\$ 140,186</u>	<u>\$ 124,249</u>	<u>\$ 261,910</u>	<u>\$ 636,425</u>

Allowance as a percentage of the total loan portfolio: 9.1%

Blue Water Business Development Corporation Limited

Schedule 2 - Schedule of operations

March 31, 2020

	Operating Fund		
	(unaudited) Budget 2020	Actual 2020	Actual 2019
Revenue			
ACOA contribution	\$ 327,485	\$ 327,485	\$ 331,629
Sundry revenue (Schedule 3)	<u>140,337</u>	<u>191,066</u>	<u>142,865</u>
	<u>467,822</u>	<u>518,551</u>	<u>474,494</u>
Expenditures			
Advertising	10,000	7,013	3,044
Amortization	3,500	4,129	4,061
Bank charges	935	843	895
Board expenses	19,976	13,642	14,448
Co-op expenses	31,406	48,405	-
Credit checking	-	-	5,216
Equipment rental	5,728	4,836	4,509
Insurance	4,001	3,976	3,886
Memberships, dues and fees	6,041	6,084	6,006
Miscellaneous	1,500	-	-
Office supplies	5,118	5,299	4,546
Postage and courier	1,034	236	755
Professional fees – audit and accounting	17,825	19,700	28,818
Professional fees – legal and consulting	3,000	9,344	8,438
Rent and utilities	54,000	49,520	47,573
Repairs and maintenance	5,133	6,171	4,327
Salaries and wages	332,813	331,268	301,927
Salaries and wages – statutory and group benefits	49,716	60,645	60,564
Self-employment benefits	58,788	61,197	57,755
Telecommunications	10,185	9,101	8,862
Training and development	3,000	17,797	7,266
Travel	<u>27,000</u>	<u>35,420</u>	<u>26,051</u>
	<u>650,699</u>	<u>694,626</u>	<u>598,947</u>
Excess of expenditures over revenue	\$ <u>(182,877)</u>	\$ <u>(176,075)</u>	\$ <u>(124,453)</u>
Amounts transferred from Investment Fund	<u>182,877</u>	<u>182,877</u>	<u>196,062</u>
Excess refundable to Investment Fund	\$ <u>-</u>	\$ <u>6,802</u>	\$ <u>71,609</u>

Blue Water Business Development Corporation Limited

Schedule 3 - Schedule of sundry revenue

March 31, 2020

	<u>Operating Fund</u>				
	(unaudited)		Investment		Total
	Budget	Actual	Fund	Total	Total
	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
Sundry revenue					
Administration fees	\$ 35,730	\$ 42,990	\$ -	\$ 42,990	\$ 33,528
Interest income	3,420	5,732	34,610	40,342	27,020
Loan application fees	4,300	4,900	-	4,900	5,700
NSACBDC support services	2,650	3,477	-	3,477	5,995
Other	1,050	9,343	23,585	32,928	27,711
Program fees	15,702	44,917	-	44,917	6,216
Self-employment benefit	<u>77,485</u>	<u>79,707</u>	<u>-</u>	<u>79,707</u>	<u>76,981</u>
	\$ <u>140,337</u>	\$ <u>191,066</u>	\$ <u>58,195</u>	\$ <u>249,261</u>	\$ <u>183,151</u>
