

ANNUAL REPORT

2016-2017

Investing in the
Entrepreneurial Spirit



Corporation au bénéfice du développement communautaire
Community Business Development Corporation

Chaleur

CBDC Chaleur



Founded in 1987, the CBDC Chaleur is a member of an autonomous network of organizations serving small and medium-sized enterprises; it is an important regional partner contributing to economic development and job creation. It provides financing in the form of terms loans up to \$225,000, under certain conditions, to individuals and businesses with viable projects.

The CBDC Chaleur also offers the Self-Employment Benefit (SEB) Program, where individuals who receive Employment Insurance benefits (or who have received Employment Insurance benefits within the last three year, or five years in certain cases) can qualify to receive financial assistance to establish and manage a new business or to purchase an existing business.

Over the past year, we have put a lot of effort into training our entrepreneurs. A total of 52 entrepreneurs received some training, and they have benefited of a total amount of \$85,748.

Since 2003, the CBDC Chaleur promotes entrepreneurship among young students at the

high school and post-secondary level through its Youth Entrepreneurship Initiative. Whether it's through various activities or by offering workshops on entrepreneurship, this initiative makes it possible to explore entrepreneurship as a career option. The initiative helps young entrepreneurs and aspiring ones by providing them with coaching, mentorship and advice. In 2013, the CBDC Chaleur was selected to deliver the Youth Entrepreneurship Initiative in the Northeast territory, covering the Chaleur, Northumberland and Péninsule acadienne regions.

With the Youth Entrepreneurship Initiative, we want to do more in the coming year. The aim is to increase the level of understanding for entrepreneurship and to introduce the business community to all those with an interest in starting a business. We want to provide the necessary support and guidance to individuals who want to start a business in an environment conducive to success or to help them purchase an existing business. CBDC Chaleur wishes to make entrepreneurial animation a key objective.



Corporation au bénéfice du développement communautaire
Community Business Development Corporation

Chaleur

One of the specific features of the CBDC Chaleur is **Focus Innovation**, an initiative created in 2013 as a result of a professional association in the Chaleur region to encourage high school students (École secondaire Népissiguit and Bathurst High School) to pursue their post-secondary education at NBCC Bathurst in the field of information technology. The primary goal of this group is to introduce them to a

coop program and take part in an internship in the field of information technology through NBCC Bathurst.

A partnership was established between the CBDC Chaleur and NBCC Bathurst to facilitate contacts between entrepreneurs in the IT field of the Chaleur region and the students of Focus Innovation. The CBDC Chaleur also completed rebranding work to more efficiently promote the initiative among young adults.

Investments in the region

Requests processes

Applications received	97
Applications approved	82
Amounts invested	\$3,618,515

Number of business counselling sessions

Number of clients	133
-------------------	-----

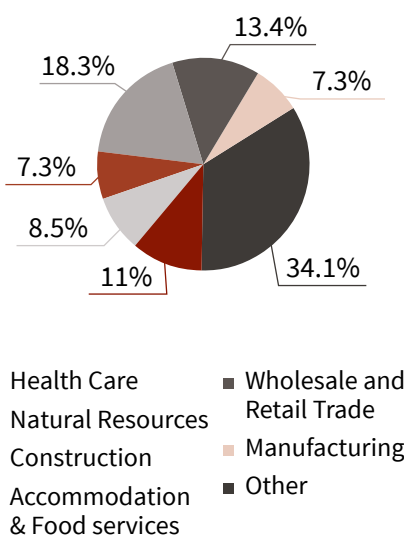
Impact on businesses

New businesses	28
Existing businesses	49
Total	77

Impact on employment

Jobs created	88
Jobs maintained	288
Total	376

Loans by Sector (applications approved)



Training sessions

Number of sessions	14
Amounts granted	\$15,307

Self-Employment Benefit

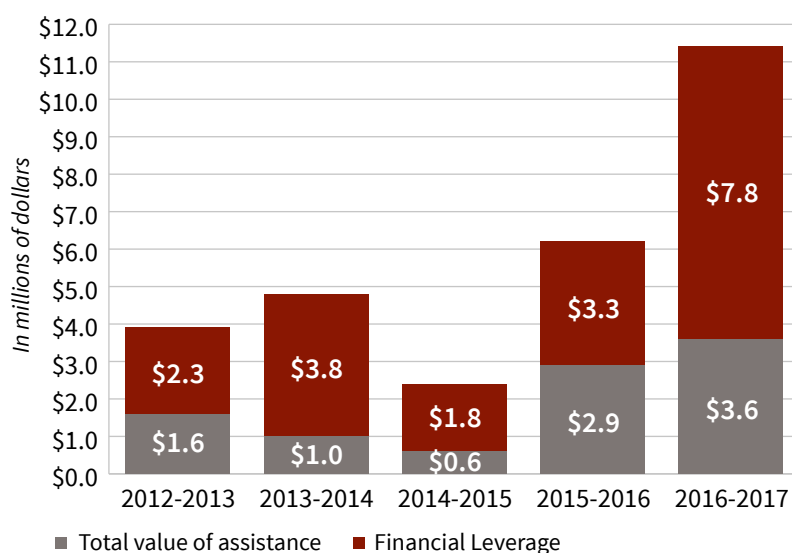
Applications approved	25
Value of assistance	\$375,250

Consulting Advisory Services

Number of clients	7
Amounts granted	\$36,683

Building strong entrepreneurial leverage in the Chaleur region

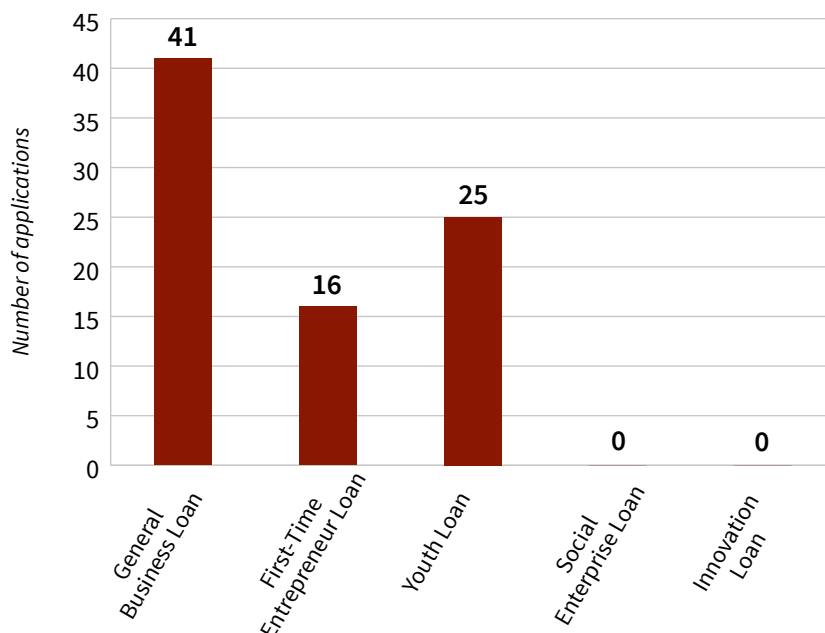
The total value of assistance from the CBDC and financial leverage over the past five years



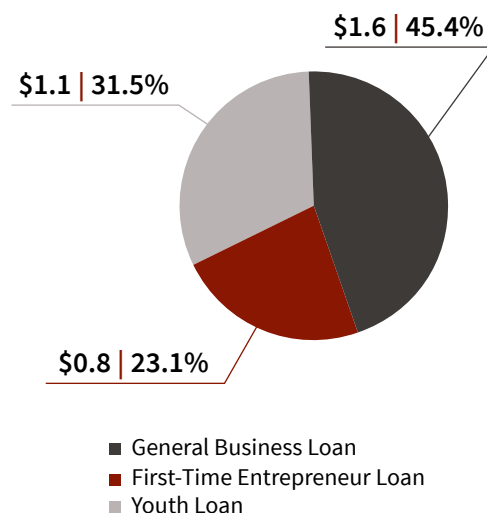
A spectacular increase of **134.7%** in the financial leverage compared to the previous year.

Since inception, the CBDC has injected **\$30.9M** in the Chaleur region.

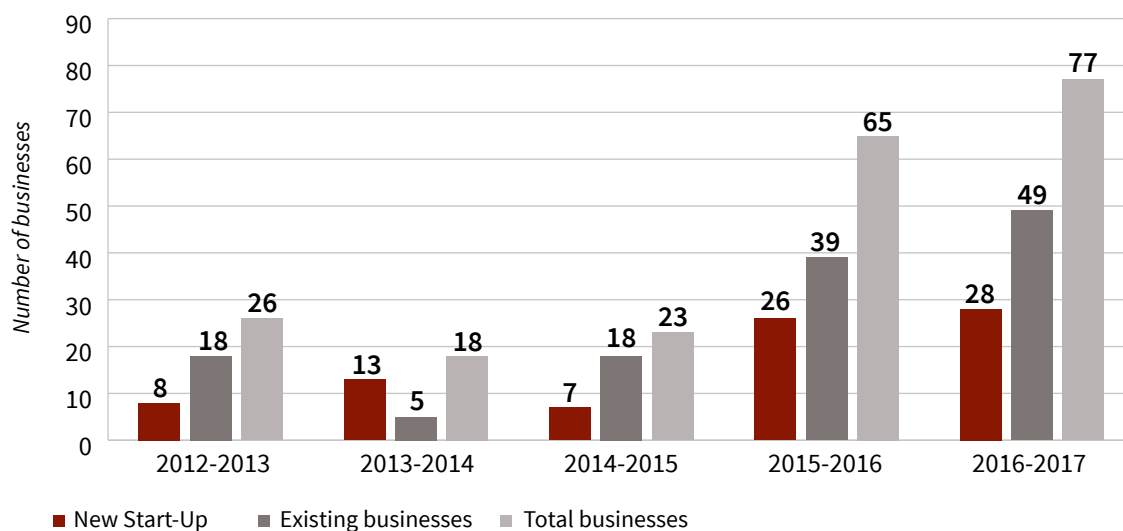
Number of applications approved for each CBDC loan product



Breakdown of amounts disbursed per loan product (in millions of dollars)



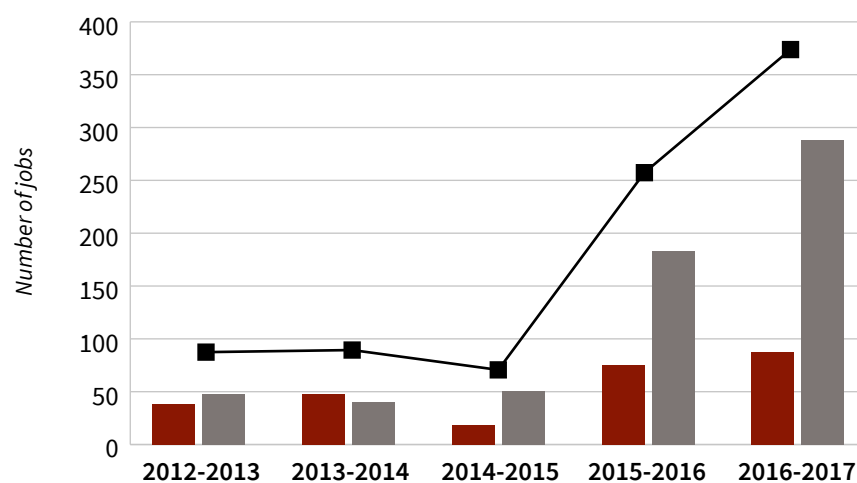
The number of businesses who received financial assistance over the past five years



An increase of **18.5%** of the number of businesses that received financial assistance during the 2016-2017 fiscal year compared to the previous year.

A rise in jobs created and maintained was recorded this year with a **45.7%** increase compared to the previous year.

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



Jobs created	38	48	18	75	88
Jobs maintained	48	40	51	183	288
- Total	86	88	69	258	376

Message from the President

As President of CBDC Chaleur, it is my pleasure to welcome you to our 30th Annual General Meeting. The CBDC is proud to provide support to businesses in the Chaleur region. As any organization, we are constantly met with new challenges and have to continuously offer outstanding and effective services to our clients. Our mandate remains to strive to contribute to the region's business community by investing time and money through our services and financial programs.

In 2016-2017, CBDC Chaleur has offered financial assistance to 154 small to medium-sized businesses in the region, as follows:

- 77 loans for a total disbursement of \$3.6M;
- 25 participants were approved under the Self-Employment Benefit (SEB) program;
- 52 individuals participated in different training programs offered by external consultants;
- \$85,748 for training programs;
- 133 business counselling sessions with local entrepreneurs to guide them in their projects.

This allowed our clients to create and maintain 376 full and part-time jobs. We have a portfolio of commercial loans of more than **\$8,339,511**.

On behalf of the Board of Directors, I would like to thank our funding partners. Their support is greatly appreciated, and we hope to continue to work with them for many years to come.

I would also like to extend a warm thank you to all our employees. Their work is essential for the smooth running of our organization.

Lastly, I would like to sincerely thank all members of the Board of Directors for their devotion, their contribution, and their continuous support.

Alain Guitard, President

Message from the Executive Director

I am pleased to report that CBDC Chaleur has made a profit of **\$334,000** compared to \$171,186 in the previous year and \$20,383 in 2014-2015. This good progress certainly demonstrates that we are on the right track.

Over the past year, we have authorized 82 loans, exceeding the 72 authorized loans last year. However, what I am most proud of is the amount of our CBDC's contributions and the leverage created by our financial commitments. We disbursed \$3.6M and added \$7.8M in additional leverage. This means that we have had a direct impact of \$11.4M on the investment in the local economy through various projects.

As for financing, we have surpassed the objectives we set ourselves. In fact, we have reached record levels compared to the previous year. As for project, in the coming year, we will continue to focus our efforts on two pillars: entrepreneurship and business succession. CBDC Chaleur will continue its activities such as Chaleur my home, my future, Pitch 48, Focus Innovation, Entrepreneurial Camps, and our partnership with the Bathurst Innovation Center.

All of our programs are offered in part thanks to our partners: ACOA, Service Canada, the province of New Brunswick through the Department of Post-Secondary Education, Training and Labour, and the Regional Development Corporation. Thank you for your continued trust.

I would also like to thank all the members of the Board of Directors for their commitment, their time, their contribution and their continuous support.

Lastly, I would like to thank my team, without which we could not have achieved such results. Our successes are a direct result of the CBDC Chaleur team, to which I am proud to belong.

Denis Roy, Executive Director

Activities offered by CBDC Chaleur

Young Entrepreneur of the Year Award

This award is given to an entrepreneur who has shown consistent growth in running his or her business. This award pays tribute to the excellence of their work, commitment, perseverance and contribution to the economic development of the Chaleur region. The Board of Directors and employees of the CBDC Chaleur would like to congratulate Mr. **Jansen Branch** from J&J Branch Contracting Ltd. of Bathurst, the recipient of the 2016 Young Entrepreneur of the Year Award.



From left to right: **Pascal Frenette**, Youth Entrepreneurship Officer (CBDC Chaleur), **Alain Guitard**, President (CBDC Chaleur), **Jansen Branch**, recipient, **Denis Roy**, Executive Director (CBDC Chaleur)

Pitch 48

The Pitch 48 business plan competition was delivered for a second year to bring together post-secondary students who have an entrepreneurial idea and would ultimately be interested in starting a business. This competition enabled young aspiring entrepreneurs to implement their ideas while serving as a coaching and mentorship environment. A total of 52 participants took part of this contest in March 2017. This year, a partnership with NBCC enabled the five francophone NB campuses to deliver Pitch 48 to their homes.



NBCC Bathurst cohort

Chaleur my home, my futur!

In 2003-2004, the CBDC Chaleur launched a repatriation and retention initiative to help decrease the exodus of our youth in the region. For the past 12 years, this initiative helped to facilitate the return of post-secondary students to the Chaleur region, by providing them with tools to help with job search, business start-up and networking. Since 2004, more than 252 post-secondary students attended the event. From that number, 124 participants returned (or remained) in the Chaleur region. Fourteen (14) participants took part in the 13th edition.



Participants of the 13th edition



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



*Community Business Development Corporation
Corporation au bénéfice du développement communautaire*

Business Management Skills Training

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

Consulting Advisory Services

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

Business Counselling

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

Self-Employment Benefit Program

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

General Business Loan

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

First-Time Entrepreneur Loan

Offers counselling services for individuals who wish to become a self-sufficient and profitable business owner.

Do you currently reside in a rural area and have recently made the decision to take the plunge into becoming a business owner? If your answer is a resounding yes, this is the perfect loan to put your plans into action!

Youth Loan

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

Social Enterprise Loan

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

Innovation Loan

Helps promote the development of the knowledge-based economy and aids in the adoption or commercialization of new technologies. You have an idea for a new product or service, or an idea to modify an existing product or service? Contact your CBDC!

Contact Us

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

 **(506) 548-5951**

 **www.chaleurcbdc.ca**

 **CBDC Chaleur inc.**

 **CBDC Chaleur**

 **219, Main Street, Suite 3, Bathurst, NB E2A 1A9**



CBDC CHALEUR INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2017



Allen, Paquet & Arseneau LLP
CHARTERED PROFESSIONAL ACCOUNTANTS • COMPTABLES PROFESSIONNELS AGRÉÉS

CBDC CHALEUR INC.

Index

To the Financial Statements

For the Year Ended March 31, 2017

	<u>Page</u>
Independent Auditors' Report	1.
Statement of Financial Position	2.
Statement of Operations and Changes in Fund Balances	3.
Statement of Cash Flows	4.
Notes to the Financial Statements	5. - 9.
Schedule 1 - Other Programs Items	10.
Supplementary Information and Details to Schedule 1	11. - 13.
Schedule 2 - Membership Fund	14.





Allen, Paquet & Arseneau LLP

Your business partner of choice
Votre partenaire d'affaires par excellence

625, ave St. Peter Ave
Bathurst, NB
E2A 4Z6
Tel: 506 546-1460
Fax: 506 546-9950
Info.Bathurst@apallp.com
www.apallp.com

INDEPENDENT AUDITORS' REPORT

1.

To the Chairperson and Board of Directors of
CBDC Chaleur Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of CBDC Chaleur Inc., which comprise the statement of financial position as at March 31, 2017, and the statement of operations and changes in fund balances and statement of cash flows for the year 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 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.

Auditors' 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 auditors' 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 CBDC Chaleur Inc. has not identified and classified all its financial instruments, and recorded them at fair value. Rather, all financial instruments are recorded at historic 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 used in these financial statements differs from Canadian accounting standards for not-for-profit organizations.

Qualified opinion

In our opinion, except for what is mentioned in the preceeding paragraph, the financial statements present fairly, in all material respects, the financial position of CBDC Chaleur Inc. as at March 31, 2017 and the result of the statement of operations and changes in fund balances and statement of cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Bathurst, NB
June 15, 2017

Allen, Paquet & Arseneau LLP

Chartered Professional Accountants

207, rue Roseberry St.
Campbellton, NB

625, ave St. Peter Ave
Bathurst, NB



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS
NEW BRUNSWICK

COMPTABLES
PROFESSIONNELS
AGRÉÉS
NOUVEAU-BRUNSWICK

829-1 King George Highway
Miramichi, NB

356, rue Canada Street
St-Quentin, NB

CBDC CHALEUR INC.
Statement of Financial Position
As at March 31, 2017

	Operating Fund	Investment Fund	Total 2017	Total 2016
ASSETS				
CURRENT				
Cash	\$ 177,569	\$ 255,799	\$ 433,368	\$ 1,380,539
Accounts receivable	23,628	2,944	26,572	31,083
Government remittances receivable	18,898	582	19,480	31,630
Grants receivable	130,582	-	130,582	96,656
Loan interest receivable	-	77,680	77,680	49,505
Prepaid expenses	972	-	972	2,235
	351,649	337,005	688,654	1,591,648
INVESTMENTS (Note 4)	-	37,500	37,500	37,500
LOANS RECEIVABLE (Note 5)	-	7,672,350	7,672,350	6,060,948
TANGIBLE CAPITAL ASSETS (Note 6)	8,746	-	8,746	8,537
	\$ 360,395	\$ 8,046,855	\$ 8,407,250	\$ 7,698,633

LIABILITIES AND FUND BALANCES

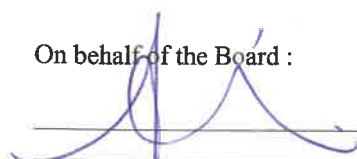
CURRENT				
Accounts payable and accruals	\$ 25,202	\$ 1,902	\$ 27,104	\$ 38,939
Current portion of long term debt	-	600,000	600,000	600,000
Deferred revenues	4,878	-	4,878	32,576
	30,080	601,902	631,982	671,515
LONG TERM DEBT (Note 7)	-	763,414	763,414	349,115
	30,080	1,365,316	1,395,396	1,020,630

FUND BALANCES

FUNDS				
Externally restricted fund (Note 8)	-	6,247,112	6,247,112	5,939,565
Capitalization	-	434,427	434,427	434,427
Retained earnings	330,315	-	330,315	304,011
	330,315	6,681,539	7,011,854	6,678,003
	\$ 360,395	\$ 8,046,855	\$ 8,407,250	\$ 7,698,633

COMMITMENT (Note 9)

On behalf of the Board :



President



General Manager

CBDC CHALEUR INC.
Statement of Operations and Changes in Fund Balances
For the Year Ended March 31, 2017

	Operating Fund	Investment Fund	Total 2017	Total 2016
REVENUES				
Contribution agreement - Atlantic Canada Opportunities Agency (ACOA)	\$ 285,993	\$ -	\$ 285,993	\$ 309,853
Other revenues	34,558	2,447	37,005	24,465
Investment revenue - loan portfolio	-	537,170	537,170	480,692
Interest revenue	9	3,347	3,356	3,619
Membership revenues	-	-	-	20,051
	320,560	542,964	863,524	838,680
EXPENSES				
Amortization	3,050	-	3,050	2,411
Meeting expenses	11,070	-	11,070	10,934
Insurance	3,173	-	3,173	3,010
Subscriptions	3,600	1,758	5,358	5,385
Office expenses	6,509	-	6,509	7,012
Travel and accommodations	13,426	-	13,426	13,457
Miscellaneous	196	1,512	1,708	860
Electricity	11,639	-	11,639	11,666
Personal training and development	2,139	-	2,139	3,077
Professional fees	7,256	643	7,899	7,862
Interest and bank charges	2,924	543	3,467	3,093
Interest on long term debt	-	15,062	15,062	7,956
Rent	42,438	-	42,438	44,730
Bad debts	-	215,899	215,899	379,194
Advertising	2,012	-	2,012	4,160
Repair and maintenance	9,336	-	9,336	7,730
Wages and benefits	243,240	-	243,240	214,655
Telephone	9,484	-	9,484	13,164
	371,492	235,417	606,909	740,356
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER ITEMS	(50,932)	307,547	256,615	98,324
EXCESS OF REVENUES OVER EXPENSES OF OTHER ITEMS (SCHEDULE 1)	77,236	-	77,236	72,862
EXCESS OF REVENUES OVER EXPENSES	\$ 26,304	\$ 307,547	\$ 333,851	\$ 171,186
FUND BALANCES, beginning of year	304,011	4,089,565	4,393,576	4,222,390
FUND BALANCES, end of year	\$ 330,315	\$ 4,397,112	\$ 4,727,427	\$ 4,393,576

CBDC CHALEUR INC.
Statement of Cash Flows
For the Year Ended March 31, 2017

	Operating Fund	Investment Fund	Total 2017	Total 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts - Contribution and others	\$ 747,825	\$ 4,015	\$ 751,840	\$ 915,288
Cash paid to suppliers and employees	(776,010)	(5,340)	(781,350)	(807,032)
Interest received	9	512,342	512,351	483,184
Interest on long term debt	-	(15,062)	(15,062)	(7,956)
	(28,176)	495,955	467,779	583,484
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of the long term debt	-	(585,701)	(585,701)	(593,163)
Proceeds of long term debt	-	1,000,000	1,000,000	1,250,000
	-	414,299	414,299	656,837
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of tangible capital assets	(3,259)	-	(3,259)	(5,823)
Loans advanced	-	(3,618,515)	(3,618,515)	(2,941,470)
Loans repaid	-	1,792,525	1,792,525	1,709,222
	(3,259)	(1,825,990)	(1,829,249)	(1,238,071)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(31,435)	(915,736)	(947,171)	2,250
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	209,004	1,171,535	1,380,539	1,378,289
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 177,569	\$ 255,799	\$ 433,368	\$ 1,380,539

The cash and cash equivalents as of March 31, 2017 consist of bank balances, including bank overdrafts and temporary investments with a maturity of three months or less from the date of acquisition.

1. STATUS AND NATURE OF ACTIVITIES

CBDC Chaleur Inc. is a not-for-profit community development corporation serving the Chaleur Region. Operating as a Community Future Development Corporation, CBDC Chaleur Inc.'s goal is to stimulate private sector employment by providing small businesses with advisory and counselling services, technical assistance and investment funds. CBDC Chaleur Inc. is incorporated under the New Brunswick Companies Act 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. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Part III of the CPA Canada Handbook Accounting Standards for not-for-profit organizations.

a) Fund Accounting

CBDC Chaleur Inc. follows the restricted fund method of accounting for the investment fund.

Operating Fund: This fund accounts for the organization's program delivery and operating activities. It 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), or other funding partners and CBDC Chaleur Inc.

Investment Fund: This fund reports all restricted resources of investment fund and the investment income resulting from investing activities employing the fund.

b) Revenue Recognition

Operating revenues are recorded based on the accrual method of accounting and are recognized when they are earned, specifically when:

- Services are provided or products are delivered to customers.
- There is a clear proof that an arrangement exists.
- Amounts are fixed or can be determined.
- Our ability to collect is reasonably assured.

c) Loans

Loans investments are recorded at principal amounts.

d) Allowance for Losses

An allowance is recognized in the Investment Fund for probable losses on loans which can be specifically identified as being non-recoverable, as well as a rate of 8% (2016 - 7%) for unknown possible future losses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Tangible Capital Assets

Purchased tangible capital assets are recorded at cost in the operating fund. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a declining balance method at the rate of 30%. Amortization expense is reported in the operating fund.

f) Accounting Estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting policies 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 revenues and expenses for the reporting periods. Actual results could differ from those estimates.

g) Cash and cash equivalents

The cash and cash equivalents as of March 31, 2017 consist of bank balances, including bank overdrafts and temporary investments with a maturity of three months or less from the date of acquisition.

3. DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

The financial statements have not adopted the CPA Canada Handbook Section 3856 - *Financial Instruments* of Part II, and as a result, depart from Canadian generally accepted accounting principles. 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 CPA Canada Handbook Section 3856 - *Financial Instruments* of Part II inclusively.

4. INVESTMENTS

	2017	2016
Atlantic Canada Community Business Investment Fund, without interest	\$ 37,500	\$ 37,500

The promissory note from Atlantic Community Business Investment Fund (ACCBIF) is without interest and without maturity.

CBDC CHALEUR INC.
Notes to the Financial Statements
For the Year Ended March 31, 2017

5. LOANS RECEIVABLE

	2017	2016
Commercial loans	\$ 8,339,511	\$ 6,517,148
Less: Allowance for doubtful loans	667,161	456,200
	\$ 7,672,350	\$ 6,060,948

During the year 82 new loans were approved. The total number of active loans under management as of March 31, 2017 was 207.

The loans, mortgages and equity receivable balance is comprised of:

	2017	2016
Balance, beginning of year	\$ 6,517,148	\$ 5,498,535
Changes during the year:		
- Loans advanced	3,618,515	2,941,470
- Loans repaid	(1,792,525)	(1,709,222)
- Recovery of loans written-off	62,448	43,711
- Loans written-off	(66,075)	(257,346)
	8,339,511	6,517,148
Allowance for doubtful loans	(667,161)	(456,200)
Balance, end of year	\$ 7,672,350	\$ 6,060,948

The activity in the Allowance for doubtful loans account is as follows:

	2017	2016
Balance, beginning of year	\$ (456,200)	\$ (329,912)
Changes during the year		
- Loans written-off	66,075	257,346
- Recovery costs	801	33,680
- Recovery of loans previously written-off	(62,448)	(43,711)
- Current year's loan loss provision	(215,389)	(373,603)
Balance, end of year	\$ (667,161)	\$ (456,200)
Allowance Percentage	8.0 %	7.0 %

The allowance for doubtful loans includes loans considered impaired, pursuant to a loan-by-loan review. An estimated percentage is then applied to the remaining portfolio based on management's best estimate and past experience.

CBDC CHALEUR INC.
Notes to the Financial Statements
For the Year Ended March 31, 2017

6. TANGIBLE CAPITAL ASSETS

	2017		2016	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	\$ 1,005	\$ 847	\$ 158	\$ 226
Computer equipment	15,679	7,091	8,588	8,311
	\$ 16,684	\$ 7,938	\$ 8,746	\$ 8,537

7. LONG TERM DEBT

	2017	2016
Atlantic Canada Community Business Investment Funds, bearing interest at a rate of 1.60%, payable monthly, repayable in monthly installments of \$50,000, starting October 1, 2016, maturing on August 1, 2019	\$ 1,363,414	\$ 949,115
Less: Current portion of long term debt	600,000	600,000
	\$ 763,414	\$ 349,115

8. EXTERNALLY RESTRICTED FUND

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

	2017	2016
Contributed surplus	\$ 1,850,000	\$ 1,850,000
Restricted for investing in business	4,397,112	4,089,565
	\$ 6,247,112	\$ 5,939,565

Funds advanced to the CBDC in respect of its Operating Fund and its CBDC Investment Fund capitalization costs shall be deposited and maintained in two separate accounts.

Funds credited to the Investment Fund shall not be used for the purposes other than Investment Fund activities without the prior written approval of ACOA. This includes funds lent to or received from Atlantic Canada Community Business Investment Fund (ACCBIF).

Notwithstanding the previous paragraph, funds credited to the Investment Fund account may be transferred to the Operating Fund account of the CBDC where the following conditions are met:

- The CBDCs Annual Budget submitted with the Business Plan projects a deficit and is accepted by ACOA;
- The Deficit was in fact incurred as projected; and,
- The CBDC shall provide to ACOA written confirmation of the transfer of the funds from the Investment Fund account to the Operating Fund account within 90 days of the end of each fiscal year.

9. COMMITMENT

The CBDC Chaleur Inc. has entered into a lease agreement for office premises for a term of ten years expiring April 30, 2024. The lease is recorded as an operating lease and future lease payments over the next seven years are as follows:

2018 to 2019	\$ 79,200
2020 to 2024	201,960
<hr/>	
	\$ 281,160

10. ECONOMIC DEPENDENCE

The CBDC Chaleur Inc. receives an annual operating contribution from the Atlantic Canada Opportunities Agency (ACOA) to cover operating expenses of the Operating Fund. Although the organization is working toward achieving self-sufficiency, the continued operation of the organization currently depends on the receipt of the annual operating contribution.

11. FINANCIAL INSTRUMENTS

a) Credit risk

The organization is exposed to normal credit risk on the accounts receivable from its customers. In order to reduce this risk, the organization has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. There is a low credit risk concentration due to the organization's large customer base.

For the other debts, the organization determines, on a continuing basis, the probable losses and sets up a provision for losses based on the estimated realizable value.

b) Interest rate risk

The organization is exposed to interest rate risk due to the variable rate of interest on their long-term debt. Changes in the lending rates may cause fluctuations in cash flows and interest expense. There is low interest rate risk concentration because receivable loans carry fixed interest rates for the most part.

c) Fair value

The carrying amount of current financial assets and current financial liabilities approximates their fair value due to the short-term maturities of these items.

CBDC CHALEUR INC.
Schedule 1 - Other Programs Items
For the Year Ended March 31, 2017

	2017	2016
PROGRAMS:		
- Self Employment Assistance (Schedule 1-A)	\$ 316	\$ 832
- Youth Internship (Schedule 1-B)	-	(1,137)
- Business Succession (Schedule 1-C)	-	(2,437)
- Youth in Business (Schedule 1-D)	-	205
- Oxford Frozen Foods (Schedule 1-E)	-	-
MEMBERSHIP FUND (Schedule 2)	76,920	75,399
EXCESS OF REVENUES OVER EXPENSES OF OTHER ITEMS	\$ 77,236	\$ 72,862

CBDC CHALEUR INC.
Schedule 1 - Programs Details
For the Year Ended March 31, 2017

	2017	2016
A - SELF EMPLOYMENT ASSISTANCE PROGRAM (SEA):		
REVENUES		
Post-Secondary Education, Training and Labour :		
- Contract	\$ 80,028	\$ 88,348
- Training	33,759	40,000
	113,787	128,348
EXPENSES		
Operating costs	38,436	35,345
Training	33,759	40,000
Wages and benefits	41,276	52,171
	113,471	127,516
EXCESS OF REVENUES OVER EXPENSES	\$ 316	\$ 832

B - YOUTH INTERNSHIP PROGRAM:

REVENUES		
Atlantic Canada Opportunities Agency (ACOA)	\$ 67,270	\$ 75,000
Regional Development Corporation (RDC)	18,387	13,000
Post-Secondary Education, Training and Labour	20,500	15,000
Registration - youth camps	905	-
	107,062	103,000
EXPENSES		
Other	12,959	10,366
Office supplies	4,483	12,990
Training and travel	9,459	7,448
Youth in action	4,891	-
Advertising	17,882	15,582
Wages and benefits	57,388	57,751
	107,062	104,137
EXCESS OF EXPENSES OVER REVENUES	\$ -	\$ (1,137)

CBDC CHALEUR INC.
Schedule 1 - Programs Details
For the Year Ended March 31, 2017

	2017	2016
C - BUSINESS SUCCESSION PROGRAM :		
REVENUES		
Atlantic Canada Opportunities Agency (ACOA)	\$ -	\$ 22,658
Post-Secondary Education, Training and Labour	-	15,656
Regional Development Corporation (RDC)	-	19,340
Other	-	2,507
	-	60,161
EXPENSES		
Other	-	14,333
Office supplies	-	6,300
Training and travel	-	1,002
Advertising	-	6,072
Wages and benefits	-	34,891
	-	62,598
EXCESS OF EXPENSES OVER REVENUES	\$ -	\$(2,437)

D - YOUTH IN BUSINESS PROGRAM:

REVENUES		
Atlantic Canada Opportunities Agency (ACOA)	\$ 37,529	\$ 22,255
Post-Secondary Education, Training and Labour	23,270	16,187
Regional Development Corporation (RDC)	53,034	23,737
Other	-	1,767
	113,833	63,946
EXPENSES		
Insurance	1,404	1,088
Other	14,244	7,415
Office supplies	1,981	139
Training and travel	27,680	14,355
Rent	5,766	2,901
Advertising	21,191	27,443
Wages and benefits	41,567	10,400
	113,833	63,741
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ 205

Schedule 1-D for the year ended March 31, 2016 includes the following projects: Chaleur My Home, My Future, Focus Innovation and Pitch 48.

CBDC CHALEUR INC.
Schedule 1 - Programs Details
For the Year Ended March 31, 2017

	2017	2016
E - OXFORD FROZEN FOODS:		
REVENUES		
Atlantic Canada Opportunities Agency (ACOA)	\$ 5,239	\$ -
Regional Development Corporation (RDC)	1,347	-
Other	898	-
	7,484	-
EXPENSES		
Administration fees	1,034	-
Professional fees	6,450	-
	7,484	-
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -

CBDC CHALEUR INC.
Schedule 2 - Membership fund
For the Year Ended March 31, 2017

	2017	2016
MEMBERSHIP FUND:		
REVENUES		
Administration and insurance on loans	\$ 33,919	\$ 28,403
Other revenues	19,080	11,690
Youth internship	14,497	11,503
Administration fee SEA	7,275	4,207
Youth in business	21,044	11,261
Programs SEA	32,242	51,725
Business succession	-	15,586
Membership revenues	3,940	2,970
	131,997	137,345
EXPENSES		
Meeting expenses	6,899	7,933
Office expenses	8,027	1,313
Miscellaneous	1,765	371
General operation expenses	-	20,051
Management fees	20,000	15,000
Professionals fees	5,244	2,437
Interest and bank charges	23	267
Business development	2,849	-
Advertising	4,789	9,353
Telephone	5,481	5,221
	55,077	61,946
EXCESS OF REVENUES OVER EXPENSES	\$ 76,920	\$ 75,399