

2018-2019 Annual report



# Chaleur

Founded in 1987, 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.

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 years, 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 38 entrepreneurs received some form of training and benefited from a total amount of \$95,749.

Since 2003, CBDC Chaleur has been promoting 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, CBDC Chaleur was selected to deliver the Youth Entrepreneurship Initiative in the Northeast territory, covering the Chaleur, Northumberland and Acadian Peninsula regions.

With the Youth Entrepreneurship Initiative, we want to do more in the coming year. The aim is to increase the level of understanding of entrepreneurship and to introduce the business community to all those interested in starting a business. We want to provide the necessary support and guidance to individuals who wish 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.

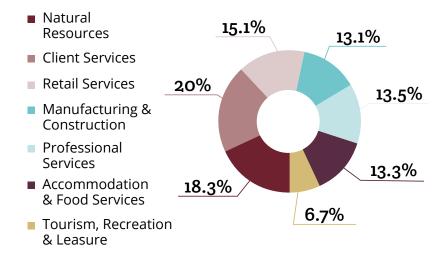


One of the specific features of the CBDC Chaleur is to support and promote youth entrepreneurship. *Focus Innovation*, an initiative created in 2013, introduces high school students to a coop program that allows them to take part in an internship in the field of information technology through CCNB Bathurst. Since 2017, the *Future Entrepreneur Loan* allows young people in the region, aged 14 to 19, who want to gain work experience to start their own business and offers them the opportunity to borrow up to \$1,500. In October 2018, the CBDC Chaleur developed

Youth Success Chaleur, an educational entrepreneurial program offered to students, grades 9 to 12, who wish to hone their entrepreneurial skills while taking part in an unforgettable experience where they will get to create a business. Investments in the region for the year 2018 - 2019

### **Requests** processed Applications received 104 Applications approved 93 Amounts invested \$3,980,532 2018 - 2019 Number of business counselling sessions Number of clients 166 Impact on businesses New businesses 21 Existing businesses 61 Total 82 Impact on employment Jobs created 60 Jobs maintained 316 376 Total

# Loans by Sector





# Training sessionsNumber of sessions14Amounts granted\$25,450Self-Employment Benefit4Applications approved23Value of assistance\$460,000Consulting<br/>Advisory Services24

Number of clients24Investments\$70,299

# Building strong entrepreneurial leverage in the Chaleur region

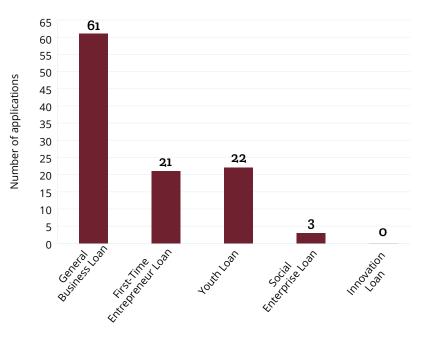
The total value of assistance from the CBDC and financial leverage over the past five years



Over the past 4 years, the CBDC has injected over \$34.9M in the economy of the Chaleur region through the disbursement of commercial loans (\$12.6M) and investments from the leverage effect of other sources of financing (\$22.3M).

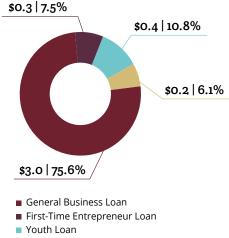
A record number of loans were approved over the last year, with 93 approved loans.

# Number of applications approved for each CBDC loan product

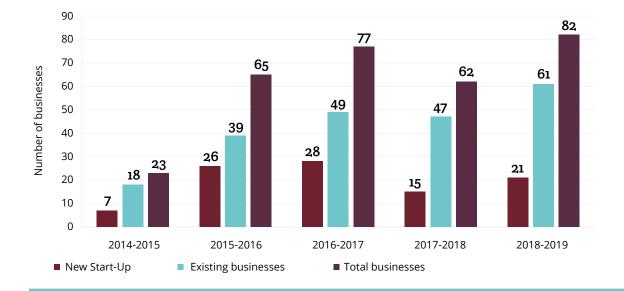


### Breakdown of amounts disbursed per loan product

(in millions of dollars)



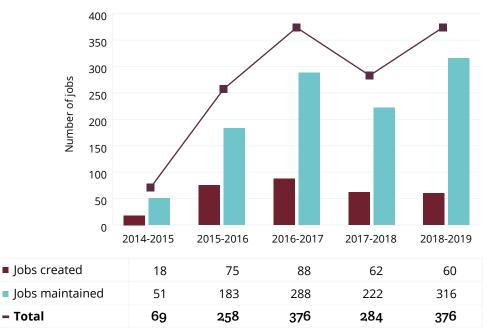
Social Enterprise Loan



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

The CBDC's commercial loan portfolio has reached almost \$10M, suggesting a new entrepreneurial dynamism in the Chaleur region. Over the past 4 years, the CBDC helped create 285 new jobs, as well as maintain 1,009 other jobs, for a total of 1,294. The support of CBDC Chaleur to the region's economic development is undeniable.

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



# Message from the President

# Message from the Executive Director

As President of CBDC Chaleur, it is my pleasure to welcome you to our 32<sup>nd</sup> Annual General Meeting. The CBDC is proud to provide support to businesses in the Chaleur region. As any organization, we are constantly faced with new challenges and must offer outstanding and efficient 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 summary, during the 2018-2019 fiscal year, CBDC Chaleur provided financial assistance to 154 small to medium-sized businesses in the region, as follows:

- → 93 loans were granted to small and medium-sized businesses, for a total disbursement of \$4.0M;
- → 23 participants were approved under the Self-Employment Benefit (SEB) program;
- → 38 individuals participated in different training programs offered by external consultants;
- → \$95,749 were invested in training programs for our entrepreneurial clients;
- → 166 business counselling sessions with local entrepreneurs to guide them in their projects.

These services allowed our clients to create and maintain **<u>376 full and part-time jobs</u>** over the last year. Thanks to all these activities, we now have a commercial loan portfolio of more than **\$9,779,304**.

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 contribution is essential to the smooth running of our organization. We are optimistic as we look to the future of our organization, and the future of the region. Rest assured that CBDC Chaleur will be there to support, guide and invest in the projects of entrepreneurs from the Chaleur region.

Lastly, I would like to sincerely thank all members of the Board of Directors for their ongoing support, dedication and contribution over the last year. It is always a pleasure to work with all of you who share the same objective, the growth of our region.

### Marc Losier, President

I am pleased to welcome you to the Annual General Meeting for the CBDC Chaleur's 2018-2019 fiscal year. The last year has been another busy year. In fact, with 93 loan approvals within the last year, we have reached a new historically high number of authorized loans, over our previous record of 82 loans in 2017. This significant increase clearly indicates that we are on the right track and that people have confidence in CBDC Chaleur.

Since April 1<sup>st</sup>, 2015, CBDC Chaleur disbursed and invested a total of \$12.7M in the economy of the Chaleur region. Over 285 new direct jobs were created as a result of these investments and 1,009 jobs were maintained. In other words, CBDC Chaleur contributed to creating and maintaining over 1,296 jobs over the past 4 years.

Over the next year, CBDC Chaleur will continue to focus on two pillars: financing and projects. For financing, we will set ambitious but achievable objectives. We are confident we will achieve these objectives because we believe that the level of business confidence is very high, and we want to take advantage of the entrepreneurial enthusiasm in the Chaleur region.

As for projects, 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 that just completed its 9<sup>th</sup> edition, its involvement with Focus Innovation, Entrepreneurial Camps, and its partnership with the Bathurst Innovation Centre. Finally, we recently developed the Youth Success Initiative. This initiative is aimed at helping high school students hone their entrepreneurial skills and operate their own micro-enterprise.

All 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 (RDC). Thank you for you continued trust.

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.

Lastly, I would like to thank all the members of the Board of Directors for their commitment, their time, their contribution and their ongoing support over the last year. I am proud to be able to count on Board members who are so competent and representative of our beautiful region.

### **Denis Roy, Executive Director**

# **Activities offered by CBDC Chaleur**

# Young Entrepreneur of the Year Award



From left to right: Pascal Frenette, Development Officer (CBDC Chaleur), Amanda Chisholm, recipient (Pure Balance Yoga de Bathurst), Denis Roy, Executive Director (CBDC Chaleur)

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 CBDC Chaleur would like to congratulate Mrs. **Caroline Roy** from Yuzu Sushi in Bathurst, the recipient of the 2018 Young Entrepreneur of the Year Award.

# Chaleur my home, my futur!



In 2003-2004, CBDC Chaleur launched a repatriation and retention initiative to help decrease the exodus of our youth in the region. This initiative provides tools to help with job search, business start-up and networking. For the past 15 years, 265 participants took part in this initiative, facilitating the return of 129 young adults to the Chaleur region, for a 51% success rate. The 16<sup>th</sup> edition was held in May 2019. Results will therefore be reported in the next annual report.



CCNB Péninsule acadienne cohort

## Pitch 48

The Pitch 48 business plan competition was delivered for a fourth year to bring together postsecondary students who have an entrepreneurial idea and would like to start a business. This competition enabled young aspiring entrepreneurs to implement their ideas in a coaching and mentorship environment. A total of 36 participants took part in two competitions; one in January 2019 at the CCNB Péninsule acadienne and the other in March 2019 at the Bathurst Innovation Centre for CCNB Bathurst.

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



### **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).

### **Clean Technology Initiative**

Loan or advisory services ideas for a clean technology process, and products or services that reduce negative environmental impacts.

### **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. 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 knowledgebase economy and aids in the adoption or commercialization of new technologies.



Community Business Development Corporation

### **Contact Us**

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



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



www.chaleurcbdc.ca

CBDC Chaleur inc.

CBDC Chaleur



### **CBDC CHALEUR INC.**

### FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019



### **CBDC CHALEUR INC.**

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### For the Year Ended March 31, 2019

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Allen, Paquet & Arseneau LLP

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www.apallp.com

### **INDEPENDENT AUDITORS' REPORT**

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

### Qualified Opinion

We have audited the financial statements of CBDC Chaleur Inc., which comprise the statement of financial position as at March 31, 2019, and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of CBDC Chaleur Inc. as at March 31, 2019, and the results of the statement of operations and changes in fund balances and its statement of cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### Basis for Qualified Opinion

CBDC Chaleur Inc. has not identified and classified all of its financial instruments, which are recorded at historic cost rather than fair value. 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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' 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 those 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 the financial statements in accordance with ASNPO, 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 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 financial reporting process.

207, rue Roseberry St. Campbellton, NB 625, ave St. Peter Ave Bathurst, NB



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202 Pleasant Street Miramichi, NB 356, rue Canada Street St-Quentin, NB

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### Independent Auditors' Report (cont'd)

### Auditors' 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 auditors' 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:

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- 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

Allen, Paguit & Ausurean UP

Bathurst, NB

Chartered Professional Accountants

May 28, 2019

### **CBDC CHALEUR INC.** Statement of Financial Position As at March 31, 2019

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(	Operating Fund		Investment Fund		Total 2019		Total 2018
ł	ASSETS						
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			1//				18,33
	05,907		-				117,96
	- 1.222						73,51
							1,02
	402,000		951,557		1,414,423		1,747,62
	-		37,500		37,500		37,50
	-		9,001,847		9,001,847		7,308,61
	4,285		-		4,285		6,12
\$	467,173	\$	9.990.884	\$	10.458.057	\$	9,099,86
\$	-	\$	600,000	\$	600,000	\$	97,67 600,00
		-					- 697,67
	40,000		005,592		031,390		097,07
			1,874,969		1,874,969		940,90
	48,006		2,478,361		2,526,367		1,638,58
FUND J	BALANCES						
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	- 401.125		+34,42/				434,427 360,168
			7 510 500		<i></i>		
	419,167		7,512,523		7,931,690		7,461,281
\$	467,173	\$	9,990,884	\$	10,458,057	\$	9,099,863
					/ )		
					/		
				1	5		
	-	1	1	/	1		
	\$ FUND	ASSETS \$ 330,748 - 35,918 8,912 85,987 - 1,323 462,888 - - 4,285 \$ 467,173 ITIES AND FUND BA \$ 39,856 - 8,150 48,006 FUND BALANCES - 18,042 401,125 419,167	Fund         ASSETS         \$ 330,748 \$         35,918         8,912         85,987         1,323         462,888         -         4,285         \$ 467,173 \$         ITIES AND FUND BAL         \$ 39,856 \$         8,150         48,006         FUND BALANCES         18,042         401,125         419,167	Fund         Fund           ASSETS $330,748$ $823,477$ $35,918$ $520$ $8,912$ $177$ $35,918$ $520$ $8,912$ $177$ $85,987$ -           - $127,363$ $1,323$ - $462,888$ $951,537$ - $9,001,847$ $42,285$ - $$467,173$ $$9,990,884$ ITIES AND FUND BALANCES $$600,000$ $$8,150$ - $$39,856$ $$3,392$ - $600,000$ $$8,150$ - $$150$ - $$148,006$ $603,392$ $ 1,874,969$ $48,006$ $2,478,361$ FUND BALANCES $  7,078,096$ $18,042$ $  419,167$ $7,512,523$ $-$	Fund         Fund           ASSETS $330,748$ \$ 823,477         \$           \$ 330,748         \$ 823,477         \$           35,918         520 $8,912$ 177           85,987         -         -         127,363           -         127,363         1,323         -           462,888         951,537         -         -           -         9,001,847         -         -           -         9,001,847         -         -           -         9,090,884         \$         \$           S         467,173         \$ 9,990,884         \$           ITIES AND FUND BALANCES         \$         339,856         \$ 3,392         \$           \$         39,856         \$ 3,392         \$         \$           -         1,874,969         -         -           48,006         2,478,361         -         -           FUND BALANCES         -         -         -         -           -         7,078,096         -         -         -           -         43,042         -         -         -           -         419,167         7,512,52	Fund         Fund         2019           ASSETS         330,748         \$ 823,477         \$ 1,154,225           35,918         520         36,438           8,912         177         9,089           85,987         -         85,987           -         127,363         127,363           1,323         -         1,323           -         1,323         -           -         37,500         37,500           -         9,001,847         9,001,847           -         9,001,847         9,001,847           -         9,001,847         9,001,847           -         4,285         -         4,285           \$ 467,173         \$ 9,990,884         \$ 10,458,057           ITHES AND FUND BALANCES         \$ 39,856         \$ 3,392         \$ 43,248           600,000         8,150         -         8,150           \$ 39,856         \$ 3,392         \$ 43,248         600,000           -         1,874,969         1,874,969         1,874,969           -         1,874,969         1,874,969         1,8042           -         1,874,969         1,8042         -           -         7,0	Fund         Fund         2019           ASSETS         330,748         \$         823,477         \$         1,154,225         \$           \$         330,748         \$         823,477         \$         1,154,225         \$           35,918         520         36,438         8,912         177         9,089           85,987         -         85,987         -         85,987           -         127,363         127,363         127,363           1,323         -         1,323         -           -         37,500         37,500           -         9,001,847         9,001,847           -         9,001,847         9,001,847           -         462,888         951,537         1,414,425           -         9,001,847         9,001,847           -         9,001,847         9,001,847           -         467,173         \$         9,990,884         \$           ITIES AND FUND BALANCES         \$         10,458,057         \$           \$         39,856         \$         3,392         \$         43,248         \$           -         1,874,969         1,874,969         1,874,969

### **CBDC CHALEUR INC.** Statement of Operations and Changes in Fund Balances For the Year Ended March 31, 2019

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	(	Operating Fund	In	vestment Fund		Total 2019		Total 2018
REVENUE								
Contribution agreement - Atlantic Canada								
Opportunities Agency (ACOA)	\$	347,397	\$	_	\$	347,397	\$	327,125
Other revenues	ψ	17,892	Ψ	2,884	Ψ	20,776	φ	26,570
Investment revenue - loan portfolio		-		635,281		635,281		575,458
Interest revenue		_		8,255		8,255		5,807
		365,289		646,420		1,011,709		934,960
EXPENSES								
Amortization		1,837		-		1,837		2,624
Meeting expenses		16,700		-		16,700		13,131
Insurance		2,921		-		2,921		3,159
Subscriptions		3,942		1,501		5,443		5,307
Office expenses		7,564		-		7,564		7,495
Travel and accommodations		10,817		-		10,817		7,117
Miscellaneous		970		103		1,073		1,826
Electricity		12,516		-		12,516		12,954
Personal training and development		3,205		-		3,205		-
Professional fees		8,206		929		9,135		9,358
Interest and bank charges		2,390		763		3,153		3,562
Interest on long term debt		-		35,332		35,332		27,732
Rent		42,570		-		42,570		42,570
Bad debts		_		156,282		156,282		173,831
Advertising		6,250				6,250		7,551
Repair and maintenance		14,631		-		14,631		13,685
Wages and benefits		281,942		-		281,942		264,584
Telephone		4,405		-		4,405		4,004
		420,866		194,910		615,776		600,490
EXCESS OF REVENUE OVER EXPENSES								
(EXPENSES OVER REVENUE) BEFORE								
OTHER PROGRAM ITEMS	(	55,577)		451,510		395,933		334,470
OTHER PROGRAM ITEMS (SCHEDULE 1)		107,729		-		107,729		74,857
EXCESS OF REVENUE OVER EXPENSES		52,152		451,510		503,662		409,327
FUND BALANCES, beginning of year		360,168	4	1,776,586		5,136,754		4,727,427
ADJUSTMENT TO OPENING								
BALANCES (Note 13)		6,847		-		6,847		-
FUND BALANCES, end of year	\$	419,167	\$ 5	5,228,096	\$	5,647,263	\$	5,136,754

### CBDC CHALEUR INC. Statement of Cash Flows For the Year Ended March 31, 2019

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	0	)perating Fund	In	vestment Fund		Total 2019		Total 2018
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash receipts - contribution and others	\$	1,008,535	\$	43,656	\$	1,052,191	\$	750,508
Cash paid to suppliers and employees	(	946,776)	<i>(</i>	2,644)	Ű	949,420)	(	706,010
Interest received	`	-	(	589,689	•	589,689	(	585,429
Interest on long term debt		_	(	35,332)	(		(	27,732
Addition of Chaleur inclusion network fund		6,847	,	-		6,847		-
		68,606		595,369		663,975		602,195
CASH FLOWS FROM FINANCING ACTIVITIES Repayment of long term debt		-	(	565,936)	(	565,936)	(	572,509)
Proceeds of long term debt		-		1,500,000		1,500,000		750,000
		-		934,064		934,064		177,491
CASH FLOWS FROM INVESTING ACTIVITIES								
Loans advanced		-	(	3,980,554)	(	3,980,554)	(	2,087,178)
Loans repaid	_	-		2,131,089		2,131,089		2,279,775
			(	1,849,465)	(	1,849,465)		192,597
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		68,606	(	320,032)	(	251,426)		972,283
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		262,142		1,143,509		1,405,651		433,368
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	330,748	\$	823,477	<b>\$</b>	1,154,225	\$	,405,651

The cash and cash equivalents as at March 31, 2019, consists 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, their 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.

<u>Operating Fund</u>: 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 the investment fund and the investment income resulting from investing activities.

### b) Revenue Recognition

Operating revenue is 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% (2018 - 8%) 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 at March 31, 2019, consists 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)

These financial statements have not adopted the Part II of the CPA Canada Handbook Section 3856 - *Financial Instruments* 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 Part II of the CPA Canada Handbook Section 3856 - *Financial Instruments* inclusively.

### 4. INVESTMENT

	2019	2018
Atlantic Canada Community Business		
Investment Fund, without interest	\$ 37,500	\$ 37,500

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

### 5. LOANS RECEIVABLE

	2019	2018
Commercial loans	\$ 9,779,304	\$ 7,944,146
Less: Allowance for doubtful loans	777,457	635,532
	\$ 9,001,847	\$ 7,308,614

During the year, 93 new loans were approved. The total number of active loans under management as of March 31, 2019, was 257.

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

The rouns, mortgages and equity receivable balance is comprised of.		2019		2018
Balance, beginning of year	\$	7,944,146	\$	8,339,511
Changes during the year:				
- Loans advanced		3,980,554		2,087,178
- Loans repaid	(	2,131,089)	(	2,279,775)
- Recovery of loans written-off	· · ·	28,867	(	13,808
- Loans written-off	(	43,174)	(	216,576)
		9,779,304		7,944,146
Allowance for doubtful loans	(	777,457)	(	635,532)
Balance, end of year	\$	9,001,847	\$	7,308,614
The activity in the Allowance for doubtful loans account is as follows:				
		2019		2018
Balance, beginning of year	\$(	635,532)	\$(	667,161)
Changes during the year				
- Loans written-off		43,174		216,576
- Recovery costs		50		2,182
- Recovery of loans previously written-off	(	28,867)	(	13,808)
- Current year's loan loss provision	(	156,282)	Ò	173,321)
Balance, end of year	\$(	777,457)	\$(	635,532)
Allowance Percentage		8.0 %		8.0 %

The allowance for doubtful loans includes loans considered impaired, pursuant to a loan-by-loan review.

### CBDC CHALEUR INC. Notes to the Financial Statements For the Year Ended March 31, 2019

### 6. TANGIBLE CAPITAL ASSETS

7.

		2019		2	2018
	Cost	umulated ortization	Net k Value		Net k Value
Equipment Computer equipment	\$ 1,005 15,679	\$ 928 11,471	\$ 77 4,208	\$	111 6,011
	\$ 16,684	\$ 12,399	\$ 4,285	\$	6,122

	2019	2018
Atlantic Canada Community Business Investment Funds, bearing interest at a rate of 1.60%, repayable in monthly installments of \$50,000, maturing on September 1, 2021. Guaranteed by a general security agreement.	\$ 2,474,969	\$ 1,540,905
Less: Current portion of long term debt	600,000	600,000
	\$ 1,874,969	\$ 940,905

### 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:

	2019	2018
Contributed surplus	\$ 1,850,000	\$ 1,850,000
Loan guarantee deposit	-	40,100
Restricted for investing in business	5,228,096	4,776,586
	\$ 7,078,096	\$ 6,666,686

Funds advanced to CBDC with respect to its operating fund and its 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 when the following conditions are met:

- 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,
- 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. INTERNALLY RESTRICTED FUND

The internally restricted fund consists of the net assets belonging to the Chaleur inclusion network fund and shall not be used for other purposes.

### **10. COMMITMENT**

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 five years are as follows:

2020 to 2024 \$ 201,960

### 11. ECONOMIC DEPENDENCE

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 on annual operating contribution.

### **12. 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.

### 13. ADJUSTMENT TO OPENING BALANCES

During the year, CBDC Chaleur Inc. became a host organization for the Chaleur inclusion network. As such, the adjustment to opening balances represents the net assets for this program.

### **CBDC CHALEUR INC.** Schedule 1 - Other Programs Items For the Year Ended March 31, 2019

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		2019		2018
PROGRAMS:				
- Self Employment Assistance (Schedule 2-A)	\$	-	\$	_
- Youth Internship (Schedule 2-B)	-	_	Ψ	_
- Youth in Business (Schedule 2-C)		_		_
- Oxford Frozen Foods (Schedule 2-D)		-		_
- Entrepreneurship and Innovation Initiative (Schedule 2-E)		-		-
- Youth Success Chaleur (Schedule 2-F)		7,625		-
- Initiatives Coordination (Schedule 2-G)		-		-
		7,625		-
MEMBERSHIP FUND (Schedule 3)		88,909		74,857
CHALEUR INCLUSION NETWORK (Schedule 4)		11,195		_
EXCESS OF REVENUE OVER EXPENSES	\$	107,729	\$	74,857

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	2019	2018
- SELF EMPLOYMENT ASSISTANCE PROGRAM (SEA):		
REVENUE		
Post-Secondary Education, Training and Labour :		
- Contract	\$ 82,470	\$ 80,80
- Training	 25,458	 12,99
	107,928	93,80
EXPENSES		
Operating costs	30,033	35,29
Training	25,458	12,99
Wages and benefits	 52,437	 45,57
	107,928	93,80
EXCESS OF REVENUE OVER EXPENSES	\$ _	\$ -
REVENUE Atlantic Canada Opportunities Agency (ACOA)	\$ -	\$ 73,87
Regional Development Corporation (RDC) Post-Secondary Education, Training and Labour Registration - youth camps	-	20,50
Post-Secondary Education, Training and Labour		20,50 1,35
Post-Secondary Education, Training and Labour	 -	20,50 1,35
Post-Secondary Education, Training and Labour Registration - youth camps EXPENSES Other	 -	20,50 1,35 115,94
Post-Secondary Education, Training and Labour Registration - youth camps EXPENSES Other Office supplies	 - - -	 20,50 1,35 115,94 11,50
Post-Secondary Education, Training and Labour Registration - youth camps EXPENSES Other Office supplies Training and travel	 -	 20,50 1,35 115,94 11,50 8,05
Post-Secondary Education, Training and Labour Registration - youth camps EXPENSES Other Office supplies Training and travel Youth in action	- - - -	 20,22 20,50 1,35 115,94 11,50 8,05 9,92 8,25
Post-Secondary Education, Training and Labour Registration - youth camps EXPENSES Other Office supplies Training and travel Youth in action Advertising	 -	 20,50 1,35 115,94 11,50 8,05 9,92
Post-Secondary Education, Training and Labour Registration - youth camps EXPENSES Other Office supplies Training and travel Youth in action	 -	20,50 1,35 115,94 11,50 8,05 9,92 8,25 17,64
Post-Secondary Education, Training and Labour Registration - youth camps EXPENSES Other Office supplies Training and travel Youth in action Advertising	-	20,50 1,35 115,94 11,50 8,05 9,92 8,25

### CBDC CHALEUR INC. <sup>•</sup> Schedule 2 - Programs Details For the Year Ended March 31, 2019

		2019		2018
- YOUTH IN BUSINESS PROGRAM:				
REVENUE				
Atlantic Canada Opportunities Agency (ACOA)	\$	_	\$	19,72
Post-Secondary Education, Training and Labour	Φ	-	φ	34,54
Regional Development Corporation (RDC)		-		
Other		4,253		42,99
		4,233	-	13,64
		4,253		110,90
EXPENSES				
Insurance		-		1,70
Other		4,253		2,38
Office supplies		-		2,30
Training and travel		-		28,86
Rent		_		8,00
Advertising		_		20,300
Wages and benefits		_		46,525
Equipment rental		_		2,855
		4,253	_	110,90
EXCESS OF REVENUE OVER EXPENSES	\$	-	\$	-
EXCESS OF REVENUE OVER EXPENSES			\$	- 2018
		-	\$	-
OXFORD FROZEN FOODS: REVENUE		-	\$	-
OXFORD FROZEN FOODS: REVENUE Atlantic Canada Opportunities Agency (ACOA)	2	-		2018
OXFORD FROZEN FOODS: REVENUE Atlantic Canada Opportunities Agency (ACOA) Regional Development Corporation (RDC)		-	\$	- 2018 12,291
OXFORD FROZEN FOODS: REVENUE Atlantic Canada Opportunities Agency (ACOA)	2	-		- 2018 12,291 2,301
OXFORD FROZEN FOODS: REVENUE Atlantic Canada Opportunities Agency (ACOA) Regional Development Corporation (RDC)	2	-		<b>2018</b> 12,291 2,301 2,772
Regional Development Corporation (RDC) Other EXPENSES	2	-		12,291
OXFORD FROZEN FOODS: REVENUE Atlantic Canada Opportunities Agency (ACOA) Regional Development Corporation (RDC) Other EXPENSES Administration fees	2	-		<b>2018</b> 12,291 2,301 2,772 17,364
OXFORD FROZEN FOODS: REVENUE Atlantic Canada Opportunities Agency (ACOA) Regional Development Corporation (RDC) Other EXPENSES	2	-		<b>2018</b> 12,291 2,301 2,772
OXFORD FROZEN FOODS: REVENUE Atlantic Canada Opportunities Agency (ACOA) Regional Development Corporation (RDC) Other EXPENSES Administration fees	2	-		<b>2018</b> 12,291 2,301 2,772 17,364 2,314

		2019		201
- ENTREPRENEURSHIP AND INNOVATION INITIATIVE:				
REVENUE				
Atlantic Canada Opportunities Agency (ACOA)	\$	75,000	\$	_
Post-Secondary Education, Training and Labour	Ψ	37,612	ψ	_
Regional Development Corporation (RDC)		37,612		_
		150,224		-
EXPENSES				
Advertising		8,047		-
Equipment rental		300		-
Rent		8,000		-
Training and travel		7,966		-
Insurance		1,700		-
Office supplies		1,009		-
Other		14,538		-
Wages and benefits		108,664		-
		150,224		_
EXCESS OF REVENUE OVER EXPENSES	\$	,	\$	
	Ψ	2019	φ	2018
YOUTH SUCCESS CHALEUR				
REVENUE				
Atlantic Canada Opportunities Agency (ACOA)	\$	13,958	\$	
Post-Secondary Education, Training and Labour	¢	9,850	φ	-
Regional Development Corporation (RDC)		<b>8,996</b>		-
Other		10,000		-
		10,000		
		42,804		-
EXPENSES				
Insurance		1,082		-
Rent		1,909		-
Wages and benefits		15,707		-
Training and travel		474		-
		7,146		-
Other				-
		8,861	_	
Other		<u>8,861</u> 35,179		_

### <sup>•</sup> CBDC CHALEUR INC. Schedule 2 - Programs Details For the Year Ended March 31, 2019

	2019		2018
- INITIATIVES COORDINATION:			
REVENUE			
Post-Secondary Education, Training and Labour	\$ 9,640	\$	-
Other	7,514	-	-
	17,154		-
EXPENSES			
Other	3,043		-
Wages and benefits	 14,111		-
	17,154		-
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$	_

	2019	2018
MEMBERSHIP FUND:		
REVENUE		
Administration and insurance on loans	\$ 39,674	\$ 20,97
Project coordination	48,976	
Youth internship	11,382	,
Administration fee SEA	4,953	,
Youth in business		6,94
Programs SEA	31,278	
Chaleur inclusion network	1,969	
Membership revenues	3,130	
Youth success Chaleur	12,053	
	153,415	114,312
EXPENSES		
Meeting expenses	8,759	10,399
Office expenses	4,041	,
Expenses for project delivery	35,245	
Oxford frozen foods program	-	970
Professionals fees	8,694	
Interest and bank charges	49	· · ·
Rural entrepreneurial and economic development	-	12,035
Advertising	4,947	
Telephone	2,771	1,841
	64,506	39,455
EXCESS OF REVENUE OVER EXPENSES	\$ 88,909	\$ 74,857

### <sup>†</sup> CBDC CHALEUR INC. Schedule 4 - Chaleur inclusion network For the Year Ended March 31, 2019

	2019	2018
CHALEUR INCLUSION NETWORK FUND:		
REVENUE		
Economic and social inclusion corporation	\$ 64,76	1 \$ -
Other revenues	39,50	
	104,26	8 -
EXPENSES	9.	
Advertising	3	0 -
Wages and benefits	50,68	4 -
Office supplies	2,60	
Trainning and travel	6,33	1 -
Other	5,91	7 -
Project	27,50	7 -
	93,073	3 -
EXCESS OF REVENUE OVER EXPENSES	\$ 11,19	5 \$ -

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