

ANNUAL REPORT

2016-2017

Investing in the
Entrepreneurial Spirit



Corporation au bénéfice du développement communautaire
Community Business Development Corporation

Kent

CBDC Kent



Among its accomplishments for the year 2016-2017, CBDC Kent granted financing to 59 business people, for a total of \$3,237,815 in the Kent County area and the civil parish of Rogersville. These investments helped create 83 new jobs and maintain 216 jobs in the region.

The fishing industry is the sector in which the agency has invested the most, namely \$1,006,405, followed, among others, by the Wholesale and Retail Trade (\$765,000), Manufacturing (\$299,165) and Aquaculture (\$281,545) sectors.

A total of 41 participants were accepted under the Self-Employment Benefit (SEB) Program. This program assisted in the start-up of 41 new businesses and the creation of 77 full-time and part-time jobs.

Over the past year, we also focused on providing training to entrepreneurs. With regard to training offered as part of the Entrepreneurial Fund of the Atlantic Association of CBDCs, 13 clients received assistance, for a total of \$12,796. Furthermore, 4 participants benefited from the Consulting Advisory Services Program for a total investment of \$24,333. These various trainings contributed to making entrepreneurs more efficient in their respective fields.

Since 2012, the loan portfolio has experienced an annual growth. The Board of Directors is pleased to announce that the agency has reached an important milestone, namely a portfolio of more than \$10 million.



credit: Denise Daigle



Corporation au bénéfice du développement communautaire
Community Business Development Corporation
Kent

CBDC Kent offers a Business Development Seminar to individuals who consider starting their own business. Topics covered include financing, marketing, cash flow and accounting. In 2016-2017, the agency offered 12 seminars. A total of 28 individuals benefited from this program.

Furthermore, the agency offers a new program, namely Lean Processing. This program, funded mainly by ACOA, allows lobster processors to improve their efficiency and productivity.

Investments in the region

Requests processes

Applications received	86
Applications approved	69
Amounts invested	\$3,237,815

Number of business counselling sessions

Number of clients	286
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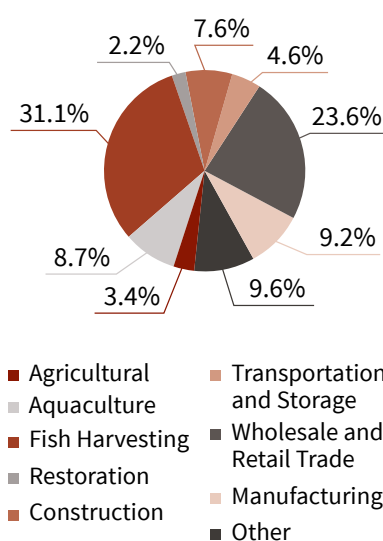
Impact on businesses

New businesses	22
Existing businesses	37
Total	59

Impact on employment

Jobs created	83
Jobs maintained	216
Total	299

Loans by Sector



Training sessions

Number of sessions	25
Amounts granted	\$27,663

Self-Employment Benefit

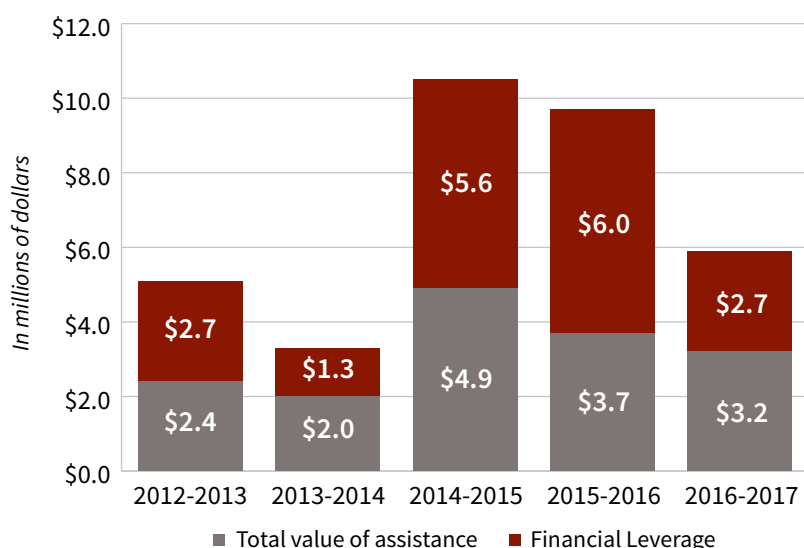
Applications approved	41
Value of assistance	\$717,500

Consulting Advisory Services

Number of clients	4
Amounts granted	\$24,333

Building strong entrepreneurial leverage in the Kent region

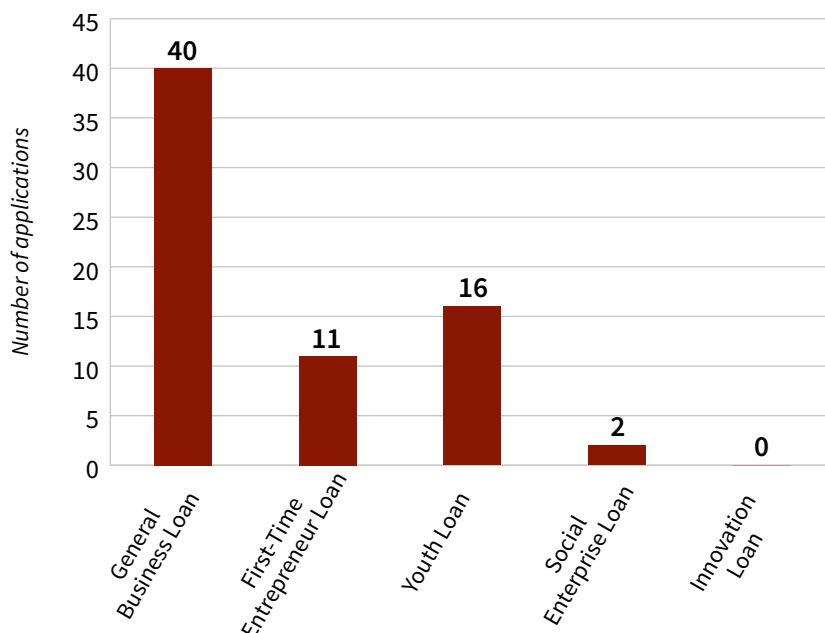
The total value of assistance from the CBDC and financial leverage over the past five years



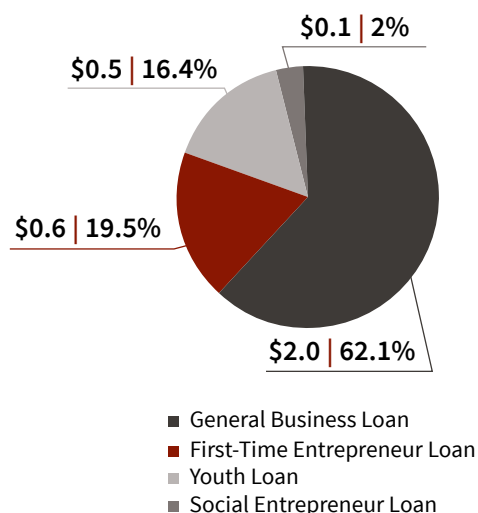
Since its inception in 1981, CBDC Kent has injected over **\$43 million** in the Kent region. Over the last 5 years, a total of **\$16.2 million** were invested in the region's economic development.

In comparison with the previous year, the number of applications approved for the General Business Loan increased by **14.3%**.

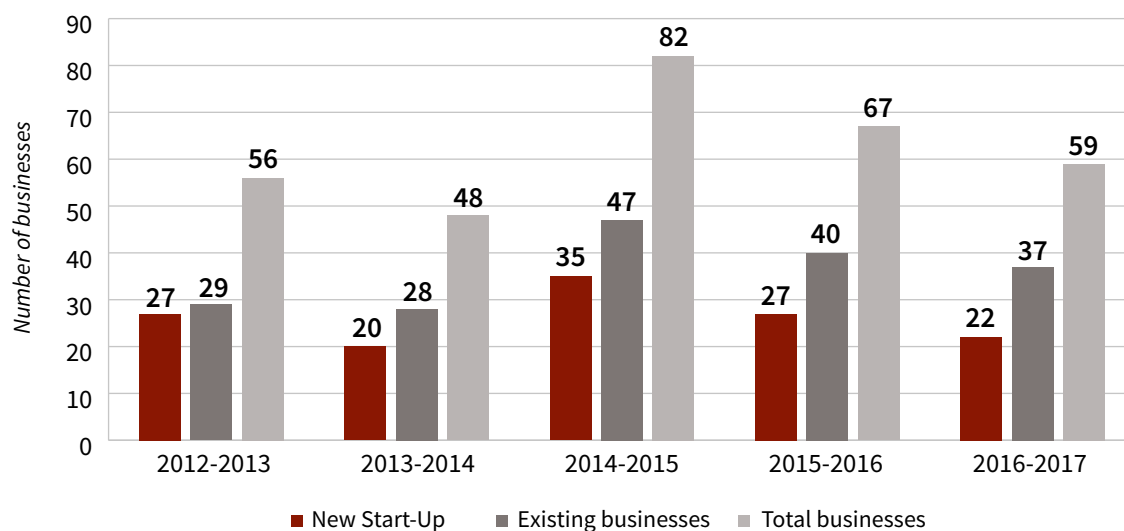
Number of applications approved for each CBDC loan product



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



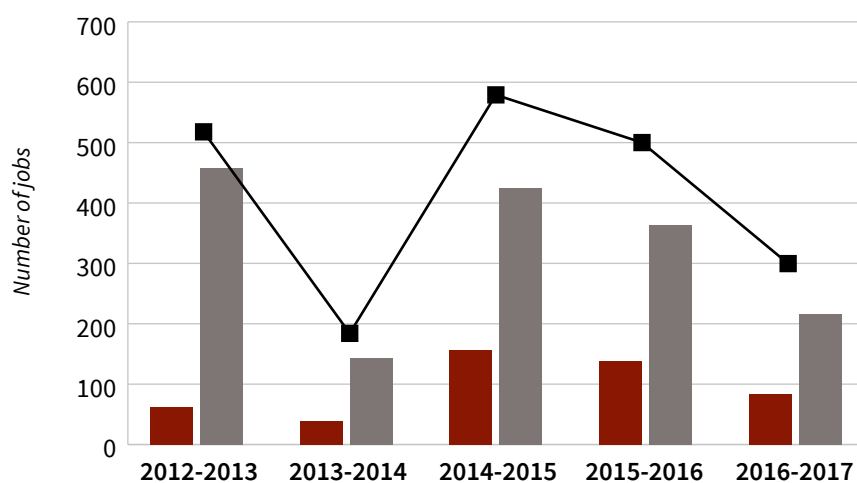
The number of businesses who received financial assistance over the past five years



There has been a fairly stable trend over the past 5 years in the number of businesses receiving financial assistance.

Although the level of jobs created and maintained has decreased over the past 3 years, the CBDC Kent has observed a **71.8%** decrease in the total value of write-offs at the end of the year, reinforcing the sustainability of the employment generated.

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



Jobs created	62	39	157	139	83
Jobs maintained	458	143	425	363	216
- Total	520	182	582	502	299



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) 743-2422**

 **www.cbdckent.ca**

 **Atlantic Association of CBDCs / NB CBDC**

 **CBDCAtlantic / NB CBDC**

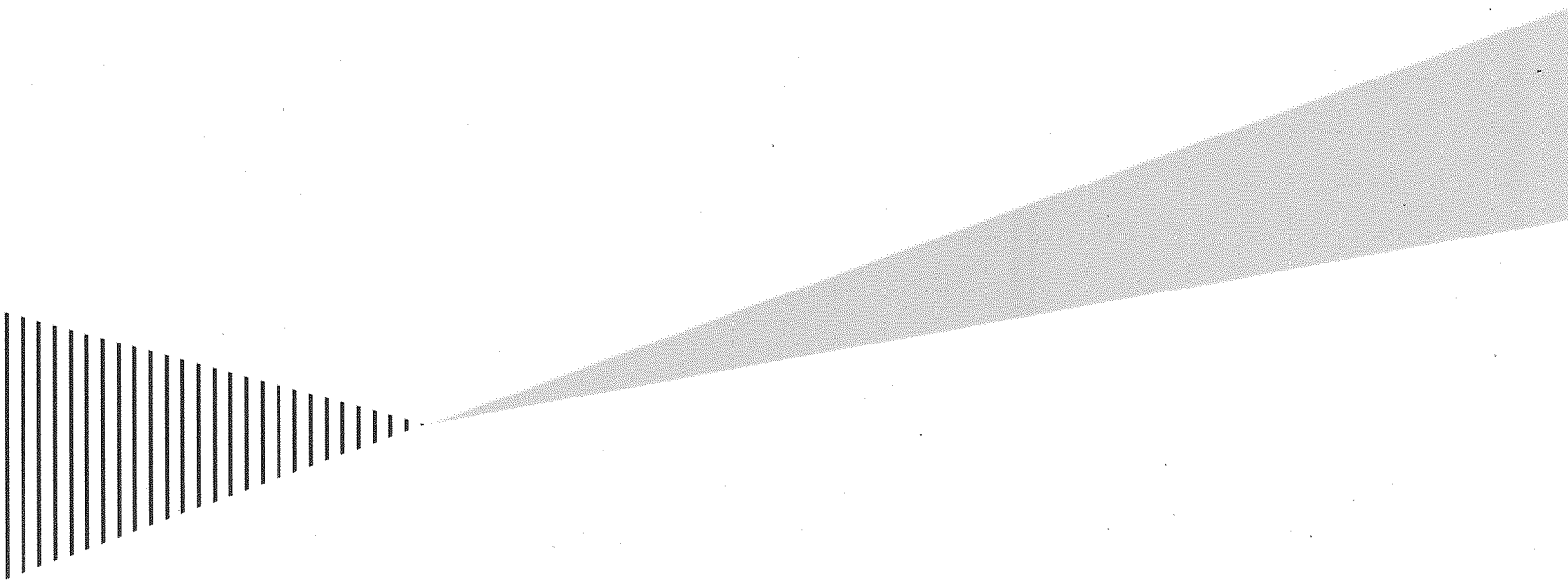
 **190 Irving Blvd., Bouctouche, NB E4S 3L7**

 **Canada**  **Nouveau Brunswick**

CBDC KENT

ANNUAL FINANCIAL REPORT

Year ended March 31, 2017



**Building a better
working world**

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Building a better
working world

INDEPENDENT AUDITORS' REPORT

To the Directors of CBDC Kent

We have audited the accompanying financial statements of CBDC Kent, which comprise the statement of financial position as at March 31, 2017 and the statement of operations and changes in fund balances and the 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 auditors consider 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 qualified audit opinion.

Basis for qualified opinion

CBDC Kent initially records its long-term debt, which bears interest at a non-market rate, at the amount of cash consideration received. Canadian accounting standards for not-for-profit organizations require that long-term debt with a non-market rate of interest be initially measured at fair value on the statement of financial position. The effects of this departure from Canadian accounting standards for not-for-profit organizations have not been determined.

Furthermore, CBDC Kent has loans receivable on the statement of financial position. Canadian accounting standards for not-for-profit organizations require disclosure of maturity dates of accounts maturing beyond one year. CBDC Kent has not provided this disclosure. Further, Canadian accounting standards for not-for-profit organizations require that assets ordinarily realizable within one year from the date of the statement of financial position be classified as current assets on the statement of financial position. CBDC Kent has not classified the current portion of its loans receivable as at March 31, 2017 in current assets on the statement of financial position. The effects of these departures from Canadian accounting standards for not-for-profit organizations have not been determined.

Qualified opinion

In our opinion, except for the effects of the matters described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of CBDC Kent as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the Canada Corporations Act, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceeding year.

Ernst + Young LLP

Dieppe, Canada
May 15, 2017

Chartered Professional Accountants

CBDC KENT**STATEMENT OF FINANCIAL POSITION**

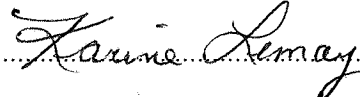
March 31,

	Operating Fund	Investment Fund	2017 Total	2016 Total
ASSETS				
CURRENT ASSETS				
Cash (note 3)	\$ 15,042	\$ 321,577	\$ 336,619	\$ 338,751
Accounts receivable (note 4)	123,875	200,010	323,885	270,880
Prepaid expenses	11,044	-	11,044	10,401
	149,961	521,587	671,548	620,032
INVESTMENTS				
Loans (note 5)	-	10,136,987	10,136,987	9,598,881
Note - ACCBIF (note 6)	-	37,500	37,500	37,500
CAPITAL ASSETS (note 7)	234,566	-	234,566	238,935
TOTAL ASSETS	\$ 384,527	\$ 10,696,074	\$ 11,080,601	\$ 10,495,348
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	\$ 24,927	\$ -	\$ 24,927	\$ 33,935
Bank loans (note 8)	24,369	-	24,369	9,906
Accounts payable				
Trade	3,000	-	3,000	2,254
Accrued retirement allowance	62,768	-	62,768	56,335
Accrued interest and other	-	5,916	5,916	5,322
Deferred revenue	24,593	-	24,593	185,002
Current portion of long-term debt - ACCBIF (note 9)	-	534,694	534,694	494,175
	139,657	540,610	680,267	786,929
LONG-TERM DEBT - ACCBIF (note 9)	-	3,892,490	3,892,490	3,617,349
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (note 10)				
	277	-	277	396
TOTAL LIABILITIES	139,934	4,433,100	4,573,034	4,404,674
FUND BALANCES				
Invested in capital assets	234,289	-	234,289	238,539
Externally restricted (note 11)	-	5,249,006	5,249,006	4,795,687
Contributed surplus	-	1,013,968	1,013,968	1,013,968
Unrestricted fund balance	10,304	-	10,304	42,480
FUND BALANCES	244,593	6,262,974	6,507,567	6,090,674
	\$ 384,527	\$ 10,696,074	\$ 11,080,601	\$ 10,495,348

COMMITMENTS (note 12)

See accompanying notes to the financial statements

ON BEHALF OF THE BOARD


 Larine Lemay, Director


 , Director

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

For the year ended March 31,

	Operating Fund	Investment Fund	2017 Total	2016 Total
REVENUES				
ACOA - Community Futures	\$ 352,663	\$ -	\$ 352,663	\$ 344,651
Project LEAN	159,500	-	159,500	-
Investment income - loan portfolio	-	748,920	748,920	743,878
Investment income - other interest	73	-	73	396
Province of New Brunswick Department of Post- secondary Education, Training and Labour - Self Employment Benefits	98,320	-	98,320	82,127
Administration fees	1,490	-	1,490	1,350
Service Canada - Youth Intern Program	3,565	-	3,565	3,078
Miscellaneous (note 13)	83,360	-	83,360	113,326
TOTAL REVENUES	698,971	748,920	1,447,891	1,288,806
EXPENSES				
Advertising	14,240	-	14,240	14,630
Amortization	14,913	-	14,913	14,120
Bank charges	2,366	1,565	3,931	3,954
Credit bureau reports	1,564	-	1,564	3,049
Equipment rental	5,032	-	5,032	5,514
Insurance	26,267	-	26,267	25,900
Interest expense - ACCBIF	-	65,984	65,984	61,851
Loan loss provision	-	181,697	181,697	273,712
Miscellaneous	25,018	6,947	31,965	31,996
Office supplies	3,396	-	3,396	3,059
Professional fees - audit & accounting	14,591	2,631	17,222	14,309
Professional fees - legal	2,889	3,298	6,187	1,049
Project LEAN	134,237	-	134,237	-
Property taxes and utilities	19,592	-	19,592	19,978
Repairs and maintenance	19,634	-	19,634	12,083
Salaries and employee benefits	368,781	-	368,781	333,514
Pension plan contributions (defined contributions)	15,672	-	15,672	16,626
Telecommunications and postage	11,876	-	11,876	11,779
Training	52,662	-	52,662	79,709
Training - Self Employment Benefits	14,867	-	14,867	20,209
Travel	21,279	-	21,279	29,341
TOTAL EXPENSES	768,876	262,122	1,030,998	976,382
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	(69,905)	486,798	416,893	312,424
INTERFUND TRANSFER (note 14)	33,479	(33,479)	-	-
FUND BALANCES, BEGINNING OF YEAR	281,019	5,809,655	6,090,674	5,778,250
FUND BALANCES, END OF YEAR	\$ 244,593	\$ 6,262,974	\$ 6,507,567	\$ 6,090,674

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

For the year ended March 31,

	Operating Fund	Investment Fund	2017 Total	2016 Total
OPERATING ACTIVITIES				
Excess of revenues over expenses (expenses over revenues)	\$ (69,905)	\$ 486,798	\$ 416,893	\$ 312,424
Items not affecting cash :				
Amortization	14,913	-	14,913	14,120
Loan loss provision	-	181,697	181,697	273,712
Changes in non-cash working capital :				
Accounts receivable	(10,013)	(42,992)	(53,005)	(33,582)
Accounts payable	7,179	594	7,773	(560)
Deferred revenue	(160,409)	-	(160,409)	172,603
Other items	(643)	-	(643)	(390)
	(218,878)	626,097	407,219	738,327
INVESTING ACTIVITIES				
Purchase of capital assets	(10,663)	-	(10,663)	(77,758)
Loans to clients	-	(3,237,814)	(3,237,814)	(3,763,426)
Repayments from clients	-	2,481,395	2,481,395	2,650,964
Recovery of loans written off in previous periods	-	36,616	36,616	8,607
	(10,663)	(719,803)	(730,466)	(1,181,613)
FINANCING ACTIVITIES				
Changes in bank loans	14,463	-	14,463	9,906
Proceeds of long-term debt - ACCBIF	-	850,000	850,000	900,000
Repayment of long-term debt - ACCBIF	-	(534,340)	(534,340)	(523,328)
Interfund transfer	33,479	(33,479)	-	-
	47,942	282,181	330,123	386,578
CASH AND CASH EQUIVALENTS INCREASE (DECREASE)	(181,599)	188,475	6,876	(56,708)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	171,714	133,102	304,816	361,524
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (9,885)	\$ 321,577	\$ 311,692	\$ 304,816

ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS (note 16)

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

1. PURPOSE OF THE ORGANIZATION

The mission statement of CBDC Kent (the organization) is to create sustainable employment through promoting business development in our communities by providing capital and mentoring assistance.

The organization is a community-based and community-controlled corporation with a mandate to provide lending and other investments to small businesses in Kent County and the civil parish of Rogersville who have difficulty obtaining financing from traditional sources. The organization is incorporated under the Canada Corporations Act as a not-for-profit organization and as such is exempt from income tax by virtue of paragraph 149(1)(l) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Part III of the Chartered Professional Accountants of Canada (CPA Canada) Accounting Handbook - Accounting Standards for Not-for-Profit Organizations, which sets out generally accepted accounting principles (GAAP) for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

Use of estimates

The presentation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of management's estimates include the allowance for doubtful loans. Actual results could differ from those estimates.

Fund accounting

The Operating Fund reports the organization's program delivery and administrative activities. This fund reports unrestricted resources and operating contributions. Expenses of the Operating Fund are limited to those agreed upon in the contribution agreement between the Atlantic Canada Opportunities Agency (ACOA) or other funding partners and the organization.

The Investment Fund reports all of the restricted activities of the organization's loan programs. The externally restricted fund balance is further described in note 11.

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The organization follows the restricted fund method of accounting for contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the Operating Fund when initially received. Externally restricted contributions are recorded in the Investment Fund when initially received. Externally restricted contributions for which no corresponding fund exists are recorded as revenue in the Operating Fund in the year in which the related expenses are incurred.

Investment and other income is recorded on an accrual basis in the appropriate fund.

Financial instruments

Financial instruments are initially recorded at fair value and subsequently at amortized cost.

Loans

Loans are recorded at their principal amount, net of anticipated losses. A loan is classified as doubtful when management has determined that there is a reasonable doubt as to the ultimate collectability of principal or interest. The allowance for doubtful loans is established on a loan-by-loan basis for specifically identified probable losses on loans receivable. In addition, a general allowance is provided against unidentified future losses. The general allowance rate is based on the historic losses of the portfolio.

The organization evaluates each borrower's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, by the organization upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

There is no further accrual of interest on loans when there is a doubt by management regarding the collectability of principal or interest. At that time, the reversal of any accrued and unpaid interest is reported as a reduction of current year's earnings. Subsequent collection of amounts due are reported as interest income only when management determines the collectability of the loan is no longer in doubt.

Seed loans are those that were disbursed under ACOA's Seed Capital Program. Investment loans represent all other loans disbursed by the Investment Fund.

NOTES TO FINANCIAL STATEMENTSMarch 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are accounted for at cost.

Amortization is based on their estimated useful life using the diminishing balance method at the following rates :

Land improvements	8%
Building	4%
Equipment	20%
Sign	20%
Computer equipment	30%

Impairment

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Recognition of deferred contributions related to capital assets

The funding provided by ACOA for the purchase of new equipment is being recorded as revenue at the same rates as the related capital assets.

CBDC KENT**NOTES TO FINANCIAL STATEMENTS**

March 31, 2017

3. CASH

	2017	2016
Operating Fund		
Petty cash	\$ 200	\$ 200
Bank - Social fund	1,738	248
Bank - Contingencies	5,784	45,711
Bank - ACOA	7,320	159,490
	15,042	205,649
Investment Fund		
Petty cash	100	100
Bank - Investment	321,377	132,902
Bank - ACCBIF	100	100
	321,577	133,102
	\$ 336,619	\$ 338,751

4. ACCOUNTS RECEIVABLE

	Operating Fund	Investment Fund	2017 Total	2016 Total
ACOA	\$ 40,677	\$ -	\$ 40,677	\$ 44,565
Sales tax receivable	70,448	4,879	75,327	64,704
Other	12,750	13	12,763	9,121
Loan interest receivable	-	195,118	195,118	152,490
	\$ 123,875	\$ 200,010	\$ 323,885	\$ 270,880

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

5. LOANS

	2017			2016
	Investment	Seed	Total	Total
Loans to businesses	\$ 10,689,125	\$ 49,959	\$ 10,739,084	\$ 10,081,376
Less: allowances for doubtful loans	(591,691)	(10,406)	(602,097)	(482,495)
	\$ 10,097,434	\$ 39,553	\$ 10,136,987	\$ 9,598,881

The loans receivable balance is comprised of :

	2017			2016
	Investment	Seed	Total	Total
Gross balance, beginning of year	\$ 9,987,056	\$ 94,320	\$ 10,081,376	\$ 9,318,757
Loans advanced during the year	3,237,814	-	3,237,814	3,763,426
Loans repaid during the year	(2,437,034)	(44,361)	(2,481,395)	(2,650,964)
Loans written off during the year	(98,711)	-	(98,711)	(349,843)
Gross balance, end of year	10,689,125	49,959	10,739,084	10,081,376
Allowances for doubtful loans	(591,691)	(10,406)	(602,097)	(482,495)
Net balance, end of year	\$ 10,097,434	\$ 39,553	\$ 10,136,987	\$ 9,598,881

A total of 68 new loans representing \$3,771,865 were approved during the year ended March 31, 2017, at which time 261 loans were being managed by the organization.

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

5. LOANS (continued)

The change in the allowances for doubtful loans is as follows :

	2017			2016
	Investment	Seed	Total	Total
Balance, beginning of year	\$ 461,335	\$ 21,160	\$ 482,495	\$ 550,019
Loans written off during the year	(98,711)	-	(98,711)	(349,843)
Recovery of loans written off in previous periods	31,619	4,997	36,616	8,607
Current year's loan loss provision	197,448	(15,751)	181,697	273,712
Balance, end of year	\$ 591,691	\$ 10,406	\$ 602,097	\$ 482,495

The allowances for doubtful loans include the following :

	2017			2016
	Investment	Seed	Total	Total
Specific allowances	\$ 298,312	\$ 9,182	\$ 307,494	\$ 193,713
General allowance	293,379	1,224	294,603	288,782
	\$ 591,691	\$ 10,406	\$ 602,097	\$ 482,495

Doubtful loans represented \$1,610,116 at March 31, 2017 (2016 - \$1,468,515).

NOTES TO FINANCIAL STATEMENTSMarch 31, 2017

6. NOTE - ACCBIF

Promissory note, without interest and without maturity, from the Atlantic Community Business Investment Fund (ACCBIF). Refer to note 9 for more details.

7. CAPITAL ASSETS**2017****2016**

	Cost	Accumulated amortization	Net value	Net value
Land	\$ 7,931	\$ -	\$ 7,931	\$ 7,931
Land improvements	22,443	16,491	5,952	6,470
Building	338,420	143,798	194,622	198,111
Equipment	103,921	82,094	21,827	20,378
Sign	650	627	23	29
Computer equipment	101,064	96,853	4,211	6,016
	\$ 574,429	\$ 339,863	\$ 234,566	\$ 238,935

8. BANK LOANS

The organization has an authorized line of credit of \$200,000 for the Investment Fund, bearing interest at the prime rate plus 1%, payable monthly and renewable annually. This line of credit is secured by a general assignment of book debts for \$200,000.

A line of credit of \$66,000 is also authorized for the Operating Fund. It bears interest at the prime rate plus 1%, is payable monthly and is renewable annually. It is also secured by a general assignment of book debts.

NOTES TO FINANCIAL STATEMENTSMarch 31, 2017

9. LONG-TERM DEBT - ACCBIF

The ACCBIF lends money to CBDCs' Investment Funds throughout Atlantic Canada. To be a member, a CBDC must lend \$37,500 to the ACCBIF (note 6). The loan from the ACCBIF carries an interest charge which is set every two years by the ACCBIF Board of Governance. At the last meeting, the rate was set at 1.6%. The loan is repayable in equal monthly instalments of principal and interest of \$50,000 until January 2025 with a final payment of \$14,311 in February 2025. The loan is guaranteed by a general security agreement and a promissory note.

	2017	2016
Balance of the loan	\$ 4,427,184	\$ 4,111,524
Current portion	534,694	494,175
	<u>\$ 3,892,490</u>	<u>\$ 3,617,349</u>

Future required principal repayments for the next five years are expected to be as follows :

2018 - \$534,694
2019 - \$541,654
2020 - \$550,384
2021 - \$559,255
2022 - \$568,269

NOTES TO FINANCIAL STATEMENTSMarch 31, 2017

10. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

This account represents the unamortized portion of ACOA contributions towards the purchase of equipment, as follows :

	2017	2016
Balance, beginning of year	\$ 396	\$ 566
Amount amortized to income during the year	119	170
Balance, end of year	\$ 277	\$ 396

11. EXTERNALLY RESTRICTED FUNDS

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

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

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

- the organization's 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 organization provides 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

12. COMMITMENTS

The organization has lease commitments until March 2019 for the rental of equipment. The balance of the commitments under these leases is \$4,958. Minimum payments payable over the next two years are as follows :

2018 - \$2,753

2019 - \$2,205

13. MISCELLANEOUS REVENUES

Miscellaneous revenues include various revenues arising from rental, training and coaching activities as well as various administrative revenues.

14. INTERFUND TRANSFER

A transfer of \$33,479 (2016 - \$40,000) was made from the Investment Fund to alleviate a cash shortfall in the Operating Fund. This transfer was approved by ACOA.

15. ECONOMIC DEPENDENCE

The organization receives an annual operating contribution from ACOA to cover a portion of the operating expenses of the Operating Fund. The continued operation of the organization currently depends on the receipt of this annual operation contribution.

NOTES TO FINANCIAL STATEMENTSMarch 31, 2017

16. ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS

Cash and cash equivalents consist of the following items :

	2017			2016	
	Operating Fund	Investment Fund	Total	Total	
Cash	\$ 15,042	\$ 321,577	\$ 336,619	\$ 338,751	
Bank overdraft	(24,927)	-	(24,927)	(33,935)	
	\$ (9,885)	\$ 321,577	\$ 311,692	\$ 304,816	

17. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, accounts receivable, investments, bank overdraft, bank loans, accounts payable and long-term debt - ACCBIF. Except as noted below, it is management's opinion that the organization is not exposed to any significant risks arising from financial instruments.

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.

Financial instruments that expose the organization to credit risk consist mainly of loans and interest receivable. Management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions. Although the organization's loan portfolio is diversified, a substantial portion of its borrowers' ability to honour the terms of their loans is dependent on business and economic conditions in New Brunswick. The organization is also exposed to credit risk with respect to credit commitments, which are disclosed below.

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

17. FINANCIAL INSTRUMENTS (continued)

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 organization is exposed to interest rate risk with respect to its loans receivable and its long-term debt - ACCBIF because they bear interest at fixed rates of interest. It is also exposed to interest rate risk with respect to its bank loans because cash flows will fluctuate with the variable interest rate.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities.

The organization is exposed to liquidity risk with respect to its bank loans and its long-term debt - ACCBIF and when it has credit commitments. Credit commitments represent loans that the organization has approved but has not yet disbursed; these commitments amount to \$395,594 at March 31, 2017 (2016 - \$313,458).

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

