

ANNUAL REPORT

2016-2017

Investing in the
Entrepreneurial Spirit



Community Business Development Corporation
Corporation au bénéfice du développement communautaire
Southwest

CBDC Southwest



This year celebrates our 33rd year of operation. During this time CBDC Southwest has invested over \$62.2M in the form of business loans to our rural entrepreneurs for business start-up, expansion or maintenance.

CBDC Southwest is dedicated to the maintenance, creation and expansion of our rural businesses. We provide services in the form of financing and advice to these small and medium-sized enterprises (SMEs) within our rural geographical area of Carleton, York, Sunbury and Queens Counties.

During the 2016-2017 year we approved over 3.12 Million Dollars of investment for our rural area business owners. CBDC Southwest disbursed and facilitated the delivery of a total of \$3.99 Million to 76 SMEs with the breakdown of assistance as follows: 16 general business loans with a total dollar amount of \$1,997,719 a total of 13 youth and first time entrepreneur loans with a total dollar amount of \$1,126,989. In addition to our loans we also approved 47 Self-Employment Benefit (SEB) applications for a total of \$868,511.

These investments in turn have created 97 Full Time, and maintained 169 Full Time jobs.

The Atlantic Canada Opportunities Agency (ACOA) is an important partner in the work the CBDC provides in our rural areas. We are grateful for ACOA's support and vision. The Government of Canada, through ACOA, is clearly committed to helping rural communities become strong and vibrant. Over the past year ACOA has demonstrated ongoing confidence in the CBDCs through its support of activities through the Community Futures of Tomorrow, the Entrepreneurial Training Fund, and the Women in Business Program. We have been pleased to administer many important initiatives on the Agency's behalf.

In addition we gratefully acknowledge the assistance and support of our various partner agencies over this past year such as Post-Secondary Education, Training and Labour (PETL), Opportunities NB, and Ignite Fredericton.



Community Business Development Corporation
Corporation au bénéfice du développement communautaire
Southwest

CBDC Southwest works closely with all economic development partners in our region. Our primary role is to assist in the development of rural businesses and their entrepreneurs, as well as assisting them to

seize opportunities that will improve their businesses. Additionally we also partner with other financial institutions including chartered banks, credit unions and other secondary lending partners.

Investments in the region

Requests processes

Applications received	36
Applications approved	29
Amounts invested	\$3,124,709

Number of business counselling sessions

Number of clients	69
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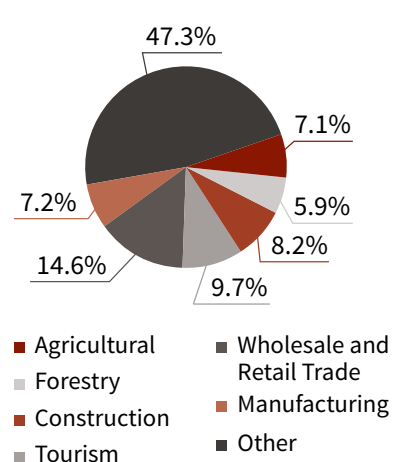
Impact on businesses

New businesses	9
Existing businesses	20
Total	29

Impact on employment

Jobs created	25
Jobs maintained	169
Total	194

Loans by Sector



Training sessions

Number of sessions	93
Amounts granted	\$20,242

Self-Employment Benefit

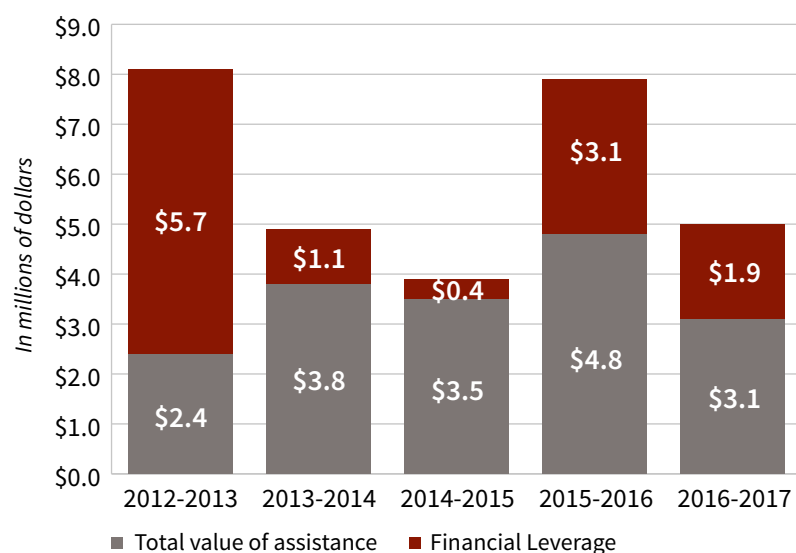
Applications approved	47
Value of assistance	\$868,511

Consulting Advisory Services

Number of clients	1
Amounts granted	\$9,300

Building strong entrepreneurial leverage in the Southwest region

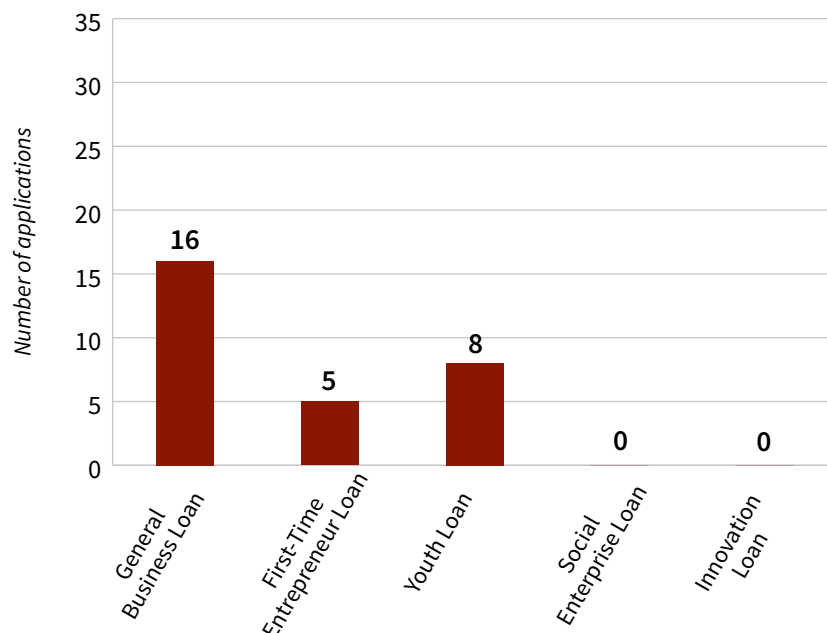
The total value of assistance from the CBDC and financial leverage over the past five years



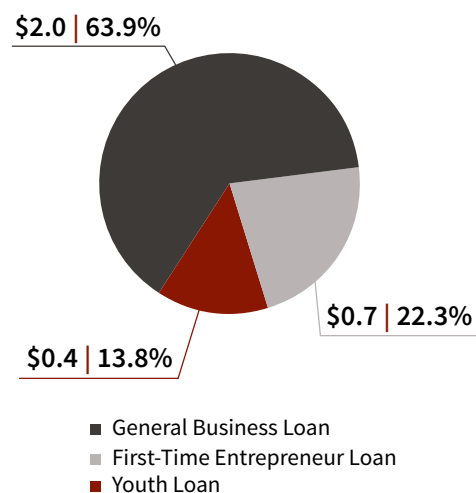
This year, the average size loan is **\$124,988**, which is an increase of **59.9%** in the average value of assistance per CBDC client compared to the previous year.

Since inception, the CBDC Southwest has injected over **62.2 million** dollars in the community.

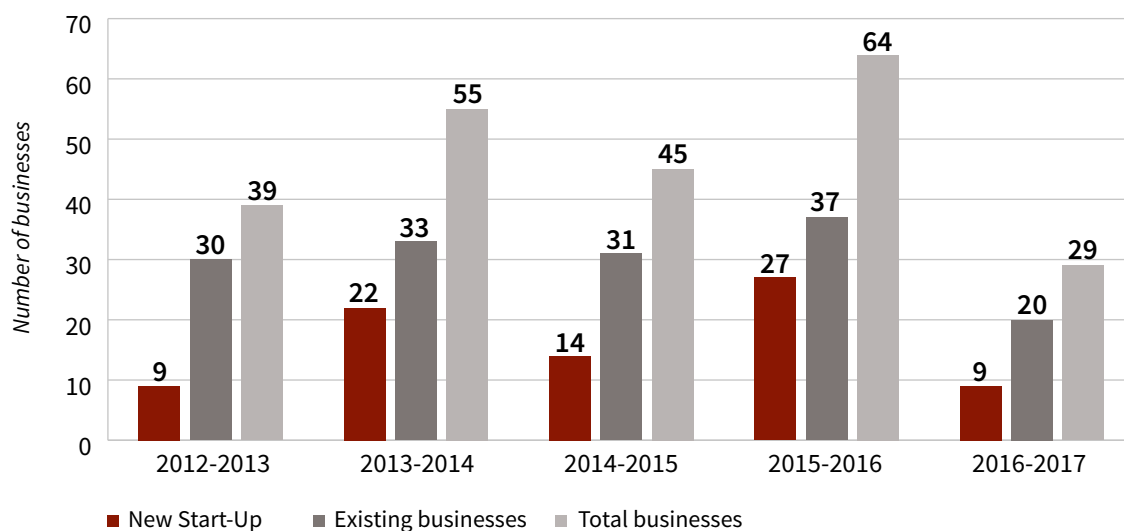
Number of applications approved for each CBDC loan product



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



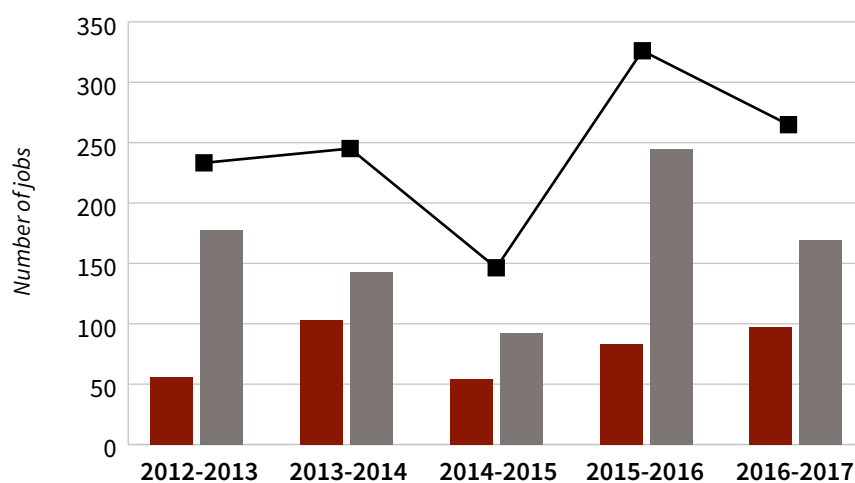
The number of businesses who received financial assistance over the past five years



Although the number of businesses who received financial assistance has decreased during the past year, the value of assistance to businesses seeking to expand has increased **6.3%** compared to the previous year, a total dollar value of **\$1,033,861**.

At the end of the fiscal year, the value of loans approved but not yet disbursed was of **\$645,000**, an increase of **36.1%** compared to the previous year. These loans once advanced will contribute to the overall totals of job creation and maintenance, in the coming fiscal year.

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



Jobs created	56	103	54	83	97
Jobs maintained	178	143	92	245	169
- Total	234	246	146	328	266



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

Funding for expansion of existing premises or to construct a new building. Purchase of new equipment and additional materials. Even the acquisition of an existing business.

First-Time Entrepreneur Loan

You 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.

Youth Entrepreneurship Development Initiative

Allows youth to explore entrepreneurship and identify opportunities for activities inside and outside of the public school system. Also provides support to help new and existing young entrepreneurs with coaching, mentoring and advice.

Contact Us

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



(506) 454-2747



www.southwestcbdc.ca



CBDC Southwest



CBDC Southwest



73 Millennium Drive, Hanwell, NB E3C 0E2

Canada

New Brunswick

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017



**LENEHAN
MCCAIN
& Associates**

CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
Southwest Valley Development Corporation Inc.

We have audited the accompanying non-consolidated financial statements of Southwest Valley Development Corporation Inc., which comprise the non-consolidated statement of financial position as at March 31, 2017, and the non-consolidated statements of operations, net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the non-consolidated 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 organization'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 non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT, continued

Basis for Qualified Opinion

As described in Note 2a, Southwest Valley Development Corporation Inc. has not identified and classified all its financial instruments, and has not recorded its financial instruments at fair value. Rather, all financial instruments are recorded at historic cost. The company has not specifically disclosed information that enables users of its non-consolidated 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. The basis of accounting used in these non-consolidated financial statements differs in these respects from Canadian accounting standards for not-for-profit organizations.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these non-consolidated financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2017, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 2 to the non-consolidated financial statements, which describes the basis of accounting. The non-consolidated financial statements are prepared to comply with the contractual agreement with ACOA. As a result, the non-consolidated financial statements may not be suitable for another purpose. Our auditors' report is intended solely for Southwest Valley Development Corporation Inc. and ACOA and should not be used by parties other than Southwest Valley Development Corporation Inc. or ACOA.

Woodstock, New Brunswick

May 8, 2017

Lenahan McGain + Associates

Chartered Professional Accountants

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
STATEMENT OF NON-CONSOLIDATED FINANCIAL POSITION
AS AT MARCH 31, 2017

	Operating Fund	Investment Fund	Venture Capital Fund	2017 Total	2016 Total
Current assets					
Cash	\$ 70,270	\$ 1,160,281	\$ -	\$ 1,230,551	\$ 935,265
Accounts receivable - ACOA	36,132	-	-	36,132	35,411
Accounts receivable - HST	6,965	820	-	7,785	15,667
Accounts receivable - YEDI	62,144	-	-	62,144	47,029
Accounts receivable - other	2,062	1,050	-	3,112	25,444
Accrued interest receivable	-	175,115	-	175,115	143,494
	177,573	1,337,266	-	1,514,839	1,202,310
Loans and equity investments (Schedule 3)	-	9,683,071	662,332	10,345,403	10,860,565
Receivable from Venture Capital Fund	-	654,937	-	654,937	654,937
Due from related party (Note 7)	113,018	-	-	113,018	78,127
Due from Operating fund	-	92,000	-	92,000	-
Note receivable (Note 3)	451,639	-	-	451,639	451,639
Capital assets (Note 4)	132,377	-	-	132,377	147,086
Investment - ACCBIF (Note 5)	-	37,500	-	37,500	37,500
	\$ 874,607	\$ 11,804,774	\$ 662,332	\$ 13,341,712	\$ 13,432,164
Current liabilities					
Accounts payable and accrued liabilities	\$ -	\$ 2,485	\$ -	\$ 2,485	\$ 1,456
Current portion - ACCBIF (Note 5)	-	815,162	-	815,162	810,217
	-	817,647	-	817,647	811,673
Loan payable - ACCBIF (Note 5)	-	1,109,728	-	1,109,728	1,421,475
Loan payable - Technology (Note 8)	-	32,097	-	32,097	193,808
Payable to Investment Fund	92,000	-	654,937	746,937	654,937
	92,000	1,141,825	654,937	1,888,763	2,270,220
Fund balances					
Externally restricted - Investment (Note 10)	-	9,839,509	-	9,839,509	9,505,098
Unrestricted	650,230	-	(392,606)	257,624	292,295
Contributed surplus	-	5,792	-	5,792	5,792
Investment in capital assets	132,377	-	-	132,377	147,086
ACOA contribution - business development	-	-	400,000	400,000	400,000
	782,607	9,845,301	7,394	10,635,302	10,350,271
	\$ 874,607	\$ 11,804,774	\$ 662,332	\$ 13,341,712	\$ 13,432,164

Approved By

Director

Director

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
STATEMENT OF NON-CONSOLIDATED OPERATIONS
YEAR ENDED MARCH 31, 2017

	Operating Fund	Investment Fund	Venture Capital Fund	2017 Total	2016 Total
Revenue					
Investment income	\$ -	\$ 883,574	\$ -	\$ 883,574	\$ 915,487
ACOA - contribution	361,321	-	-	361,321	354,113
Other	245,673	2,498	-	248,171	317,865
YEDI program (schedule 1)	93,466	-	-	93,466	85,549
SEB reimbursement	15,006	-	-	15,006	17,213
	<u>715,466</u>	<u>886,072</u>	<u>-</u>	<u>1,601,538</u>	<u>1,690,227</u>
Expenditures					
Loan loss provision	\$ -	\$ 638,273	\$ -	\$ 638,273	\$ 692,845
Salaries	337,425	-	-	337,425	378,424
YEDI program (schedule 1)	97,954	-	-	97,954	94,117
Employee benefits	72,774	-	-	72,774	83,470
Training	46,504	-	-	46,504	75,483
Rent	43,279	-	-	43,279	42,977
Travel	36,027	-	-	36,027	41,926
Interest - ACCBIF	-	34,229	-	34,229	29,043
Administrative and collections	12,928	17,947	-	30,875	33,224
Telephone and utilities	21,800	-	-	21,800	24,453
Advertising	17,648	-	-	17,648	21,669
Office equipment	15,998	-	-	15,998	8,108
Office and postage	15,647	-	-	15,647	24,019
Professional fees	15,050	-	-	15,050	15,502
Insurance	6,794	-	-	6,794	6,815
Dues, subscriptions and sundry	4,762	-	-	4,762	4,223
Meetings	4,756	-	-	4,756	5,234
Commission fees	-	3,578	-	3,578	-
Bank charges	789	2,426	-	3,215	4,077
	<u>750,135</u>	<u>696,453</u>	<u>-</u>	<u>1,446,588</u>	<u>1,585,609</u>
Surplus (loss) before other items	(34,669)	189,619	-	154,950	104,618
Amortization	(14,709)			(14,709)	(16,343)
Tech fund - loan forgiveness	-	144,791	-	144,791	-
Surplus (loss) for the year	\$ (49,378)	\$ 334,410	\$ -	\$ 285,032	\$ 88,275

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
STATEMENT OF CHANGES IN NON-CONSOLIDATED NET ASSETS
YEAR ENDED MARCH 31, 2017

	Externally restricted - Inv. fund	Unrestricted	Investment in capital assets	Contributed surplus	ACOA contribution	2017 Total	2016 Total
Balance, beginning of year	\$ 9,505,098	\$ 292,295	\$ 147,086	\$ 5,792	\$ 400,000	\$ 10,350,271	\$ 10,261,998
Surplus (loss) for the year	334,410	(49,378)	-	-	-	285,032	88,275
Investment in capital assets	-	14,709	(14,709)	-	-	-	-
Balance, end of year	\$ 9,839,509	\$ 257,624	\$ 132,377	\$ 5,792	\$ 400,000	\$ 10,635,303	\$ 10,350,271

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
STATEMENT OF NON-CONSOLIDATED CASH FLOWS
YEAR ENDED MARCH 31, 2017

	Operating Fund	Investment Fund	Venture Capital Fund	2017 Total	2016 Total
Cash flows from operating activities					
Surplus (loss) for the year	\$ (49,378)	\$ 334,410	\$ -	\$ 285,032	\$ 88,275
Changes in non-cash working capital:					
Amortization	\$ 14,709	\$ -	\$ -	14,709	\$ 16,343
Decrease (increase) in receivables	4,898	9,481	-	14,379	(49,015)
Decrease (increase) in accrued interest	-	(31,621)	-	(31,621)	(26,018)
Increase (decrease) in due to other funds	92,000	(92,000)	-	-	-
Increase (decrease) in accounts payable	-	1,031	-	1,031	1,456
Increase (decrease) in deferred revenue	-	-	-	-	(7,807)
	62,229	221,301	-	283,530	23,234
Investing activities					
Loan advances, net of write-offs	-	(2,491,400)	-	(2,491,400)	(4,320,173)
Repayments from clients	-	3,006,560	-	3,006,560	3,300,377
	-	515,160	-	515,160	(1,019,796)
Financing activities					
Repayment of loan - ACCBIF	-	(806,802)	-	(806,802)	(812,413)
Proceeds from ACCBIF loan	-	500,000	-	500,000	2,500,000
Advances to related party	(34,890)	-	-	(34,890)	(34,645)
Repayment of loan - Technology	-	(161,711)	-	(161,711)	(62,120)
	(34,890)	(468,513)	-	(503,403)	1,590,823
Net cash provided (used)	27,338	267,948	-	295,287	594,260
Cash, beginning of year	42,933	892,332	-	935,265	341,006
Cash, end of year	\$ 70,270	\$ 1,160,281	\$ -	\$ 1,230,551	\$ 935,265

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

1. Description of business

Southwest Valley Development Corporation Inc. is a community-based and community controlled corporation with a mandate to provide advisory services, lending and other investment to small businesses in the Southwest Valley Development Corporation Inc. area who have had difficulty obtaining financing from conventional sources. Southwest Valley Development Corporation Inc. is incorporated 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

(a) Basis of accounting

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed in the written contractual agreement between the organization and the Atlantic Canada Opportunities Agency (ACOA) and are intended for the use of the organization's Board of Directors and ACOA.

The basis of accounting used in these financial statements differs materially from Canadian generally accepted accounting principles because:

- i) The organization has not identified and classified all its financial instruments, and recorded its financial instruments at fair value. Rather, all financial instruments are recorded at historic cost, including equity investments in the venture capital fund. Furthermore, fair market value information is not readily available for these equity investments.
- ii) The organization 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.
- iii) The statements have not been prepared on a consolidated basis because they exclude the assets, liabilities, revenues and expenses of the Southwest Valley controlled Southwest Entrepreneur Centre Inc.

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

2. Significant accounting policies, continued

(b) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Specific estimates are used for the useful lives of capital assets as well as provisions for loan losses. Actual results could differ from these estimates.

(c) Revenue recognition

Revenue from the Province of New Brunswick and ACOA is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Interest on loans is accrued during the month in which it is earned.

(d) Capital assets

Capital assets are accounted for at cost. Amortization is based on their useful estimated life using the declining balance method at the following rates:

Equipment - 10%

(e) Investments

Loan investments are recorded at their principal amounts. Accrued interest receivable on loans includes only amounts receivable that are not classified as a doubtful account. Accrued interest not recorded is recognized as revenue in the year of receipt.

Interest and principal earned on all investment activities is re-invested in each separate fund rather than used for operational purposes.

(f) Deferred revenue

Government funding not fully expended at year end has been treated as deferred revenue by the organization and will be recorded in revenue in the fiscal year when the related expenditures are incurred.

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

2. Significant accounting policies, continued

(g) Provision for losses

A charge is recorded in the Investment Fund for probable losses on loans which can be specifically identified as being non-recoverable, as well as for unidentified future losses. A general loan loss provision of 5% has been recorded in the Investment Fund on the unidentified future losses.

(h) Fund accounting

Southwest Valley Development Corporation Inc. follows the restricted fund method of accounting for the investment fund. The Investment Fund which includes the Technology Fund reports all restricted resources of each fund and the investment income resulting from investing activities employing the fund.

The Operating Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and operating contributions. Expenses of the Operating Fund are limited to those agreed upon in the contribution agreement between the Atlantic Canada Opportunities Agency (ACOA) and Southwest Valley Development Corporation, Inc.

The Self Employment Benefit Fund is included in the operating fund and is for the delivery and administration of the SEB program. This program is supported by the Department of Post Secondary Education, Training and Labour of the Province of New Brunswick.

The Venture Capital Fund is for the delivery and administration of the Venture Capital Pilot Project. This Project is supported by the Atlantic Canada Opportunities Agency (ACOA).

(i) Controlled organization

Southwest Valley Development Corporation Inc. controls Southwest Entrepreneur Centre Inc. by virtue of its ability to appoint some of the organization's board of directors. The organization was established to purchase land and a building which is occupied by Southwest Valley Development Corporation Inc. Financial details are presented in note 6.

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

3. Note receivable

Note receivable from Southwest Entrepreneur Centre Inc. (SECI), an organization which is controlled by Southwest Valley Development Corporation Inc. has no specific terms of repayment or interest rate, and is unsecured.

	<u>2017</u>	<u>2016</u>
SECI	\$ 451,639	\$ 451,639

4. Capital assets

	2017			2016	
	Rate	Cost	Accumulated depreciation	Net book value	Net book value
Equipment	10%	\$ 199,876	\$ 67,499	\$ 132,377	\$ 147,086

5. Investment - ACCBIF / Loan payable - ACCBIF

ACCBIF lends money to CBDC's Investment Funds throughout Atlantic Canada. When the fund was established, in order to become a member, a CBDC was required to lend \$37,500 to ACCBIF. Loans from ACCBIF carry an interest charge which is set every two years by the ACCBIF Board of Governance. From June 1, 2015 to April 30, 2016, the annual rate of interest charged was 1.60%; from May 1, 2016 to April 30, 2018 to be the lesser of 15% and the lending rate charged by ACCBIF to the Community Business Development Corporations. The loans are repayable in equal monthly instalments of principal and interest totalling \$70,000. Southwest Valley Development Corporation Inc. has agreed to provide an assignment of book debts as security if requested.

	<u>2017</u>	<u>2016</u>
Loans outstanding	\$ 1,924,890	\$ 2,231,692
Principal due within one year	815,162	810,217

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

5. Investment - ACCBIF / Loan payable - ACCBIF, continued

Future required principal repayments are due as follows:

2017-18 - \$815,162

2018-19 - \$828,301

2019-20 - \$281,427

6. Controlled organization

The Southwest Entrepreneur Centre Inc., a not-for-profit organization, is controlled by Southwest Valley Development Corporation Inc. given that they have 100% of the direction by virtue of common control. Southwest Valley Development Corporation Inc. is closely involved in the development of the policies of Southwest Entrepreneur Centre Inc. and has the capacity to influence these policies by their 100% ownership interest in the organization.

Southwest Entrepreneur Centre Inc. was established to purchase a property and construct a building which is leased by Southwest Valley Development Corporation Inc.

The summarized financial statements of Southwest Entrepreneur Centre Inc.:

	<u>2017</u>	<u>2016</u>
Statement of Financial Position		
Assets	775,450	779,736
Liabilities	841,384	825,218
Net Assets	(65,934)	(45,482)
Statement of Operations		
Revenue	52,397	52,250
Expenses		
Mortgage interest	12,789	13,744
Amortization	23,967	24,765
Other expenses	36,093	31,316
Net income	(20,452)	(17,575)

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

7. Related party transactions

The company is related to Southwest Entrepreneur Centre Inc. by virtue of common control. Transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties. Transactions were as follows:

	<u>2017</u>	<u>2016</u>
Rent expense	\$ 50,442	\$ 50,442
Balance receivable from SECI (unsecured, non-interest bearing with no set terms of repayment)	\$ 113,018	\$ 78,127

8. Loan payable - Technology

Any principal repayments received on tech fund loans are repayable to AACBDC when received. Therefore, the loan receivable, shown on schedule 3, always matches the loan payable balance. Interest on tech fund loans earned by SWVDC Inc. is accrued separately. Interest does not have to be remitted to AACBDC on tech fund loans - principal only is remitted on a quarterly basis. Any tech fund loans written off require proper approval from AACBDC and result in a reduction in the liability to AACBDC as well.

9. Financial instruments

Financial instruments are financial assets or liabilities of the organization where the organization has the right to receive cash or another financial asset from another party or has the obligation to pay cash or other financial assets to another party or equity instruments of another entity.

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

9. Financial instruments, continued

(a) Interest rate risk

The company is exposed to interest rate risk. Interest rate risk is the risk that the company has interest rate exposure on certain loans payable, which are variable based on the bank's prime rates. This exposure may have an effect on its earnings in future periods.

(b) Credit risk

The company provides credit to its clients in the normal course of operations. Credit evaluations of the clients are conducted on a regular basis in addition to an initial review of the credit background of any new clients. The company is not exposed to any significant risk with respect to a single client.

The company evaluates loans receivable on a regular basis to determine probable losses and records a provision for losses based on the estimated realizable value. In the opinion of management, credit risk is high.

(c) Fair value

The fair values of current financial assets and liabilities approximate their book values because of their short-term maturity. The fair value of the investments and the long-term debt have not been disclosed due to the fact that the cash flow stream is not determinable.

10. Externally restricted Investment funds

	<u>2017</u>	<u>2016</u>
Investment Fund		
Restricted to investing in business	\$ 9,845,301	\$ 9,510,890

The net assets of the Investment Fund, which includes contributed surplus, are restricted by the Atlantic Canada Opportunities Agency to use only for financial investment to business clients in the area served by Southwest Valley Development Corporation Inc. All investment income earned from the net assets of the Investment Fund must be reinvested in the fund, unless authorized in writing by ACOA.

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

11. Economic dependence

Southwest Valley Development Corporation Inc. receives an annual operating contribution from the Atlantic Canada Opportunities Agency 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 renewal of this contribution agreement.

12. Capital disclosures

The company's capital is comprised of its net assets. The company's objective for managing its capital is to control its expenses and to secure sufficient financial resources to allow it to continue its operations and provide investment funds to small businesses in the region as described in Note 10. Additionally, the company's objective is to maintain sufficient net assets to be able to manage unforeseen circumstances. The company manages its capital by establishing and following an annual budget approved by the board of directors.

13. Contingent liabilities

Southwest Valley Development Corporation Inc. has entered into funding agreements with various federal and provincial government departments. Funding received under these agreements is subject to repayment if the organization fails to comply with the terms and conditions of the agreements. The likelihood of compliance reviews and any potential findings are not determinable as at the date on the auditor's report.

14. Comparative amounts

The non-consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
SCHEDULE TO NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

Schedule of YEDI program

Schedule 1

	<u>2017</u>	<u>2016</u>
Revenue		
ACOA	\$ 73,466	\$ 70,571
RDC	<u>20,000</u>	<u>14,978</u>
	<u>93,466</u>	<u>85,549</u>
Expenditures		
Wages	40,017	41,443
Tradeshows and activities	22,215	16,877
Rent	10,495	10,455
Travel	10,392	4,229
Benefits	6,454	2,303
Training	4,079	14,777
Office expenses	2,445	2,500
Telephone and communication	<u>1,857</u>	<u>1,533</u>
	<u>97,954</u>	<u>94,117</u>
Surplus (deficit) for the year	<u><u>\$ (4,488)</u></u>	<u><u>\$ (8,568)</u></u>

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
SCHEDULE TO NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

Schedule of Loans and Equity Investments

Schedule 2

	Investment Fund	Women In Business Fund	Technology Fund	Venture Capital Fund	2017 Total	2016 Total
Balance, beginning of year	11,355,538	162,897	49,017	1,062,332	12,629,785	11,435,578
Loans advanced	3,124,709	-	-	-	3,124,709	4,971,186
Loans repaid / transferred	(2,983,066)	(6,575)	(16,919)	-	(3,006,560)	(3,300,377)
Loans written-off	(330,609)	-	-	-	(330,609)	(476,602)
Principal balance	11,166,572	156,322	32,098	1,062,332	12,417,324	12,629,785
Allowance for doubtful accounts (Schedule 3)	(1,671,922)	-	-	(400,000)	(2,071,922)	(1,769,220)
Balance, end of year	9,494,651	156,322	32,098	662,332	10,345,403	10,860,565
Number of loans under management					170	186
Number of investment loans approved					29	63

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
SCHEDULE TO NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

Schedule of Allowance for Doubtful Accounts

Schedule 3

	Investment Fund	Women In Business Fund	Technology Fund	Venture Capital Fund	2017 Total	2016 Total
Balance, beginning of year	(1,369,220)	-	-	(400,000)	(1,769,220)	(1,594,808)
Loans written-off	330,609	-	-	-	330,609	476,603
Recoveries and changes in estimates during the year	4,962	-	-	-	4,962	41,831
Current year loan loss provision	(638,273)	-	-	-	(638,273)	(692,845)
Balance, end of year	(1,671,922)	-	-	(400,000)	(2,071,922)	(1,769,220)