

ANNUAL REPORT

2017-2018

Investing in the
Entrepreneurial Spirit



Community Business Development Corporation
Corporation au bénéfice du développement communautaire
Southwest

CBDC Southwest



CBDC Southwest has been in existence for the past 34 years. During this time CBDC Southwest has invested over \$64.8 million 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 businesses (SMEs) within our rural geographical area of Carleton, York, Sunbury and Queens counties. During the 2017-2018 year we approved over \$2.66 million of investment for our rural area business owners. CBDC Southwest disbursed and facilitated the delivery of a total of \$3.36 million to 73 SMEs with the breakdown of assistance as follows: 17 general business loans with a total dollar amount of \$1,069,789, and a total of 20 youth, first-time entrepreneur, and social enterprise loans with a total dollar amount of \$1,545,900. In addition to our loans we also approved 36 Self-Employment Benefit (SEB) applications for a total of

\$699,417. These investments in turn have created 134 full time, and maintained 70 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 processed

Applications received	40
Applications approved	37
Amounts invested	\$2,656,490

Number of business counselling sessions

Number of clients	102
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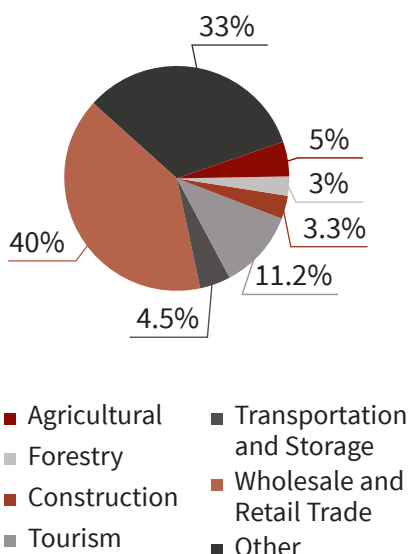
Impact on businesses

New businesses	47
Existing businesses	26
Total	73

Impact on employment

Jobs created	134
Jobs maintained	70
Total	204

Loans by Sector



Training sessions

Number of sessions	29
Amounts granted	\$29,273

Self-Employment Benefit

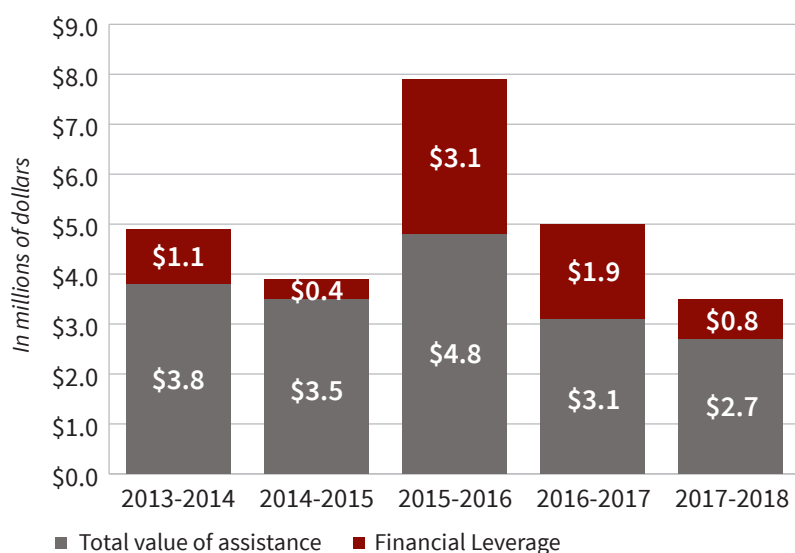
Applications approved	36
Value of assistance	\$699,417

Consulting Advisory Services

Number of clients	4
Amounts granted	\$25,079

Building strong entrepreneurial leverage in the Southwest region

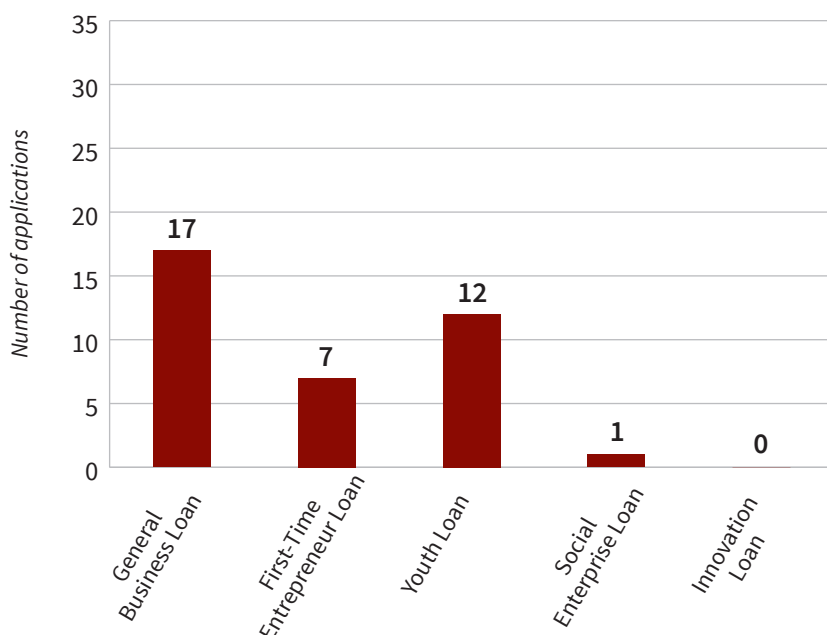
The total value of assistance from the CBDC and financial leverage over the past five years



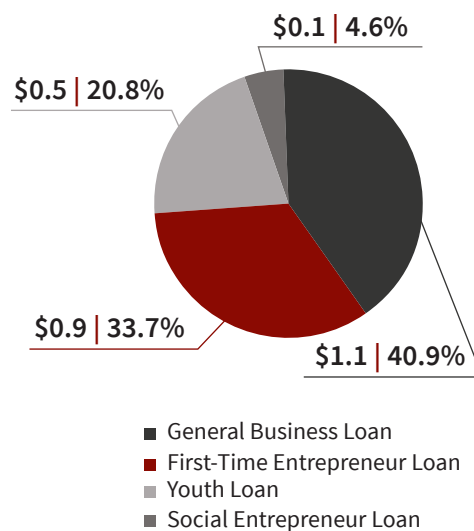
Over the 2017-2018 year our rural entrepreneurs have been cautious with adding debt to their business due to the uncertain economic conditions over the past few years. This uncertainty and caution has been reflected in the amount of loans approved for the 2017-2018 fiscal year for Southwest. Since inception, CBDC Southwest has injected \$64.8 million in the community.

in 2017-2018 Southwest approved 17 general business loans with a total dollar amount of \$1,069,789, a total of 12 Youth Loans, 7 First-Time Entrepreneur Loans, and 1 Social Enterprise Loan with a total dollar amount of \$1,545,900.

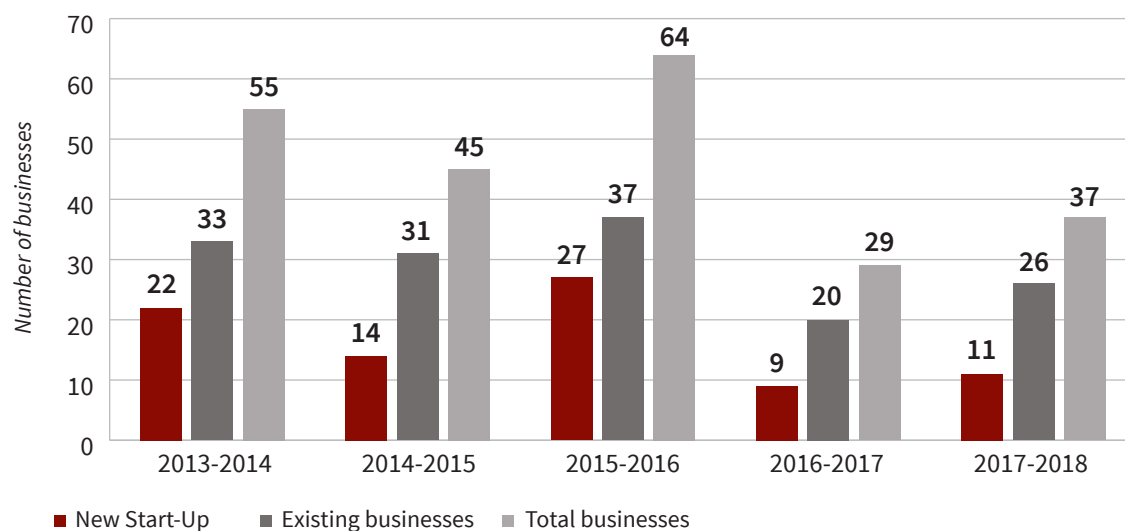
Number of applications approved for each CBDC loan product



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



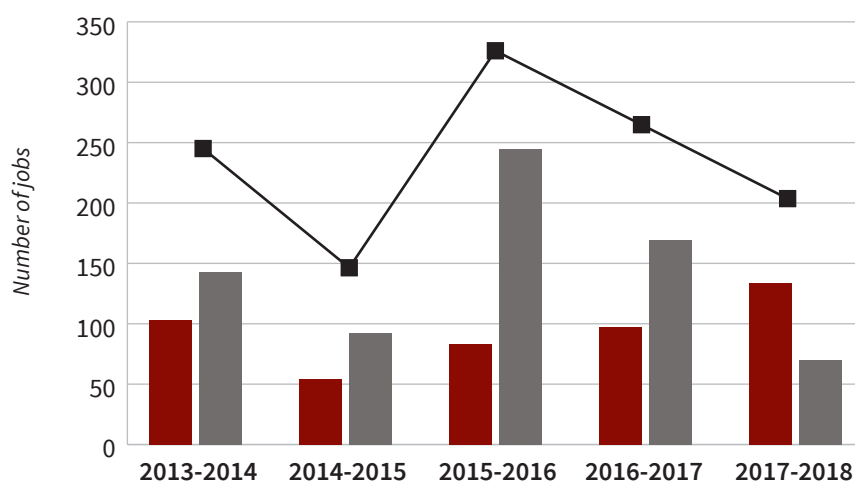
The number of businesses who received financial assistance over the past five years



This year Southwest had an increase of 13.8% in the number of businesses who received financial assistance during the 2017-2018 fiscal year compared to the previous year.

In 2017-2018 Southwest recorded a decrease in the jobs created and maintained in the region compared to last year. We are confident that this is likely the result of the uncertain economic conditions that have been present over the past few years.

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



■ Jobs created	103	54	83	97	134
■ Jobs maintained	143	92	245	169	70
– Total	246	146	328	266	204



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. 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 to receive Employment Insurance Benefits while getting a business up and running. 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. 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.

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.

Youth Entrepreneurship Development Initiative

Allows youth to explore entrepreneurship and identify opportunities for activities inside and outside of the public school system. 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** 

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018



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, 2018, and the non-consolidated statement of operations 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 qualified 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, 2018, 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 24, 2018

Leah M. Carr + Associates
Chartered Professional Accountants

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
STATEMENT OF NON-CONSOLIDATED FINANCIAL POSITION
AS AT MARCH 31, 2018

	Operating Fund	Investment Fund	Venture Capital Fund	2018 Total	2017 Total
Current assets					
Cash	\$ 107,528	\$ 1,141,164	\$ -	\$ 1,248,692	\$ 1,230,551
Accounts receivable - ACOA	35,197	-	-	35,197	36,132
Accounts receivable - HST	5,772	1,313	-	7,086	7,785
Accounts receivable - YEDI	18,720	-	-	18,720	62,144
Accounts receivable - other	-	1,075	-	1,075	3,112
Accrued interest receivable	-	197,957	-	197,957	175,115
	167,217	1,341,509	-	1,508,726	1,514,839
Loans and equity investments (Schedule 2)	-	8,919,660	662,332	9,581,992	10,345,403
Receivable from Venture Capital Fund	-	654,937	-	654,937	654,937
Due from related party (Note 8)	146,969	-	-	146,969	113,018
Due from Operating fund	-	200,000	-	200,000	92,000
Note receivable (Note 3)	451,639	-	-	451,639	451,639
Capital assets (Note 4)	119,139	-	-	119,139	132,377
Investment - ACCBIF (Note 5)	-	37,500	-	37,500	37,500
	\$ 884,964	\$ 11,153,606	\$ 662,332	\$ 12,700,900	\$ 13,341,712
Current liabilities					
Accounts payable and accrued liabilities	\$ -	\$ 1,551	\$ -	\$ 1,551	\$ 2,485
Current portion - ACCBIF (Note 5)	-	828,292	-	828,292	815,162
	-	829,843	-	829,843	817,647
Loan payable - ACCBIF (Note 5)	-	281,973	-	281,973	1,109,728
Loan payable - Technology (Note 9)	-	13,962	-	13,962	32,097
Payable to Investment Fund	200,000	-	654,937	854,937	746,937
	200,000	295,935	654,937	1,150,873	1,888,763
Fund balances					
Externally restricted - Investment (Note 11)	-	9,914,034	-	9,914,034	9,839,509
Unrestricted	565,825	108,000	(392,606)	281,218	257,624
Contributed surplus	-	5,792	-	5,792	5,792
Investment in capital assets	119,139	-	-	119,139	132,377
ACOA contribution - business development	-	-	400,000	400,000	400,000
	684,964	10,027,826	7,394	10,720,184	10,635,302
	\$ 884,964	\$ 11,153,606	\$ 662,332	\$ 12,700,900	\$ 13,341,712

Approved By

Director

Director

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
STATEMENT OF NON-CONSOLIDATED OPERATIONS
YEAR ENDED MARCH 31, 2018

	Operating Fund	Investment Fund	Venture Capital Fund	2018 Total	2017 Total
Revenue					
Investment income	\$ -	\$ 753,251	\$ -	\$ 753,251	\$ 883,574
ACOA - contribution	351,967	-	-	351,967	361,321
Other	252,564	2,842	-	255,406	248,171
YEDI program (schedule 1)	99,885	-	-	99,885	93,466
SEB reimbursement	(4,329)	-	-	(4,329)	15,006
	<u>700,088</u>	<u>756,093</u>	<u>-</u>	<u>1,456,181</u>	<u>1,601,538</u>
Expenditures					
Loan loss provision - net of loan recoveries	\$ -	\$ 526,865	\$ -	\$ 526,865	\$ 638,273
Salaries	361,973	-	-	361,973	337,425
YEDI program (schedule 1)	99,423	-	-	99,423	97,954
Employee benefits	75,333	-	-	75,333	72,774
Administrative and collections	20,031	17,626	-	37,657	30,875
Training	45,640	-	-	45,640	46,504
Rent	43,381	-	-	43,381	43,279
Travel	38,440	-	-	38,440	36,027
Interest - ACCBIF	-	24,440	-	24,440	34,229
Advertising	20,775	-	-	20,775	17,648
Professional fees	21,406	-	-	21,406	15,050
Telephone and utilities	19,065	-	-	19,065	21,800
Office and postage	13,800	-	-	13,800	15,647
Office equipment	8,928	-	-	8,928	15,998
Insurance	6,890	-	-	6,890	6,794
Meetings	4,452	-	-	4,452	4,756
Dues, subscriptions and sundry	4,121	-	-	4,121	4,762
Bank charges	836	2,697	-	3,533	3,215
Commission fees	-	1,938	-	1,938	3,578
	<u>784,493</u>	<u>573,566</u>	<u>-</u>	<u>1,358,059</u>	<u>1,446,588</u>
Surplus (loss) before other items	(84,405)	182,527	-	98,122	154,950
Amortization	(13,238)			(13,238)	(14,709)
Tech fund - loan forgiveness	-	-	-	-	144,791
Surplus (loss) before interfund contributions	\$ (97,643)	\$ 182,527	\$ -	\$ 84,884	\$ 285,032
Contribution to operating from investment fund	\$ 108,000	\$ (108,000)	\$ -	\$ -	\$ -
Surplus (loss) for the year	\$ 10,357	\$ 74,527	\$ -	\$ 84,884	\$ 285,032

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
STATEMENT OF CHANGES IN NON-CONSOLIDATED NET ASSETS
YEAR ENDED MARCH 31, 2018

	Externally restricted - Inv. fund	Unrestricted	Investment in capital assets	Contributed surplus	ACOA contribution	2018 Total	2017 Total
Balance, beginning of year	\$ 9,839,509	\$ 257,624	\$ 132,377	\$ 5,792	\$ 400,000	\$ 10,635,302	\$ 10,350,271
Surplus (loss) for the year	74,527	10,357	-	-	-	84,883	285,032
Investment in capital assets	-	13,238	(13,238)	-	-	-	-
Balance, end of year	\$ 9,914,034	\$ 281,218	\$ 119,139	\$ 5,792	\$ 400,000	\$ 10,720,184	\$ 10,635,302

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
STATEMENT OF NON-CONSOLIDATED CASH FLOWS
YEAR ENDED MARCH 31, 2018

	Operating Fund	Investment Fund	Venture Capital Fund	2018 Total	2017 Total
Cash flows from operating activities					
Surplus (loss) for the year	\$ (97,643)	\$ 182,527	\$ -	\$ 84,884	\$ 285,032
Changes in non-cash working capital:					
Amortization	\$ 13,238	\$ -	\$ -	13,238	\$ 14,709
Decrease (increase) in receivables	47,614	(518)	-	47,095	14,379
Decrease (increase) in accrued interest	-	(22,842)	-	(22,842)	(31,621)
Increase (decrease) in due to other funds	108,000	(108,000)	-	-	-
Increase (decrease) in accounts payable	-	(934)	-	(934)	1,031
	71,209	50,233	-	121,441	283,530
Investing activities					
Loan advances, net of write-offs	-	(1,663,762)	-	(1,663,762)	(2,491,400)
Repayments from clients	-	2,427,174	-	2,427,173	3,006,560
	-	763,411	-	763,411	515,160
Financing activities					
Repayment of loan - ACCBIF	-	(814,625)	-	(814,625)	(806,802)
Proceeds from ACCBIF loan	-	-	-	-	500,000
Advances to related party	(33,951)	-	-	(33,951)	(34,890)
Repayment of loan - Technology	-	(18,135)	-	(18,135)	(161,711)
	(33,951)	(832,760)	-	(866,711)	(503,403)
Net cash provided (used)	37,257	(19,116)	-	18,141	295,287
Cash, beginning of year	70,270	1,160,281	-	1,230,551	935,265
Cash, end of year	\$ 107,528	\$ 1,141,164	\$ -	\$ 1,248,692	\$ 1,230,551

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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, 2018

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) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and highly liquid temporary money market instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

(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) 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.

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

2. Significant accounting policies, continued

(g) 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). At March 31, 2018, this fund had made 10 equity investments, 7 of which were for \$100,000. During the year, one such investment was converted to a promissory note.

(h) 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 7.

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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.

	2018	2017
SECI	\$ 451,639	\$ 451,639

4. Capital assets

	2018			2017	
	Rate	Cost	Accumulated depreciation	Net book value	Net book value
Equipment	10%	\$ 199,876	\$ 80,737	\$ 119,139	\$ 132,377

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.

	2018	2017
Loans outstanding	\$ 1,110,265	\$ 1,924,890
Principal due within one year	828,292	815,162

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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

Future required principal repayments are due as follows:

2018-19 - \$828,292

2019-20 - \$281,973

6. Interfund loans

Amounts owing to/from the operating, investment and venture capital funds are all unsecured, non-interest bearing with no set terms of repayment.

7. 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. Southwest Entrepreneur Centre 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.

The summarized financial statements of Southwest Entrepreneur Centre Inc.:

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

7. Controlled organization, continued

	<u>2018</u>	<u>2017</u>
Statement of Financial Position		
Assets	766,999	775,450
Liabilities	852,506	841,384
Net Assets	(85,507)	(65,934)
Statement of Operations		
Revenue	51,795	52,397
Expenses		
Mortgage interest	11,785	12,789
Amortization	23,008	23,967
Other expenses	36,575	36,093
Net income	<u>(19,573)</u>	<u>(20,452)</u>

8. 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>2018</u>	<u>2017</u>
Rent expense	\$ 50,442	\$ 50,442
Balance receivable from SECI (unsecured, non-interest bearing with no set terms of repayment)	\$ 146,969	\$ 113,018

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

9. Loan payable - Technology

Any principal repayments received on tech fund loans are repayable to AACBDC when received. Therefore, the loan receivable, shown on schedule 2, 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.

10. 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.

(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 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.

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

10. Financial instruments, continued

(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.

11. Externally restricted Investment funds

	<u>2018</u>	<u>2017</u>
Investment Fund		
Restricted to investing in business	\$ 9,914,036	\$ 9,839,509
Contributed surplus - SEED	5,792	5,792
	<u>-</u>	<u>-</u>
	<u>\$ 9,919,828</u>	<u>\$ 9,845,301</u>

Commencing in the year ended March 31, 2018, Southwest Valley is recording any contribution to the operating fund as income from the investment fund.

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.

12. 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.

SOUTHWEST VALLEY DEVELOPMENT CORPORATION INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

13. 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. 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.

14. 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.

15. 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, 2018

Non-consolidated Schedule of YEDI program

Schedule 1

	<u>2018</u>	<u>2017</u>
Revenue		
ACOA	\$ 75,000	\$ 73,466
RDC	19,885	20,000
PETL and economic development	5,000	-
	<u>99,885</u>	<u>93,466</u>
Expenditures		
Wages	42,443	40,017
Training	16,799	4,079
Rent	10,508	10,495
Tradeshows and activities	9,808	22,215
Travel	9,504	10,392
Benefits	7,027	6,454
Telephone and communication	2,187	1,857
Office expenses	1,147	2,445
	<u>99,423</u>	<u>97,954</u>
Surplus (deficit) for the year	<u>\$ 462</u>	<u>\$ (4,488)</u>

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
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Schedule 2

Schedule of Loans and Equity Investments

	Investment Fund	Women In Business Fund	Technology Fund	Venture Capital Fund	2018 Total	2017 Total
Balance, beginning of year	11,166,572	156,322	32,098	1,062,332	12,417,324	12,629,785
Loans advanced	2,366,125	-	-	-	2,366,125	3,124,709
Loans repaid / transferred	(2,402,438)	(6,600)	(18,136)	-	(2,427,174)	(3,006,560)
Loans written-off	(621,496)	-	-	-	(621,496)	(330,609)
Principal balance	10,508,763	149,722	13,962	1,062,332	11,734,780	12,417,324
Allowance for doubtful accounts (Schedule 3)	(1,752,788)	-	-	(400,000)	(2,152,788)	(2,071,922)
Balance, end of year	8,755,975	149,722	13,962	662,332	9,581,992	10,345,403
Number of loans under management					175	170
Number of investment loans approved					37	29

SOUTHWEST VALLEY DEVELOPMENT CORPORATION, INC.
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Schedule of Allowance for Doubtful Accounts

Schedule 3

	Investment Fund	Women In Business Fund	Technology Fund	Venture Capital Fund	2018 Total	2017 Total
Balance, beginning of year	(1,671,922)	-	-	(400,000)	(2,071,922)	(1,769,220)
Loans written-off	621,496	-	-	-	621,496	330,609
Recoveries during the year	175,497	-	-	-	175,497	5,588
Changes in estimates during the year	(175,497)				(175,497)	4,962
Current year loan loss provision	(702,362)	-	-	-	(702,362)	(643,861)
Balance, end of year	(1,752,788)	-	-	(400,000)	(2,152,788)	(2,071,922)