

**CBDC TRINITY CONCEPTION CORPORATION
OPERATING AND INVESTMENT FUNDS
FINANCIAL STATEMENTS**

MARCH 31, 2020

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INDEPENDENT AUDITOR'S REPORT



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To: Board Members of

CBDC TRINITY CONCEPTION CORPORATION

Opinion

I have audited the financial statements of CBDC TRINITY CONCEPTION CORPORATION, which comprise the statement of financial position as at March 31, 2020, and the statement of operations and changes in fund balances and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CBDC TRINITY CONCEPTION CORPORATION as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

I conducted my audit in accordance with Canadian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Spaniard's Bay, NL

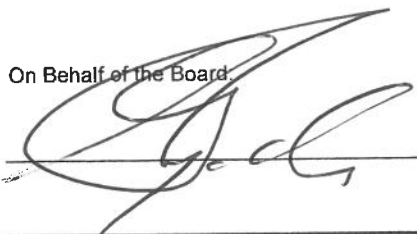
July 30, 2020


CHARTERED PROFESSIONAL ACCOUNTANT

**CBDC TRINITY CONCEPTION CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
MARCH 31,**

| | Operating Fund | FRAM-ED Fund | Investment Fund | 2020 Total | 2019 Total |
|---|------------------|------------------|--------------------|--------------------|--------------------|
| ASSETS | | | | | |
| Current | | | | | |
| Cash | \$104,751 | | | \$104,751 | \$84,175 |
| Cash reserved for investment purposes | | \$5,998 | \$953,703 | 959,701 | 6,017 |
| Receivables | 5,265 | | | 5,265 | |
| ACOA | 13,368 | | | 13,368 | 5,944 |
| HST | 2,422 | | | 2,422 | 6,221 |
| Other | | | | | |
| Interfund receivable | | 130,475 | | 130,475 | 128,770 |
| Prepaid expense | 2,273 | | | 2,273 | 2,890 |
| Current portion of investments, Note 5 | | 51,415 | 1,349,596 | 1,401,011 | 1,118,638 |
| | 128,079 | 187,888 | 2,303,299 | 2,619,266 | 1,352,655 |
| Investment - ACCBIF, Note 8 | | | 37,500 | 37,500 | 37,500 |
| Investments - Loan Advances, Note 5 | | 104,364 | 6,362,885 | 6,467,249 | 6,866,520 |
| | <u>\$128,079</u> | <u>\$292,252</u> | <u>\$8,703,684</u> | <u>\$9,124,015</u> | <u>\$8,256,675</u> |
| LIABILITIES | | | | | |
| Current | | | | | |
| Bank overdraft | | | | | \$85,701 |
| Payables and accruals | \$24,921 | | \$4,336 | \$29,257 | 22,158 |
| Deferred revenue, Note 11 | 32,112 | | | 32,112 | 21,118 |
| Current portion payable to NLACBDC, Note 12 | | | 45,191 | 45,191 | 32,854 |
| Current portion of ACCBIF loan, Note 9 | | | 493,028 | 493,028 | 505,296 |
| Interfund payable | 16,552 | | 113,923 | 130,475 | 128,770 |
| | 73,585 | | 656,478 | 730,063 | 795,897 |
| Long Term | | | | | |
| Payable to NLACBDC, Note 12 | | | 61,323 | 61,323 | 103,910 |
| ACCBIF loan, Note 9 | | | 2,416,326 | 2,416,326 | 1,894,648 |
| | | | 2,477,649 | 2,477,649 | 1,998,558 |
| FUND BALANCES | | | | | |
| Surplus - Restricted, Note 3 | | \$292,252 | 5,569,557 | 5,861,809 | 5,407,726 |
| Surplus - Unrestricted | 54,494 | | | 54,494 | 54,494 |
| | 54,494 | 292,252 | 5,569,557 | 5,916,303 | 5,462,220 |
| | <u>\$128,079</u> | <u>\$292,252</u> | <u>\$8,703,684</u> | <u>\$9,124,015</u> | <u>\$8,256,675</u> |

On Behalf of the Board



Chairperson

The accompanying notes are an integral part of these financial statements.

**CBDC TRINITY CONCEPTION CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31,**

| | Operating Fund | FRAM-ED Fund | Investment Fund | 2020 Total | 2019 Total |
|--|---------------------------|-------------------------|----------------------------|-----------------------|-----------------------|
| Revenue | | | | | |
| - A.C.O.A. contribution | \$263,228 | | | \$263,228 | \$257,297 |
| - AES CYC contract | 105,000 | | | 105,000 | 105,000 |
| - Interest | 978 | \$20,145 | \$663,574 | 684,697 | 604,169 |
| - Loan administration and application fees | 29,271 | 25 | | 29,296 | 24,901 |
| - Miscellaneous | 13,200 | | | 13,200 | 11,958 |
| - AES - SEA | 116,825 | | | 116,825 | 116,525 |
| - Summer Career Placements | 3,055 | | | 3,055 | 2,986 |
| - Youth Ventures | 17,200 | | | 17,200 | 17,050 |
| | 548,757 | 20,170 | 663,574 | 1,232,501 | 1,139,886 |
| Expenditures | | | | | |
| ACCBIF interest | | | 50,459 | 50,459 | 42,373 |
| Advertising | 3,447 | | | 3,447 | 3,303 |
| AES CYC Contract | 63,214 | | | 63,214 | 58,553 |
| Bank charges | 2,973 | 83 | 4,044 | 7,100 | 7,631 |
| Capital expenditures from revenue | 419 | | | 419 | |
| Fees, memberships and taxes | 3,432 | | | 3,432 | 4,343 |
| Insurance | 3,172 | | | 3,172 | 5,189 |
| Janitorial | 4,928 | | | 4,928 | 3,569 |
| Loan loss provision (recovery) | | 78,367 | 56,604 | 134,971 | 117,902 |
| Miscellaneous | 95 | | 1,200 | 1,295 | 54 |
| Postage and courier | 789 | | | 789 | 169 |
| Printing and communication | 4,965 | | | 4,965 | 5,515 |
| Professional fees | 12,426 | | 7,958 | 20,384 | 17,086 |
| Rent | 59,447 | | | 59,447 | 59,447 |
| Resource materials and supplies | 3,398 | | | 3,398 | 4,275 |
| Salaries and benefits | 345,498 | | | 345,498 | 343,013 |
| SEA - other expenses | 37,253 | | | 37,253 | 36,369 |
| Travel, meetings and conference | 27,367 | | | 27,367 | 27,580 |
| Youth Programs | 6,880 | | | 6,880 | 6,480 |
| | 579,703 | 78,450 | 120,265 | 778,418 | 742,851 |
| Surplus (deficit) before transfers | (30,946) | (58,280) | 543,309 | 454,083 | 397,035 |
| Transfer to Operating Fund | | | (30,946) | (30,946) | (41,756) |
| Transfer from Investment Fund | 30,946 | | | 30,946 | 41,756 |
| Surplus (deficit), for the period | \$ NIL | \$ (58,280) | \$512,363 | \$454,083 | \$397,035 |
| Fund balances, beginning of period | | | | | |
| | \$54,494 | \$350,532 | \$5,057,194 | \$5,462,220 | \$5,065,185 |
| Surplus (deficit), for the period | | | | | |
| | NIL | (58,280) | 512,363 | 454,083 | 397,035 |
| Fund balances, end of period | | | | | |
| | \$54,494 | \$292,252 | \$5,569,557 | \$5,916,303 | \$5,462,220 |

The accompanying notes are an integral part of these financial statements.

CBDC TRINITY CONCEPTION CORPORATION
OPERATING AND INVESTMENT FUNDS
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31,

| | Operating Fund | FRAM-ED Fund | Investment Fund | 2020 Total | 2019 Total |
|--|-------------------|-----------------|--------------------|---------------|---------------|
| Operating activities | | | | | |
| Surplus (deficit), for the period | | \$ (58,280) | \$512,363 | \$454,083 | \$397,035 |
| Loan loss provision | | 78,367 | 56,604 | 134,971 | 117,902 |
| Changes in: | | | | | |
| Receivables | ACOA | \$ (5,265) | | (5,265) | |
| | AES | | | | 4,767 |
| | HST | (6,929) | | (6,929) | (278) |
| | Other | 3,799 | | 3,799 | 1,181 |
| Inter fund receivable | | (1,705) | | (1,705) | 44,628 |
| Prepaid expense | | 143 | 474 | 617 | 1,069 |
| Payables and accruals | | 6,049 | (29,200) | (23,151) | 46,484 |
| Deferred revenue | | 10,994 | | 10,994 | (2,591) |
| Inter fund payable | | 11,785 | (10,575) | 1,210 | (44,628) |
| | | 20,576 | 18,382 | 529,666 | 568,624 |
| | | | | 568,624 | 565,569 |
| Financing | | | | | |
| ACCBIF loan proceeds | | | 1,000,000 | 1,000,000 | |
| ACCBIF loan repayments | | | (490,590) | (490,590) | (496,953) |
| | | | 509,410 | 509,410 | (496,953) |
| Investing | | | | | |
| Investment advances | | | (1,526,405) | (1,526,405) | (1,483,400) |
| Investment repayments | | (18,401) | 1,526,733 | 1,508,332 | 1,069,107 |
| | | (18,401) | 328 | (18,073) | (414,293) |
| Increase (decrease) in cash and cash equivalents | 20,576 | (19) | 1,039,404 | 1,059,961 | (345,677) |
| Cash and cash equivalents (net of bank indebtedness), beginning of period | 84,175 | 6,017 | (85,701) | 4,491 | 350,168 |
| Cash and cash equivalents, end of period | \$104,751 | \$5,998 | \$953,703 | \$1,064,452 | \$4,491 |
| Consists of: | | | | | |
| Cash | \$104,751 | | | \$104,751 | \$84,175 |
| Cash reserved for investment purposes | | \$5,998 | \$953,703 | 959,701 | 6,017 |
| Bank indebtedness | | | | | (85,701) |
| | \$104,751 | \$5,998 | \$953,703 | \$1,064,452 | \$4,491 |

The accompanying notes are an integral part of these financial statements.

**CBDC TRINITY CONCEPTION CORPORATION
OPERATING AND INVESTMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

1. THE ORGANIZATION

The CBDC Trinity Conception Corporation (CBDC TC) is a community-based and community controlled development corporation with a mandate to provide business counselling and lending to small businesses in the Trinity Conception area who have had difficulty obtaining financing from conventional sources. CBDC TC is incorporated under the Newfoundland Companies 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.

PURPOSE OF EACH FUND

Operating

The operating fund accounts for the organization's program delivery and administrative activities.

Canadian Fisheries Adjustment and Restructuring Initiative (FRAM-ED)

The purpose of this fund is to provide business counselling, lending and other investments to small businesses in the Trinity Conception area who have had difficulty obtaining financing from conventional sources.

Investment Fund

The purpose of this fund is to provide business counselling, lending and other investments to small businesses in the Trinity Conception area who have had difficulty obtaining financing from conventional sources.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

**CBDC TRINITY CONCEPTION CORPORATION
OPERATING AND INVESTMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Contributed capital assets are recorded at fair value at the date of contribution. All capital assets are purchased from government assistance and are considered an expenditure in the year of acquisition. The cost of capital assets acquired by the Corporation to date totals \$ 214,165, with a net cost of \$ Nil after government assistance.

Using an amortization policy of five years straight line would result in the following amortization and carrying values:

| | COST | Accumulated Amortization | NBV 2020 | NBV 2019 |
|-------------------------|------------------|-------------------------------------|---------------------|---------------------|
| Furniture and equipment | <u>\$214,165</u> | <u>\$213,664</u> | <u>\$501</u> | <u>\$761</u> |

Investments

Investments are recorded at the lower of cost or market value. Provision for loan losses and collection costs related thereto are reported in the applicable fund.

Use of Estimates

The preparation of the Corporation's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CBDC TRINITY CONCEPTION CORPORATION
OPERATING AND INVESTMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Corporation uses the accrual method of revenue recognition whereby restricted contributions are deferred and recognized as revenue of the appropriate fund in the year in which related expenses are incurred. Interest revenue is recorded monthly on the accrual basis.

Financial instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates fair value due to the relatively short-term maturities of these instruments.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Corporation has a significant number of customers which minimizes concentration of credit risk.

Cash and cash equivalents include cash on hand and balances with the bank.

**CBDC TRINITY CONCEPTION CORPORATION
OPERATING AND INVESTMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

3. EXTERNALLY RESTRICTED FUNDS

Investment Fund

The Investment Funds have externally imposed restrictions on net assets as follows:

- a) The net assets of the Investment Fund are restricted by the Atlantic Canada Opportunities Agency to use only for financial investment to business clients in the area served by CBDC TC. All investment income earned by the organization from net assets of the Investment Fund must be reinvested in the fund, unless otherwise agreed to in writing by ACOA.
- b) The net assets of the FRAM-ED Fund are restricted by the Atlantic Canada Opportunities Agency to use only for financial investment to business clients in the area served by CBDC TC, except for any investment income earned by the Fund.

4. INTERFUND TRANSFERS

All interfund transfers require prior approval in writing from the Atlantic Canada Opportunities Agency. The interfund transfers are non-interest bearing, with no set terms of repayment.

5. INVESTMENTS

| Loan Advances - Investment Fund | 2020 | 2019 |
|--|--------------------|--------------------|
| Loans to business, at various rates, terms and maturity dates | \$8,319,481 | \$8,634,413 |
| Less: Allowance for doubtful loans, Investment Fund | <u>607,000</u> | <u>865,000</u> |
| | 7,712,481 | 7,769,413 |
| Less: Current portion of loans receivable, Investment Fund | <u>1,349,596</u> | <u>1,039,065</u> |
| | <u>\$6,362,885</u> | <u>\$6,730,348</u> |
| | | |
| Loan Advances - Fram - Ed Fund | 2020 | 2019 |
| Loan to businesses, at various rates, terms and maturity dates | \$243,704 | \$226,845 |
| Less: Allowance for doubtful loans | <u>87,925</u> | <u>11,100</u> |
| | 155,779 | 215,745 |
| Less: Current portion of loans receivable | <u>51,415</u> | <u>79,573</u> |
| | <u>\$104,364</u> | <u>\$136,172</u> |

**CBDC TRINITY CONCEPTION CORPORATION
OPERATING AND INVESTMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

5. INVESTMENTS (CON'T)

Total number of investment loans approved for the fiscal year was 21.
Total number of active investment loans under management is 170.

ALLOWANCE FOR DOUBTFUL LOANS

Investments recorded as impaired loans are accounted for at their face amount net of the allowance for loan impairment. When a loan is deemed to be impaired, its carrying amount is reduced to its estimated realizable amount. The amount initially recognized as an impaired loan, together with any subsequent change, is charged to the allowance as an adjustment. There were 30 impaired loans as of March 31, 2020. Of these loans \$ 694,925 (2018 - \$ 876,100) was doubtful. Impaired loans are recognized on a case by case basis.

6. ECONOMIC DEPENDENCE

The CBDC TC 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 depends on the receipt of the annual operating contribution.

7. COMMITMENT

The Company entered into a lease for premises rental at the rate of \$ 4,583 per month plus HST, commencing August 1, 2011 and to be renegotiated on April 1, 2017. There was no change to the contract when it was renegotiated, the lease expires on March 31, 2020.

8. INVESTMENT - ACCBIF

Promissory note, without interest, and due on or after March 2011, from Atlantic Community Business Investment Fund (ACCBIF).

**CBDC TRINITY CONCEPTION CORPORATION
OPERATING AND INVESTMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

9. LONG TERM DEBT

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Atlantic Canada Community Business Investment Fund loan repayable in monthly instalments of \$ 45,000 including interest at 1.60 %. Matures October 2023. Secured by an on demand assignment of book debts in favour of ACCBIF and a promissory note. | \$2,909,354 | \$2,399,944 |
| Current portion | 493,028 | 505,296 |
| | <u>\$2,416,326</u> | <u>\$1,894,648</u> |

Principal repayments over each of the next five years are as follows: 2021 - \$ 493,028; 2022 - \$ 501,726; 2023 - \$ 510,577; 2024 - \$ 519,584 and 2025 - \$ 528,750.

10. LOANS RECEIVABLE

The loans receivable balance is comprised of:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|--------------------|--------------------|
| Balance, beginning of year | \$8,861,258 | \$8,512,867 |
| Loans advanced during the year | 1,526,405 | 1,483,400 |
| Loans repaid during the year | (1,508,332) | (1,069,107) |
| Recovery of loans written-off | 84,235 | 6,582 |
| Loans written-off during the year | <u>(400,381)</u> | <u>(72,484)</u> |
| Balance, principal | 8,563,185 | 8,861,258 |
| Allowance for doubtful accounts | <u>(694,925)</u> | <u>(876,100)</u> |
| Balance, end of year | <u>\$7,868,260</u> | <u>\$7,985,158</u> |

The activity in the Allowance for Doubtful Loans account is as follows:

| | | |
|---|------------------|------------------|
| Balance, beginning of year | \$876,100 | \$824,100 |
| Loans written-off during the year | (400,381) | (72,484) |
| Recovery of loans written-off in previous periods | 84,235 | 6,582 |
| Current year's loan loss provision | <u>134,971</u> | <u>117,902</u> |
| Balance, end of year | <u>\$694,925</u> | <u>\$876,100</u> |
| Allowance Percentage | 8.1% | 9.7% |

**CBDC TRINITY CONCEPTION CORPORATION
OPERATING AND INVESTMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

11. DEFERRED REVENUE

The amount of \$ 32,112 (2019 - \$ 21,118) is monies from AES Linkages funding received for the next fiscal period.

12. PAYABLE TO NLACBDC

This amount represents monies owed to the NLACBDC in relation to the Kick\$tart Program. The CBDC Trinity Conception Corporation administers the Program. The loans are repayable by the Kick\$tart clients over 5 years. The principal payments collected are paid to the NLACBDC semi-annually. The loan is non-interest bearing.