

ANNUAL REPORT

2017-2018

Investing in the
Entrepreneurial Spirit



Community Business Development Corporation
Corporation au bénéfice du développement communautaire
Victoria Madawaska-South/Sud

CBDC Victoria Madawaska-South



Vision: We envision a future where all small and medium sized businesses contribute to the sustainable development of the Victoria Madawaska-South Region.

Mission: The mission of the CBDC Victoria Madawaska-South is to support the growth of small and medium sized businesses in the region.

Our CBDC: The Victoria Madawaska-South Business Development Centre Inc. is a not-for-profit organization working to support the creation and expansion of small and medium sized businesses. In order to offer existing and new entrepreneurs the tools that will help ensure their stability and growth, the CBDC provides financial, technical assistance and counselling services. Financial assistance can be found in five possible forms: Youth Loan, First-Time Entrepreneur Loan, General Business Loan, Social Enterprise Loan, and Innovation Loan. Simultaneously, technical assistance more commonly takes the following forms: assistance of proforma financial statements, counselling, training and assistance in requests for other government funds.

Also, in collaboration with the Provincial Department of Post-Secondary Education, Training and Labour, we deliver the Self-Employment Benefit Program.

This report, in addition to presenting the financial position of the Corporation, will also concentrate on the major activities undertaken by the Victoria Madawaska-South Business Development Centre Inc. during its 29th year of operation. Being one of the smallest population based, we are still very active in our community having disbursed almost \$40M in loans since inception, and have helped in the creation of 1,259 jobs and maintained over 2,961. Even though this past year has seen a slight slow down, we have still managed to disburse 38 loans resulting in investing of almost \$1.8M of new funds.



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In addition to our main results shown below, we also deliver the **Youth Entrepreneur Development Initiative** that resulted in creating awareness to 250 youth by showing that entrepreneurship can be a valid career choice. Furthermore, we have been working diligently in keeping our **Community Asset Mapping** (CAM) up to date. The CAM is a process where participants make a map (inventory) of resources, skills and talents of individuals, associations, organizations and agencies with the aim of learning about their community. By discovering and assembling the links between the different parts of the community,

the knowledge is used to revitalize relationships and mutual support, rebuild communities and neighborhoods, and rediscover collective power. The process of CAM provides a critical element of community development, which is the engagement of people in the shaping of their community. People can collectively strategize about how to build on the assets in order to sustain and enhance them for future generations to enjoy.

Please search our social media for:
#CommunityAssetMapping

Investments in the region

Requests processed

Applications received	60
Applications approved	42
Amounts invested	\$1,776,130

Number of business counselling sessions

Number of clients	60
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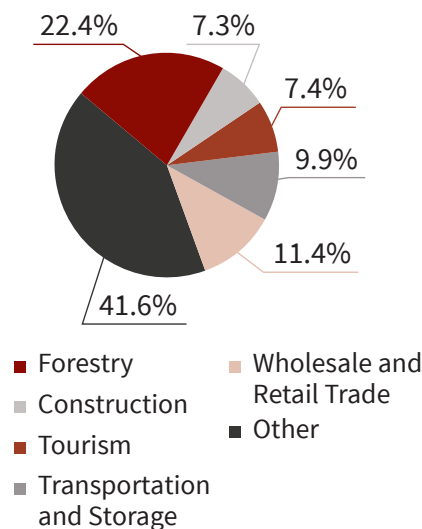
Impact on businesses

New businesses	12
Existing businesses	26
Total	38

Impact on employment

Jobs created	29
Jobs maintained	39
Total	68

Loans by Sector



Training sessions

Number of sessions	13
Amounts granted	\$12,397

Self-Employment Benefit

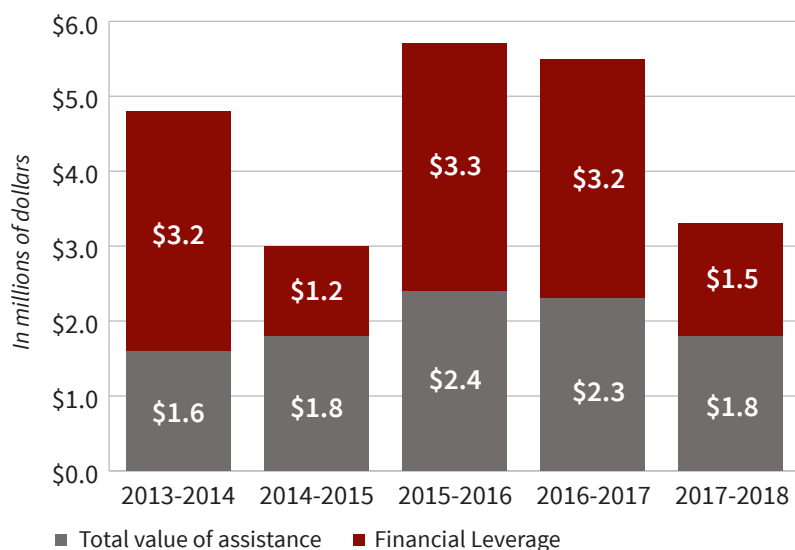
Applications approved	12
Value of assistance	\$240,908
Jobs created	14

Consulting Advisory Services

Number of clients	2
Amounts granted	\$12,505

Building strong entrepreneurial leverage in the Victoria Madawaska-South region

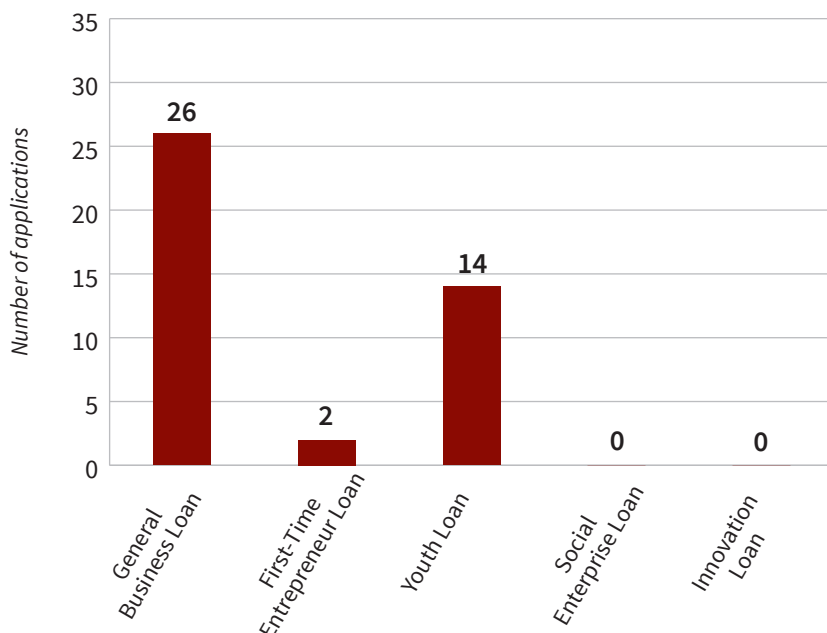
The total value of assistance from the CBDC and financial leverage over the past five years



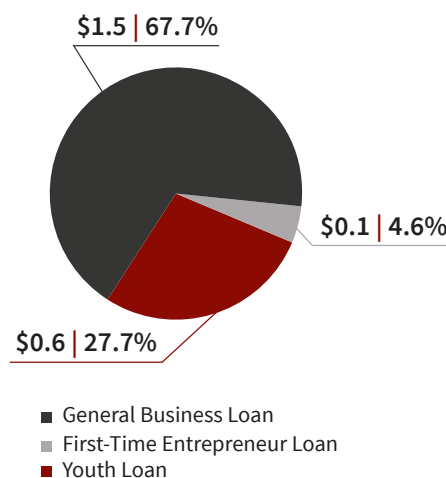
The two previous years have shown exceptional results while the year 2017-2018 is showing a total value of assistance that is comparable to the average results observed before 2016.

Since inception, the CBDC Victoria Madawaska-South has injected almost **\$40 million dollars** in the community.

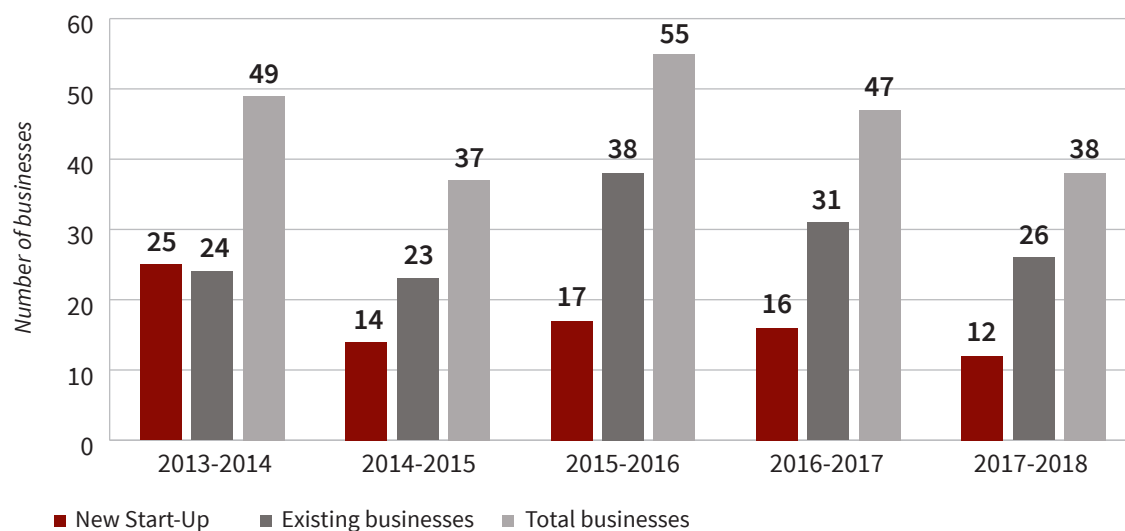
Number of applications approved for each CBDC loan product



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



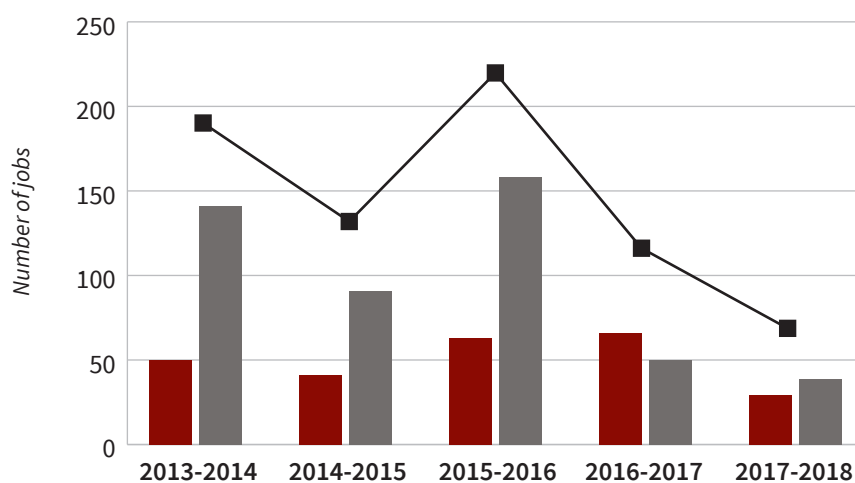
The number of businesses who received financial assistance over the past five years



The number of businesses who received financial assistance has slightly decreased; however, we have four loans approved but not yet disbursed for a total of **\$417,644**.

Although jobs created and maintained have decreased, we suggest that it is simply due to cyclic results; moreover, our total investments outstanding of about **\$7.4M** are contributing to the long-term employability in the region.

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



Jobs created	50	41	63	66	29
Jobs maintained	141	91	158	50	39
- Total	191	132	221	116	68

PRESIDENT'S REPORT

FOR THE YEAR ENDING MARCH 31, 2018

As chairman of the Board of Directors, I am pleased to report that our organization continues to work with entrepreneurs to facilitate access to financing. The year 2017-2018 was remarkable for our CBDC, since we have moved into our building at 439 Terrace Street. From this new location, we continue to offer quality programs and services to increase our region's economic growth.

As a community-oriented organization, the CBDC provides financial assistance and consulting services to small and medium-sized businesses, whether they are already established or still in the initial stages.

The Board of Directors truly reflects the region's entrepreneurial composition. Our mandate is to promote our region's economic vitality and provide support to entrepreneurs who wish to develop and grow their businesses.

This past year has been another year of great accomplishments. I would like to express my sincere appreciation to the board members, for their contribution of time and talent throughout the year. Their knowledge, experience and dedication towards this organization and entrepreneurs is instrumental to our success.

I would also like to thank the province of New Brunswick, especially the Department of Post-Secondary Education, Training and Labour, the

Regional Development Corporation, as well as the Réseau de développement économique et d'employabilité for their ongoing financial support and their commitment to the CBDC Victoria Madawaska-South.

The government of Canada, through ACOA, is clearly committed to helping rural communities become strong and vibrant. Their continued support is a clear signal of their desire to nurture the business community through ACOA's vision and support.

Thanks to Dale Giberson for his great representation, acting as past President of the New Brunswick Association of CBDCs.

We would like to thank ACOA's team of professionals for their understanding, their support, their guidance and their assistance. We are very grateful.

I would like to extend a well-deserved thank you to our Executive Director, Denise Lagacé Rioux, for having worked with the Atlantic Association to improve and promote the CBDC programs. Furthermore, her ongoing contributions to the NB Association of CBDCs will benefit the entire entrepreneurial community. Denise is always looking out for the best interest of the CBDC and its members.

Finally, on behalf of the Board of Directors, I would like to thank our dedicated personnel: Denise, Laurie Ann, Lise, Renée, Maithé, Britney and Camilla. Incidentally, Denise, Lise and Laurie Ann have just been awarded a lending certificate from the Atlantic Association of CBDCs. Your professionalism and dedication are key elements that contribute to our successes.

Thank you!



Gaitan Michaud
President

EXECUTIVE DIRECTOR'S REPORT

It gives me great pleasure to share with all stakeholders and you the public in general, a summary of this Corporation's accomplishments during this past fiscal year.

Our focus is and remains to foster the growth of our region's business community and entrepreneurial climate by investing both time and money through our financial services and programs.

Even though we have seen a slight decrease in loan approvals this past year, we continue to contribute to the sustainability of our economy.

Since inception in September 1989, this CBDC has disbursed close to \$40M in terms of loans and have disbursed \$1,776,130 of new funds this past year. Concurrently, the Investment Committee reviewed 60 requests for assistance of which 42 were approved for a total investment of \$2,193,774. At March 31st, 2018, 38 loans had been disbursed, resulting in creating 29 new jobs and maintaining 39 in the region. This investment levered \$1,549,034 from clients, financial institutions and both levels of government for a total investment in our region of \$3,325,164.

In terms of training, thanks to ACOA making funds available through both Associations, and thanks to the Department of Post-Secondary Education, Training and Labour, we were able to provide one-on-one

training to eight regular clients, five Self-Employment Benefit clients, and have granted two Consultant Advisory Services to two clients resulting in a total investment in terms of training of \$24,902 in the region.

I would like to take this opportunity to express my gratitude toward our faithful customers for their continued support.

To our financing partners, thank you all for your excellent collaboration in the development and delivery of our programs. Please refer to "Special Thanks" in your kit folders for a full list of partners.

Also, a special thank you to our Accountants: Lucie, Chantal and Annick; they always make themselves available when needed and it's a pleasure working with them.

To Line Doiron and Basil Ryan, Executive Directors of our two Associations and their staff, it is a pleasure working closely with all of them.

In closing, the staff joins me in offering a special thank you to our Board of Directors past and present; they have been the cornerstone of our organization; they continue to be the catalyst for the sustained growth of our organization and contribute countless hours towards this organization that cannot be measured. We want to thank each and every volunteer for their ongoing guidance, commitment and determination.

Finally, I strongly believe that 85% of the success of a company is made up of people, hardworking professional individuals and as Executive Director of this Corporation, I would like to offer my very sincere gratitude to all staff members: Laurie Ann, Lise, Renée, Maithé, Britney and Camilla for their remarkable accomplishments.

Thank you!



**Denise
Lagacé Rioux**
Executive Director



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).

Clean Technology Initiative

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

General Business Loan

Business is booming and you need funding for an expansion of your existing premises or have to construct a new building. Perhaps it's time to purchase new equipment and additional materials in order to fulfill increased customer demand for your product. This more flexible loan can even facilitate the acquisition of an existing business.

First-Time Entrepreneur Loan

Offers counselling services for individuals who wish to become a self-sufficient and profitable business owner. This is the perfect loan to put your plans into action.

Youth Loan

Provides start-up capital for youth between the ages of 18 to 34 who experience difficulty obtaining necessary financing.

Social Enterprise Loan

Tailored to social enterprises operating in rural communities where people are able to live, work and enjoy social activities in their region.

Innovation Loan

Helps promote the development of the knowledgebase economy and aids in the adoption or commercialization of new technologies.

Contact Us

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



(506) 473-6446



www.madviccbdcd.ca



CBDC Victoria Madawaska-Sud



NB CBDC / CBDCAtlantic



439 Terrace Street, Grand Falls, NB E3Z 1B3

Canada

New Brunswick
Nouveau Brunswick

***VICTORIA MADAWASKA-SOUTH
BUSINESS DEVELOPMENT CENTER INC.***

FINANCIAL STATEMENTS

Year ended March 31, 2018

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.

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Year ended March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.

We have audited the accompanying financial statements of **VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.**, which comprise the financial position as at March 31, 2018, and the statement of operations, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements were prepared by the management of **VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.** to satisfy the contractual agreement between the **VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.** and the Atlantic Canada opportunities Agency (ACOA).

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements established to satisfy the contractual agreement between **VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.** and the ACOA, 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.

Auditor's responsibility

Our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

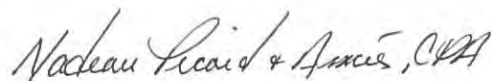
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.** as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with the contractual agreement between **VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.** and ACOA.

Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared to comply with the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our auditor's report is intended solely for **VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.** and ACOA and should not be used by parties other than **VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.** and ACOA.



Nadeau Picard & Associés, CPA
Chartered Professional Accountants

Grand Falls, New Brunswick
May 4, 2018

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.**OPERATIONS**

Year ended March 31, 2018

	Operating Fund	Investment Fund	Total 2018	Total 2017
REVENUES				
Operating - government funding	\$ 431,449	\$ -	\$ 431,449	\$ 415,869
Investment income - loan portfolio	-	510,217	510,217	543,574
Investment income - other interests	-	10,624	10,624	3,286
Young entrepreneur development initiative (YEDI)	60,215	-	60,215	49,789
Asset Management (AM)	-	-	-	47,542
Rentals	-	9,020	9,020	9,020
Other revenues	44,240	-	44,240	44,350
	535,904	529,861	1,065,765	1,113,430
EXPENSES				
Operating (schedule A)	424,717	335,925	760,642	635,599
Operating - YEDI program (schedule B)	60,215	-	60,215	45,855
Operating - AM program	4,159	-	4,159	50,464
Interest on long-term debt	-	9,479	9,479	16,002
Other expenses	21,819	-	21,819	39,661
	510,910	345,404	856,314	787,581
EXCESS OF REVENUES OVER EXPENSES	\$ 24,994	\$ 184,457	\$ 209,451	\$ 325,849

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.**CHANGES IN NET ASSETS**

Year ended March 31, 2018

	Invested in capital assets	Restricted	Contributed Surplus	Unrestricted	Total 2018	Total 2017
Beginning balance	\$ 13,832	\$ 7,581,514	\$ 781,468	\$ 102,452	\$ 8,479,266	\$ 8,153,417
Excess of revenues over expenses	-	184,457	-	24,994	209,451	325,849
Acquisition of capital assets	11,986	-	-	(11,986)	-	-
Amortization of capital assets	(5,254)	-	-	5,254	-	-
	6,732	184,457	-	18,262	209,451	325,849
Ending balance	\$ 20,564	\$ 7,765,971	\$ 781,468	\$ 120,714	\$ 8,688,717	\$ 8,479,266

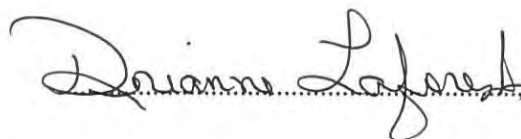
VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.**FINANCIAL POSITION**

March 31, 2018

	Operating Fund	Investment Fund	Total 2018	Total 2017
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,207	\$ 1,407,786	\$ 1,408,993	\$ 1,100,337
Accounts receivable (note 4)	112,566	-	112,566	119,404
Accrued interest - loans	-	110,019	110,019	119,781
Accounts receivable from Operating Fund	-	10,862	10,862	10,862
Accounts receivable from a company under common control	53,143	-	53,143	-
Prepaid expenses	6,787	-	6,787	2,954
	173,703	1,528,667	1,702,370	1,353,338
INVESTMENTS - ACCBIF (note 5)	-	37,500	37,500	37,500
INVESTMENTS - LOANS (note 6)	-	7,178,336	7,178,336	7,515,052
CAPITAL ASSETS (note 7)	20,566	-	20,566	13,834
ASSETS HELD FOR SALE (note 8)	-	262,500	262,500	341,100
	\$ 194,269	\$ 9,007,003	\$ 9,201,272	\$ 9,260,824
LIABILITIES				
CURRENT LIABILITIES				
Bank loan (note 9)	\$ 20,000	\$ -	\$ 20,000	\$ -
Accounts payable (note 10)	22,129	11,937	34,066	32,994
Accounts payable to Investment Fund	10,862	-	10,862	10,862
Current portion of long-term debt	-	294,999	294,999	290,399
	52,991	306,936	359,927	334,255
LONG-TERM DEBT (note 11)	-	152,628	152,628	447,303
	52,991	459,564	512,555	781,558
NET ASSETS				
Restricted	-	7,765,971	7,765,971	7,581,514
Contributed Surplus (note 12)	-	781,468	781,468	781,468
Unrestricted	120,714	-	120,714	102,452
Invested in capital assets	20,564	-	20,564	13,832
	141,278	8,547,439	8,688,717	8,479,266
	\$ 194,269	\$ 9,007,003	\$ 9,201,272	\$ 9,260,824

FOR THE BOARD OF DIRECTORS

....., director


, director

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.**CASH FLOWS**

Year ended March 31, 2018

(Indirect method)	Operating Fund	Investment Fund	Total 2018	Total 2017
OPERATING ACTIVITIES:				
Excess of revenues over expenses	\$ 24,994	\$ 184,457	\$ 209,451	\$ 325,849
Items which do not involve cash :				
Amortization of capital assets	5,254	-	5,254	5,054
Loss (gain) on disposal of assets held for sale	-	56,284	56,284	(28,345)
	30,248	240,741	270,989	302,558
Net changes in non-cash working capital items (note 3)	3,980	(3,821)	159	(100,005)
	34,228	236,920	271,148	202,553
INVESTING ACTIVITIES				
Acquisition of capital assets	(11,986)	-	(11,986)	(8,350)
Acquisition of assets held for sale	-	-	-	(11,320)
Proceeds from disposal of assets held for sale	-	22,316	22,316	290,000
Changes in investments - loans	-	350,396	350,396	(596,524)
	(11,986)	372,712	360,726	(326,194)
FINANCING ACTIVITIES				
Long-term debt	-	-	-	1,500,000
Variation in bank loan	20,000	-	20,000	-
Repayment of long-term debt	-	(290,075)	(290,075)	(762,298)
Variation in advance to a company under common control	(53,143)	-	(53,143)	-
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS				
	(10,901)	319,557	308,656	614,061
CASH, BEGINNING OF YEAR	12,108	1,088,229	1,100,337	486,276
CASH, END OF YEAR	\$ 1,207	\$ 1,407,786	\$ 1,408,993	\$ 1,100,337

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Victoria Madawaska-South Business Development Center Inc.'s mission statement is to create sustainable employment through promoting business development in our communities by providing capital and mentoring assistance.

The Victoria Maddawaska-South Business Development Center Inc. is a community controlled corporation with a mandate to provide lending and other investments to small businesses in the region who have difficulty obtaining financing from conventional sources. The Victoria Madawaska-South Business Development Center Inc. is incorporated under the New Brunswick Companies Act as a not-for-profit organization and as such exempt from income tax by virtue of paragraph 149(1)(1) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

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 the ACOA.

The basis of accounting used in these financial statements differs materially from Canadian accounting standards for not-for profit organizations because:

- a) The organization recorded all its financial instruments at historic cost instead of fair value;
- b) 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.

Use of estimates

The preparation of these financial statements in conformity 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. The main estimates relate to the fair value of the assets held for sale and the allowance for doubtful accounts of the loans. These estimates are reviewed periodically and adjustments are made to income, as appropriate, in the year they become known.

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or they become receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions received for endowment are recognized as direct increases in net assets.

Investment income is recognized using the accrual basis of accounting.

Rental revenue and other revenues are recognized in the period in which it is earned.

Fund accounting

The Victoria Madawaska-South Business Development Center Inc. follows the restricted fund method of accounting for contributions.

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 ACOA, or other funding partners and the Victoria Madawaska-South Business Development Center Inc.

The Investment Fund and the Contributed Surplus reports all restricted resources of the Investment Fund and the Contributed Surplus and the investment income resulting from investing activities employing the funds.

Investments

Investments are recorded at lower of cost or market value. Provisions for loans are reported in the applicable fund. Accrued interest receivable on loans includes only amounts receivable on loans that are not in arrears. Accrued interest not recorded is recognized as revenue at the time of collection.

Capital assets

Capital assets are accounted for at cost.

Amortization is based on their estimated useful lives using following methods and rates. They are also tested for impairment.

	Methods	Rates
Furniture and equipment	straight line	10 %
Computer equipment	straight line	12,5% - 25 %

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.**NOTES TO FINANCIAL STATEMENTS**

March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Cash and cash equivalents**

The organization's policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

3. ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS

	Operating Fund	Investment Fund	Total 2018	Total 2017
Net changes in non-cash working capital items is as follows:				
Accounts receivable	\$ 6,838	\$ -	\$ 6,838	\$ (76,217)
Allowance for doubtful accounts	-	(13,680)	(13,680)	73,606
Accrued interests - investment loans	-	9,762	9,762	(28,580)
Prepaid expenses	(3,833)	-	(3,833)	63
Accounts payable	975	97	1,072	(58,814)
Deferred revenues	-	-	-	(10,063)
	<u>\$ 3,980</u>	<u>\$ (3,821)</u>	<u>\$ 159</u>	<u>\$ (100,005)</u>

4. ACCOUNTS RECEIVABLE

	Operating Fund	Investment Fund	Total 2018	Total 2017
SEB program	\$ 23,518	\$ -	\$ 23,518	\$ 11,131
YEDI program	5,020	-	5,020	6,152
AM program	-	-	-	19,801
ACOA	69,515	-	69,515	69,792
Harmonized sales tax	12,083	-	12,083	5,296
Other	2,430	-	2,430	7,232
	<u>\$ 112,566</u>	<u>\$ -</u>	<u>\$ 112,566</u>	<u>\$ 119,404</u>

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.**NOTES TO FINANCIAL STATEMENTS**March 31, 2018

5. INVESTMENTS - ACCBIF

Promissory note, without interest or terms of repayment from Atlantic Community Business Investment Fund (ACCBIF).

6. INVESTMENTS - LOANS	2018	2017
Loans	\$ 7,631,046	\$ 7,981,442
Allowance for doubtful accounts	(452,710)	(466,390)
	\$ 7,178,336	\$ 7,515,052

The loans receivable balance is comprised of :

Balance, beginning of year	\$ 7,981,442
Loans advanced during the year	1,772,722
Loans repaid during the year	(1,858,387)
Recovery of loans written-off	718
Loans written-off during the year	(265,449)
Balance, principal	7,631,046
Allowance for doubtful accounts	(452,710)
Balance, end of year	\$ 7,178,336

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

Balance, beginning of year	\$ 466,390
Loans written off during the year	(265,449)
Recovery of loans written off in previous periods	718
Current year loans losses provision	251,051
Balance, end of year	\$ 452,710

During the fiscal year, a total of 42 loans were approved and as at March 31, 2018, 211 loans were active.

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.**NOTES TO FINANCIAL STATEMENTS**

March 31, 2018

7. CAPITAL ASSETS	2018		2017	
	Cost	Accumulated Amortization	Net value	Net value
Furniture & equipment	\$ 13,313	\$ 2,642	\$ 10,671	\$ 5,038
Computer equipment	25,777	15,882	9,895	8,796
	<u>\$ 39,090</u>	<u>\$ 18,524</u>	<u>\$ 20,566</u>	<u>\$ 13,834</u>

8. ASSETS HELD FOR SALE

The organization can exercise their rights on unrecoverable loans and proceed to seize the assets. Those assets are classified as short term or long term based on whether or not they have been sold at the date of the financial statements. Gains or losses related to the sale of these assets will be recognized at the time of the sale. As at March 31, 2018, the organization had \$262,500 of assets held for sale.

9. BANK LOAN

The organization has an authorized line of credit of \$240,000, bearing interest at prime rate plus 1.3%, renewable annually. The bank loan is secured by a general security agreement on all assets of the organization having a net carrying value of \$9,201,272 (2017 - \$9,260,824).

10. ACCOUNTS PAYABLE

	Operating Fund	Investment Fund	Total 2018	Total 2017
Trade	\$ 161	\$ 11,314	\$ 11,475	\$ 11,289
Salaries and vacations	12,737	-	12,737	11,636
Accrued liabilities	9,231	-	9,231	9,000
Accrued interests	-	623	623	1,069
	<u>\$ 22,129</u>	<u>\$ 11,937</u>	<u>\$ 34,066</u>	<u>\$ 32,994</u>

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

11. LONG TERM DEBT	2018	2017
Advance from ACCBIF, repayable in monthly instalments of \$25,000 bearing interest at 1.6%, secured by a general security on all assets of the organization in the amount of \$9,201,272, maturing in September, 2019	<u>447,627</u>	<u>737,702</u>
	447,627	737,702
Current portion of long-term debt	<u>294,999</u>	<u>290,399</u>
	\$ 152,628	\$ 447,303

Long-term debt principal over the next two years are the following:

2019 - \$ 294 999

2020 - \$ 152 628

12. CONTRIBUTED SURPLUS

The contributed surplus was created in 2011 and relates to the funds received from the ACOA for the SEED Capital Program which were no longer reimbursable to the ACOA.

13. EXTERNALLY RESTRICTED FUNDS

The investment fund and the contributed surplus includes the external restrictions on net assets and their revenues as following:

Restricted for investing in businesses as at March 31, 2018 :\$8,547,439 (\$8,362,982 in 2017).

The net assets of the Investment Fund and the Contributed Surplus are restricted by ACOA to use only for financial investment in small businesses in the area served by Victoria Madawaska-South Business Development Center Inc. All investment income earned by the organization from net assets of these funds must be reinvested in the funds, unless authorized in writing by ACOA, and cannot be used to cover administrative expenses of the organization.

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

14. CONTINGENCIES

The organization received two claims from the Canada Revenue Agency for a total amount of \$129,807. They alleged that the organization has received proceeds of sale of assets or assets to be liquidated, divided or attributed from their clients that were in default of payment for the payroll withholdings and the harmonized sales tax. The organization has contested these claims. In management's opinion, neither the possible outcome nor the amount of possible payment, if any, can be foreseen. Therefore, no provision has been made in the financial statements.

15. ECONOMIC DEPENDENCE

Victoria Madawaska-South Business Development Center Inc. receives an annual operating contribution to cover operating expenses of the Administration Fund. The going concern of the organization's operations currently depends on the reception of the annual operating contribution.

16. RELATED PARTY TRANSACTIONS

During the year, the organization paid \$16,875 to a company under common control for the rental of its building. These transactions were concluded in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The organization is related to CBDC VMS Holdings Inc. due to the fact that they are under common control.

The balances that have arisen from transactions with this related party are shown separately in the financial statements.

17. CAPITAL DISCLOSURES

The organization's capital is comprised of its net assets. The organization'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. The organization manages its capital by establishing and following an annual budget and annual financial statements approved by the Board of Directors as well as an investment management policy, which is maintained by the investment committee.

18. COMPARATIVE FIGURES

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

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.**SCHEDULE A - OTHER INFORMATION**

Year ended March 31, 2018

A - OPERATING EXPENSES	Operating Fund	Investment Fund	Total 2018	Total 2017
Salaries	\$ 270,515	\$ -	\$ 270,515	\$ 263,342
Fringe benefits	47,787	-	47,787	41,959
Insurance	2,968	3,945	6,913	9,779
Dues and subscriptions	4,399	-	4,399	4,254
Doubtful accounts and bad debts	-	251,050	251,050	215,253
Electricity	-	5,599	5,599	6,590
Repairs and maintenance - equipment	2,794	-	2,794	353
Repairs and maintenance - building	-	3,707	3,707	5,209
Training	7,610	-	7,610	15,427
Office supplies and stationery	8,149	-	8,149	5,586
Travelling and entertainment	15,309	-	15,309	21,135
Interest and bank charges	2,389	8	2,397	2,508
Property tax	-	15,082	15,082	16,285
Rent	19,713	-	19,713	18,909
Rental	2,262	-	2,262	1,517
Advertising and promotion	8,131	-	8,131	8,783
Meeting	5,775	-	5,775	3,993
Professional fees	7,525	-	7,525	11,105
Bookkeeping services	9,960	-	9,960	-
Legal fees	241	250	491	3,639
Telecommunications	3,936	-	3,936	3,264
Loss (gain) on assets held for sale	-	56,284	56,284	(28,345)
Amortization of capital assets	5,254	-	5,254	5,054
	\$ 424,717	\$ 335,925	\$ 760,642	\$ 635,599

VICTORIA MADAWASKA-SOUTH BUSINESS DEVELOPMENT CENTER INC.

SCHEDULE B & C - OTHER INFORMATIONYear ended March 31, 2018

B - OPERATING - YEDI PROGRAM

	Total 2018	Total 2017
Salaries and fringe benefits	\$ 25,105	\$ 18,191
Management fees	5,263	3,349
Office supplies and stationery	1,135	370
Travelling and entertainment	1,037	280
Professional fees	2,150	
Rent	5,319	2,625
Advertising and promotions	5,656	2,183
Recognition event	13,293	17,487
Training	-	634
Telecommunications	1,257	736
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	\$ 60,215	\$ 45,855
