

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

**MARCH 31, 2021**

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PROFESSIONAL CORPORATION  
CHARTERED PROFESSIONAL ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To The 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, 2021, 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, 2021, 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 generally accepted 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.

### Other Matter

Without modifying my conclusion, I draw attention to Note 13 to the financial statements which describes events related to the global COVID-19 pandemic declared by the World Health Organization.

### 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 my 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

June 25, 2021

  
CHARTERED PROFESSIONAL ACCOUNTANT

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

	Operating Fund	FRAM-ED Fund	Investment Fund	2021 Total	2020 Total
<b>ASSETS</b>					
<b>Current</b>					
Cash	\$305,392			\$305,392	\$104,751
Cash reserved for investment purposes		\$6,007	\$231,127	237,134	959,701
Receivables					5,265
ACOA	8,830			8,830	13,368
HST	14,682		3,723	18,405	2,422
Other		171,924		171,924	130,475
Interfund receivable				2,419	2,273
Prepaid expenses	2,419			353,355	1,401,011
Current portion of investments, Note 5		34,127	319,228		
	331,323	212,058	554,078	1,097,459	2,619,266
Investment - ACCBIF, Note 8			37,500	37,500	37,500
RRRF loans receivable, Note 14			1,179,375	1,179,375	
Investments - Loan Advances, Note 5		102,823	9,011,412	9,114,235	6,467,249
	<u>\$331,323</u>	<u>\$314,881</u>	<u>\$10,782,365</u>	<u>\$11,428,569</u>	<u>\$9,124,015</u>
<b>LIABILITIES</b>					
<b>Current</b>					
Payables and accruals	\$32,917		\$6,275	\$39,192	\$29,257
Deferred revenue, Note 11	23,705			23,705	32,112
Current portion payable to NLACBDC, Note 12			28,995	28,995	45,191
Current portion of ACCBIF loan, Note 9			542,612	542,612	493,028
Interfund payable	43,729		128,195	171,924	130,475
	100,351		706,077	806,428	730,063
<b>Long Term</b>					
Payable to NLACBDC, Note 12			38,388	38,388	61,323
RRRF loans due to AACBDC, Note 14			1,189,375	1,189,375	
ACCBIF loan, Note 9			2,984,625	2,984,625	2,416,326
			4,212,388	4,212,388	2,477,649
<b>FUND BALANCES</b>					
Surplus - Restricted, Note 3		\$314,881	5,863,900	6,178,781	5,861,809
Surplus - Unrestricted	230,972			230,972	54,494
	230,972	314,881	5,863,900	6,409,753	5,916,303
	<u>\$331,323</u>	<u>\$314,881</u>	<u>\$10,782,365</u>	<u>\$11,428,569</u>	<u>\$9,124,015</u>

On Behalf of the Board:

 Chairperson

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

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

	Operating Fund	FRAM-ED Fund	Investment Fund	2021 Total	2020 Total
<b>Revenue</b>					
- ACOA contribution	\$270,699			\$270,699	\$263,228
- AES CYC contract	105,000			105,000	105,000
- Interest	947	\$2,483	\$568,149	571,579	684,697
- Loan administration and application fees	43,171			43,171	29,296
- RRRF operating and administrative fees, Note 14	176,500			176,500	
- Loan forgiveness, RRRF, AACBDC			415,625	415,625	
- Miscellaneous	3,423	38		3,461	13,200
- AES - SEA	116,825			116,825	116,825
- Summer Career Placements	3,855			3,855	3,055
- Youth Ventures	11,300			11,300	17,200
	<u>731,720</u>	<u>2,521</u>	<u>983,774</u>	<u>1,718,015</u>	<u>1,232,501</u>
<b>Expenditures</b>					
ACCBIF interest			38,533	38,533	50,459
Advertising	4,302			4,302	3,447
AES CYC Contract	55,395			55,395	63,214
Bank charges	3,887	191	2,533	6,611	7,100
Capital expenditures from revenue	751			751	419
Fees, memberships and taxes	3,222			3,222	3,432
Insurance	3,421			3,421	3,172
Janitorial	3,870			3,870	4,928
Loan loss provision (recovery)		(20,299)	231,028	210,729	134,971
Miscellaneous	1,765		262	2,027	1,295
Postage and courier	422			422	789
Printing and communication	3,450			3,450	4,965
Professional fees	12,011		1,450	13,461	20,384
RRRF loan forgiveness			415,625	415,625	
Rent	59,447			59,447	59,447
Resource materials and supplies	2,394			2,394	3,398
Salaries and benefits	359,514			359,514	345,498
SEA - other expenses	32,002			32,002	37,253
Travel, meetings and conference	4,844			4,844	27,367
Youth Programs	4,545			4,545	6,880
	<u>555,242</u>	<u>(20,108)</u>	<u>689,431</u>	<u>1,224,565</u>	<u>778,418</u>
<b>Surplus before transfers</b>	176,478	22,629	294,343	493,450	454,083
<b>Transfer to Operating Fund</b>					(30,946)
<b>Transfer from Investment Fund</b>					30,946
	<u>\$176,478</u>	<u>\$22,629</u>	<u>\$294,343</u>	<u>\$493,450</u>	<u>\$454,083</u>
<b>Fund balances, beginning of period</b>	\$54,494	\$292,252	\$5,569,557	\$5,916,303	\$5,462,220
<b>Surplus for the period</b>	176,478	22,629	294,343	493,450	454,083
<b>Fund balances, end of period</b>	<u>\$230,972</u>	<u>\$314,881</u>	<u>\$5,863,900</u>	<u>\$6,409,753</u>	<u>\$5,916,303</u>

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

**CBDC TRINITY CONCEPTION CORPORATION**  
**STATEMENT OF CASH FLOW**  
**YEAR ENDED MARCH 31,**

	Operating Fund	FRAM-ED Fund	Investment Fund	2021 Total	2020 Total
<b>Operating activities</b>					
Surplus, for the period	\$176,478	\$22,629	\$294,343	\$493,450	\$454,083
Loan loss provision (recovery)		(20,299)	231,028	210,729	134,971
<b>Changes in:</b>					
Receivables	5,265			5,265	(5,265)
ACOA					
HST	4,538			4,538	(6,929)
Other	(12,260)		(3,723)	(15,983)	3,799
RRRF loans receivable			(1,179,375)	(1,179,375)	
Inter fund receivable		(41,449)		(41,449)	(1,705)
Prepaid expense	(146)			(146)	617
Payables and accruals	7,996		(37,192)	(29,196)	(23,151)
Deferred revenue	(8,407)			(8,407)	10,994
RRRF loans due to AACBDC			1,189,375	1,189,375	
Inter fund payable	27,177		14,272	41,449	1,210
	200,641	(39,119)	508,728	670,250	568,624
<b>Financing activities</b>					
ACCBIF loan proceeds			1,000,000	1,000,000	1,000,000
ACCBIF loan repayments			(382,117)	(382,117)	(490,590)
			617,883	617,883	509,410
<b>Investing activities</b>					
Investment advances			(2,773,050)	(2,773,050)	(1,526,405)
Investment repayments		39,128	923,863	962,991	1,508,332
		39,128	(1,849,187)	(1,810,059)	(18,073)
<b>Increase (decrease) in cash and cash equivalents</b>	200,641	9	(722,576)	(521,926)	1,059,961
<b>Cash and cash equivalents, beginning of period</b>	104,751	5,998	953,703	1,064,452	4,491
<b>Cash and cash equivalents, end of period</b>	<u>\$305,392</u>	<u>\$6,007</u>	<u>\$231,127</u>	<u>\$542,526</u>	<u>\$1,064,452</u>
<b>Consists of:</b>					
Cash	\$305,392			\$305,392	\$104,751
Cash reserved for investment purposes		\$6,007	\$231,127	237,134	959,701
	<u>\$305,392</u>	<u>\$6,007</u>	<u>\$231,127</u>	<u>\$542,526</u>	<u>\$1,064,452</u>

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

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**CBDC TRINITY CONCEPTION CORPORATION  
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**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 \$214,916, 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:

	<u>COST</u>	<u>Accumulated Amortization</u>	<u>NBV 2021</u>	<u>NBV 2020</u>
Furniture and equipment	<u>\$214,916</u>	<u>\$214,916</u>	<u>\$NIL</u>	<u>\$NIL</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.



## 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 Risk

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

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

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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 corporation 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

<b>Loan Advances - Investment Fund</b>	<u>2021</u>	<u>2020</u>
Loans to businesses, at various rates, terms and maturity dates	\$9,780,640	\$8,319,481
Less: Allowance for doubtful loans, Investment Fund	<u>450,000</u>	<u>607,000</u>
	9,330,640	7,712,481
Less: Current portion of loans receivable, Investment Fund	<u>319,228</u>	<u>1,039,065</u>
	<u>\$9,011,412</u>	<u>\$6,673,416</u>
<b>Loan Advances - Fram - Ed Fund</b>	<u>2021</u>	<u>2020</u>
Loan to businesses, at various rates, terms and maturity dates	\$143,576	\$243,704
Less: Allowance for doubtful loans	<u>6,626</u>	<u>87,925</u>
	136,950	155,779
Less: Current portion of loans receivable, Fram - Ed Fund	<u>34,127</u>	<u>51,415</u>
	<u>\$102,823</u>	<u>\$104,364</u>

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**CBDC TRINITY CONCEPTION CORPORATION  
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**5. INVESTMENTS (CONTINUED)**

Total number of investment loans approved for the fiscal year was 26.  
Total number of active investment loans under management is 162.

**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 23 impaired loans as of March 31, 2021. Of these loans \$456,626 (2020 - \$694,925) 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 Corporation is working toward achieving self-sufficiency, the continued operation of the Corporation depends on the receipt of the annual operating contribution.

**7. COMMITMENT**

The Corporation entered into a lease for premises rental at the rate of \$4,583 per month plus HST, HST, commencing April 1, 2020 and expiring on March 31, 2029 pending funding and to be renegotiated on April 1, 2023 and April 1, 2026.

**8. INVESTMENT - ACCBIF**

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

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9. LONG TERM DEBT

	2021	2020
Atlantic Canada Community Business Investment Fund loan repayable in monthly instalments of \$50,000 including interest at 1.75%. Matures June 1, 2027. Secured by an on demand assignment of book debts in favour of ACCBIF and a promissory note.	\$3,527,237	\$2,909,354
Current portion	542,612	493,028
	<u>\$2,984,625</u>	<u>\$2,416,326</u>

Principal repayments over each of the next five years are as follows: 2022 - \$542,612; 2023 - \$552,184; 2024 - \$561,925; 2025 - \$571,838 and 2026 - \$581,926.

10. LOANS RECEIVABLE

The loans receivable balance is comprised of:

	2021	2020
Balance, beginning of year	\$8,563,185	\$8,861,258
Loans advanced during the year	2,773,050	1,526,405
Loans repaid during the year	(962,991)	(1,508,332)
Recovery of loans written-off	102,963	84,235
Loans written-off during the year	(551,991)	(400,381)
Balance, principal	9,924,216	8,563,185
Allowance for doubtful loans	(456,626)	(694,925)
Balance, end of year	<u>\$9,467,590</u>	<u>\$7,868,260</u>

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

Balance, beginning of year	\$694,925	\$876,100
Loans written-off during the year	(551,991)	(400,381)
Recovery of loans written-off in previous periods	102,963	84,235
Current year's loan loss provision	210,729	134,971
Balance, end of year	<u>\$456,626</u>	<u>\$694,925</u>
Allowance Percentage	4.6%	8.1%

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**CBDC TRINITY CONCEPTION CORPORATION  
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**11. DEFERRED REVENUE**

The amount of \$23,705 (2020 - \$32,112) 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 KickStart Program. The CBDC Trinity Conception Corporation administers the Program. The loans are repayable by the KickStart clients over 5 years at a rate of 2%. The principal payments collected are paid to the NLACBDC semi-annually. The loan to CBDC TC by NLACBDC is non-interest bearing.

**13. ECONOMIC ENVIRONMENT RISK**

At year end, the effects of the global outbreak of COVID-19 continues to evolve which has had a significant impact on business through restrictions put in place by the Government of Canada, the Province of Newfoundland and Labrador and the local Municipalities regarding travel, business operations and isolation orders. At this time the full extent of the impact of the pandemic on the Corporation is unknown and it will depend on future developments that cannot be predicted with confidence. The Corporation continues to monitor the situation to assess the impact that the pandemic may have on its operations.

**14. REGIONAL RELIEF & RECOVERY FUND (the "RRRF")**

The RRRF was established by the Atlantic Canada Opportunities Agency and the Atlantic Association of Community Business Development Corporations (AACBDC) to mitigate the adverse effect of the COVID-19 pandemic on the working capital needs of small to medium size business enterprises (SMEs) in Atlantic Canada by enabling CBDCs to make emergency working capital loans to such enterprises. An agreement was entered into between AACBDC and CBDC TC to enable the CBDC TC to make the RRRF loans and administer the RRRF Loan Program on behalf of the AACBDC.

The AACBDC provided a contribution of \$42,500 as a one-time payment to offset incremental operating costs associated with the administration of the RRRF Loan Program. Also, the CBDC TC received an administration fee for each application for an RRRF loan received and approved by the CBDC TC on a claims basis; the fees collected totalled \$134,000. The CBDC TC will also retain any interest collected on RRRF loans.

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**CBDC TRINITY CONCEPTION CORPORATION  
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**14. REGIONAL RELIEF & RECOVERY FUND (the "RRRF") (CONTINUED)**

RRRF loan advances	\$1,672,500
Loans repaid during the year	(77,500)
Loan forgiveness during the year	(22,500)
Allowance for anticipated loan forgiveness	<u>(393,125)</u>
RRRF loans receivable	1,179,375
Add:	
Outstanding payment to be applied	<u>10,000</u>
RRRF loans due to AACBDC	<u>\$1,189,375</u>