

**Financial Statements of**

**CELTIC BUSINESS  
DEVELOPMENT CORPORATION INC.**

**YEAR ENDED MARCH 31, 2022**

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Financial Statements**  
**Year ended March 31, 2022**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of the  
Celtic Business Development Corporation Inc.**

### **Qualified Opinion**

I have audited the financial statements of the Celtic Business Development Corporation Inc., which comprise the statement of financial position as at March 31, 2022, and the statements of revenue and expenditure and changes in fund balances and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Celtic Business Development Corporation Inc. as at March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Qualified 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 organization 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 qualified opinion.

The Celtic Business Development Corporation Inc. has not identified and classified all its financial instruments, and recorded its financial instruments at fair value. Rather, all financial instruments are recorded at historical cost. 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. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles for not-for-profit organizations.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles 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 of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the organization's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)****Auditor's Responsibilities for the Audit of Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements are as a whole 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 it 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.

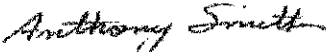
As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 an opinion. The risk of not detecting a material misstatement from fraud is higher than the one resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 Celtic Business Development Corporation Inc.'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 Celtic Business Development Corporation Inc.'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 audit 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 Celtic Business Development Corporation Inc. 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.

Bay Roberts, Newfoundland and Labrador

September 22, 2022

  
Chartered Professional Accountant

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Statement of Revenue and Expenditure**  
**For the Year Ended March 31, 2022**

				2022	2021
	Operating Fund	Investment Fund	FRAM-ED Fund	Total	Total
<b>REVENUE</b>					
ACOA - operating contribution	\$ 201,750	\$ -	\$ -	\$ 201,750	\$ 201,750
ACCBDC – operating contribution	-	-	-	-	42,500
Investment income – loan portfolio	-	197,047	53,700	250,747	177,950
SEA program	70,235	-	-	70,235	70,235
Youth Ventures program	16,035	-	-	16,035	11,250
Entrepreneurial Training fund	-	16,494	-	16,494	14,152
Application and administration fees	12,796	-	-	12,796	9,075
RRRF administration fees	12,000	-	-	12,000	66,000
Loan forgiveness – RRRF Clients	-	76,250	-	76,250	10,000
Other income	2,943	6,230	1,789	10,962	99,630
	315,759	296,021	55,489	667,269	702,542
<b>EXPENDITURE</b>					
Advertising	7,964	-	-	7,964	6,512
Amortization	9,099	-	-	9,099	6,874
Bank charges and interest	913	1,496	27	2,436	2,123
Entrepreneurial training	-	16,494	-	16,494	14,152
Insurance	3,407	-	-	3,407	3,910
Interest on long-term debt	-	18,501	-	18,501	18,546
Loan forgiveness – RRRF Clients	-	76,250	-	76,250	10,000
Loan loss provision (recovery)	-	63,855	1,890	65,745	9,719
Meeting costs	2,312	-	-	2,312	414
Membership and fees	2,518	-	-	2,518	2,609
Office expenses	8,645	-	-	8,645	8,786
Professional fees	11,390	-	-	11,390	6,506
Rent	23,390	-	-	23,390	23,390
Salaries and employee benefits	336,539	-	-	336,539	323,615
Seminars and conferences	3,235	-	-	3,235	1,458
Special events	1,482	-	-	1,482	1,528
Telephone	7,415	-	-	7,415	9,710
Training – Clients	944	-	-	944	600
Travel	5,171	-	-	5,171	2,661
Youth Ventures program contribution	2,000	-	-	2,000	2,000
	426,424	176,596	1,917	604,937	455,113
Excess of revenue over (under) expenditure	\$ (110,665)	\$ 119,425	\$ 53,572	\$ 62,332	\$ 247,429

**See accompanying notes to the financial statements**

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Statement of Changes in Fund Balances**  
**For the Year Ended March 31, 2022**

				2022	2021
	Operating Fund	Investment Fund	FRAM-ED Fund	Total	Total
Fund balance, beginning of year					
As previously reported	\$ 45,815	\$ 2,379,071	\$ 1,598,882	\$ 4,023,768	\$ 3,832,974
Prior period adjustment (Note 15)	-	56,635	-	56,635	-
As restated	45,815	2,435,706	1,598,882	4,080,403	3,832,974
Excess (deficiency) of revenue over expenditure	(110,665)	119,425	53,572	62,332	247,429
Appropriation to (from) operations, net	91,663	(91,663)	-	-	-
Fund balance, end of year	\$ 26,813	\$ 2,463,468	\$ 1,652,454	\$ 4,142,735	\$ 4,080,403

**See accompanying notes to the financial statements**

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Statement of Financial Position**  
**As at March 31, 2022**

				2022	2021
	Operating Fund	Investment Fund	FRAM-ED Fund	Total	Total
<b>ASSETS</b>					
Current					
Cash	\$ 59,492	\$ 616,178	\$ 832,000	\$ 1,507,670	\$ 1,167,361
HST rebate receivable	5,134	240	-	5,374	4,441
Receivable from AACBDC	-	10,602	730	11,332	389,181
Other receivables	-	-	801	801	-
Due from Operating Fund	-	39,963	-	39,963	81,970
Due from FRAM-Ed Fund	120	-	-	120	32,349
Prepaid expenses	199	-	-	199	266
Current portion of loans receivable	-	416,552	78,905	495,457	-
	64,945	1,083,535	912,436	2,060,916	1,675,568
Capital assets (note 7)	26,813	-	-	26,813	32,455
Investments (note 8)	-	37,500	-	37,500	37,500
Loans receivable – RRRF (note 5)	-	1,205,700	-	1,205,700	1,132,700
Loans receivable (notes 4 and 6)	-	2,234,842	740,819	2,975,661	3,840,363
	\$ 91,758	\$ 4,561,577	\$ 1,653,255	\$ 6,306,590	\$ 6,718,586
<b>LIABILITIES</b>					
Current					
Payables and accrued liabilities	\$ 21,492	\$ 4,338	\$ 681	\$ 26,511	\$ 21,017
Statutory payroll remittances	3,490	-	-	3,490	2,952
Due to Operating Fund	-	-	120	120	-
Due to Investment Fund	39,963	-	-	39,963	81,970
Due to Fram-Ed Fund	-	-	-	-	32,349
Current portion of long-term debt	-	420,454	-	420,454	413,316
	64,945	424,792	801	490,538	551,604
Due to AACBDC'S - ACCBIF (note 9)	-	430,604	-	430,604	850,627
Due to AACBDC's – RRRF (note 9)	-	1,205,700	-	1,205,700	1,210,700
Due to NLACBDC's – Kickstart (note 9)	-	37,013	-	37,013	25,252
	64,945	2,098,109	801	2,163,855	2,638,183
Commitment (note 12)					
<b>FUND BALANCES</b>					
Unrestricted	-	-	-	-	13,360
Invested in Capital Assets	26,813	-	-	26,813	32,455
Restricted surplus (note 10)	-	1,324,717	802,454	2,127,171	2,045,837
Contributed surplus (note 10)	-	1,138,751	850,000	1,988,751	1,988,751
	26,813	2,463,468	1,652,454	4,142,735	4,080,403
	\$ 91,758	\$ 4,561,577	\$ 1,653,255	\$ 6,306,590	\$ 6,718,586

See accompanying notes to the financial statements

On Behalf of the Board:

Nicole Bruce Director

Lana O'Neil Director

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Cash Flow Statement**  
**For the Year Ended March 31, 2022**

				2022	2021
	Operating Fund	Investment Fund	FRAM-ED Fund	Total	Total
<b>Operating activities:</b>					
Excess of revenue over expenditure (expenditure over revenue)	\$ (110,665)	\$ 176,060	\$ 53,572	\$ 62,332	\$ 247,429
Items which do not involve cash:					
Amortization	9,099	-	-	9,099	6,874
Loan loss provision (recovery)	-	7,220	1,890	65,745	9,719
	(101,566)	183,280	55,462	137,176	264,022
Changes in non-cash working capital:					
Accounts receivable	16,193	1,454	(1,531)	16,116	(21,942)
Due to/from other funds	(42,127)	9,658	32,469	-	-
Prepaid expenses	67	-	-	67	70
Payables and accrued liabilities	4,355	997	681	6,033	4,205
<b>Cash provided by (used in) operating activities</b>	<b>(123,078)</b>	<b>195,389</b>	<b>87,081</b>	<b>159,392</b>	<b>246,355</b>
<b>Investing activities:</b>					
Purchase of capital assets	(3,457)	-	-	(3,457)	(23,481)
Principal advances to clients	-	(458,560)	(149,712)	(608,272)	(1,720,195)
Principal advances to clients – RRRF Loans	-	(310,000)	-	(310,000)	-
Principal repayments by clients	-	671,851	254,036	925,887	764,865
Principal repayments by clients – RRRF Loans	-	160,750	-	160,750	-
Decrease (increase) in accrued interest	-	(12,530)	(1,585)	(14,115)	16,631
<b>Cash provided by (used in) investing activities</b>	<b>(3,457)</b>	<b>51,511</b>	<b>102,739</b>	<b>150,793</b>	<b>(962,180)</b>
<b>Financing activities:</b>					
Inter-fund transfers	91,663	(91,663)	-	-	-
Proceeds from long-term debt – AACBDC's	-	630,000	-	630,000	860,700
Proceeds from long-term debt – Other	-	20,000	-	20,000	-
Repayment of long-term debt- ACCBIF	-	(412,886)	-	(412,886)	(305,012)
Repayment of long-term debt – AACBDC's	-	(198,750)	-	(198,750)	-
Repayment of long-term debt - Other	-	(8,240)	-	(8,240)	(4,124)
<b>Cash provided by (used in) financing activities</b>	<b>91,663</b>	<b>(61,539)</b>	<b>-</b>	<b>30,124</b>	<b>551,564</b>
Increase (decrease) in cash and cash equivalents	(34,872)	185,361	189,820	340,309	(164,261)
Cash and cash equivalents, beginning of year	94,364	430,817	642,180	1,167,361	1,331,622
<b>Cash and cash equivalents, end of year</b>	<b>\$ 59,492</b>	<b>\$ 616,178</b>	<b>\$ 832,000</b>	<b>\$ 1,507,670</b>	<b>\$ 1,167,361</b>

Cash equivalents are comprised of cash in bank.

See accompanying notes to the financial statements



**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Notes to the Financial Statements**  
**For the Year Ended March 31, 2022**

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**1. Nature of Operations**

The Celtic Business Development Corporation Inc. (the 'Corporation') is a community-based and community-controlled organization with a mandate to encourage and support entrepreneurship, economic growth, diversification, job creation and sustainable, self-reliant communities in its region. The Corporation's services to the small business sector include financial assistance, advisory and counseling services, development and growth of the region's youth, and information resources. The Corporation is a not-for-profit organization incorporated under "The Corporations Act" of Newfoundland and Labrador and is exempt from income tax by virtue of Subsection 149(1) of "The Income Tax Act" of Canada.

**2. Departure from Accounting Standards for Not-For-Profit Organizations (ASNPO)**

The Corporation's financial statements have not adopted the CPA Canada Handbook Section 3856 – *Financial Instruments*, and as a result, depart from Canadian Accounting Standards for not-for-profit organizations. The effects of these sections have not been recorded or disclosed in these financial statements.

The Atlantic Canada Opportunities Agency has confirmed, within the 2022 CF Agreement to all Atlantic Canada CBDC's, it will accept qualified financial statements from a CBDC when not prepared in full compliance with the CPA Canada Handbook Section 3856 – *Financial Instruments*.

**3. Summary of Significant Accounting Policies**

**Basis of Accounting**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles, with the exception of those disclosed in the Auditor's Report.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

**Contributed Services**

Contributed services, consisting primarily of time contributed by volunteers, are not recognized in these financial statements due to the difficulty of determining their fair value.

**Financial Instruments**

The Corporation initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost. The financial assets and liabilities measured at amortized cost include cash, accounts receivable, loans receivable, accounts payable and long-term debt.

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended March 31, 2022**

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**3. Summary of Significant Accounting Policies (Continued)**

**Fund Accounting**

The Corporation uses the restricted fund accounting method to segregate and account for its most significant activities. A description of each Fund is as follows:

*Operating Fund*

Accounts for all administrative activities and includes all contributions for core operations. The Operating Fund reports all program delivery and other activities not included in other Funds. Certain program expenditures may be restricted to those agreed upon by agreements with significant contributors including the Atlantic Canada Opportunities Agency (ACOA) and the Province of Newfoundland and Labrador.

*Investment Fund*

Accounts for a group of loan products and reports the loan portfolio balance and all loan activities. The resources of this Fund, including the annual excess of revenue over expenditure, are subject to an external restriction that they be used as loan capital available for lending, unless permission is granted for other uses.

*FRAM-ED Fund*

Accounts for one loan product that is required to be segregated for reporting purposes by the original contributors of the loan capital. The Fund reports the loan portfolio balance and all loan activities. The resources of this Fund, including the annual excess of revenue over expenditure, are subject to an external restriction that they be used as loan capital available for lending, unless permission is granted for other uses.

**Investments**

Investments are recorded at the lower of cost and net realizable value. Provision for loan losses are reported in the Investment Fund and FRAM-ED Fund.

**Revenue Recognition**

The corporation uses the restricted fund method of accounting for contributions. Contributions from funding agencies are recognized when the contributions are due or the funded activity has been completed. Other revenues are recognized when earned. Interest income on loans is recorded at the rate specified in the loan agreement and when collection is reasonably assured. Accruals of interest income are not recorded on non-performing loans.

**Tangible Capital Assets**

Capital assets are recorded at cost and amortized on the diminishing balance method for furniture and equipment at the rates indicated in note 7. Funding agencies may, in some cases, direct the disposition of capital assets which were financed through their contributions to the Corporation.

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended March 31, 2022**

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**3. Summary of Significant Accounting Policies (Continued)**

**Provision for Loan Losses**

Provision for loan losses are determined based on delinquent loans that are deemed doubtful by management, less estimated amounts recoverable from security, net of estimated costs associated with converting the security into cash.

Category "A" Accounts

Accounts which are entirely satisfactory as to credit risk and performance, i.e. proven or established earnings and management, and on which loan arrears, if any, would represent less than two months' instalments of principal and interest. It should be noted that all accounts are automatically classified as category "A" upon authorization.

Category "B" Accounts

Accounts in which it is expected that, in spite of undesirable developments, the difficulties will be overcome, and the loan will in time be recovered in full without the need to call the loan. Principal and interest are no more than six months in arrears.

Category "C" Accounts

Accounts in which serious adverse developments have occurred, difficulties are unlikely to be overcome, or there is little or no chance of the loan being repaid from the earnings and one or more of the following conditions apply:

- operations have ceased and are unlikely to recommence under existing ownership; voluntary liquidation of assets has started with a view to winding up the business; other creditor, regardless of rank, may be expected to realize on their security;
- a proposal, either formal or informal, to secured creditors has been made, or is under preparation; and
- no principal payments have been made for a six month period.

Category "D" Accounts

No recovery is anticipated and application for "Request to Waive Repayment" and loan write-off is in the process of being submitted or awaiting approval.

**Use of Accounting Estimates**

The preparation of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. A significant estimate included in these financial statements is the provision for doubtful loans as stated in notes 4, 5 and 6

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended March 31, 2022**

**4. Loans Receivable - Investment Fund**

	2022	2021
Loans	\$ 2,998,041	\$ 3,240,834
Allowance for Doubtful Loans	(346,647)	(324,824)
	2,651,394	2,916,010
Current portion of loans receivable	(416,552)	(354,185)
	<u>\$ 2,234,842</u>	<u>\$ 2,561,825</u>

The loans are at varying interest rates and terms of repayment. Certain loans are in arrears and others are non-active.

Included in the loans receivable at March 31, 2022 are delinquent loans totaling \$370,973 (2021 - \$308,086) of which \$208,888 has been allowed for (2021 - \$172,477). Management believes the balance of these loans will be collectible.

The loans receivable balance is comprised of:

	2022	2021
Balance, beginning of year	\$ 3,240,834	\$ 3,345,191
Loans advanced during the year	458,560	539,494
Loans repaid during the year	(671,851)	(583,756)
Loans written off during the year	(42,032)	(53,551)
Change in year end accrued interest	12,530	(6,544)
Balance, end of year	2,998,041	3,240,834
Allowance for impaired loans	(346,647)	(324,824)
	<u>\$ 2,651,394</u>	<u>\$ 2,916,010</u>

The activity in the allowance for impaired loans account is as follows:

	2022	2021
Balance, beginning of year	\$ 324,824	\$ 358,330
Loans written off during the year	-	(50,203)
Current year's loan loss provision	21,823	16,697
	<u>\$ 346,647</u>	<u>\$ 324,824</u>

Loan loss provision and bad debt expense:

	2022	2021
Allowance for doubtful loans at beginning of year	\$ 324,824	\$ 358,330
Allowance for doubtful loans at end of year	346,647	324,824
Decrease (increase) in allowance	(21,823)	33,506
Loans written off during the year	(42,032)	(50,203)
Total loan loss provision and bad debt expense	<u>\$ 63,855</u>	<u>\$ 16,697</u>

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended March 31, 2022**

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**5. COVID-19 Relief Loans Receivable**

The organization, along with other members of the Atlantic Association of CBDC's (AACBDC) and New Brunswick Association of CBDC's (NBACBDC) were contracted by the federal and provincial governments to deliver COVID-19 relief loans to qualifying businesses. The organization administered the Regional Relief and Recovery Fund (RRRF).

	2022	2021
Principal balance, beginning of year	\$ 1,132,700	\$ -
Loans advanced during the year	310,000	1,180,700
Loans repaid during the year	(160,750)	(38,000)
	1,281,950	1,142,700
Loan forgiveness	(76,250)	(10,000)
Principal balance end of year	<u>\$ 1,205,700</u>	<u>\$ 1,076,065</u>

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended March 31, 2022**

**6. Loans Receivable - Canadian Fisheries Restructuring & Adjustment Initiative (FRAM-ED) Fund**

	2022	2021
Loans	\$ 881,646	\$ 984,451
<u>Allowance for Doubtful Loans</u>	<u>(61,922)</u>	<u>(60,098)</u>
	819,724	924,353
<u>Current portion of loans receivable</u>	<u>78,905</u>	<u>61,582</u>
	<u>\$ 740,819</u>	<u>\$ 862,771</u>

The loans are at varying interest rates and terms of repayment. Certain loans are in arrears and others are non-active.

Included in the loans receivable at March 31, 2022 are delinquent loans totaling \$34,548 (2021 - \$29,205) of which \$19,096 has been allowed for (2021 - \$11,682). Management believes the balance of these loans will be collectible.

The loans receivable balance is comprised of:

	2022	2021
Balance, beginning of year	\$ 984,451	\$ 1,134,299
Loans advanced during the year	149,712	65
Loans repaid during the year	(254,036)	(139,825)
Loans written off during the year	(66)	-
<u>Change in year end accrued interest</u>	<u>1,585</u>	<u>(10,088)</u>
Balance, end of year	881,646	984,451
<u>Allowance for impaired loans</u>	<u>(61,922)</u>	<u>(60,098)</u>
	<u>\$ 819,724</u>	<u>\$ 924,353</u>

The activity in the allowance for impaired loans account is as follows:

	2022	2021
Balance, beginning of year	\$ 60,098	\$ 67,077
<u>Current year's loan loss provision (recovery)</u>	<u>1,824</u>	<u>(6,979)</u>
	<u>\$ 61,922</u>	<u>\$ 60,098</u>

Loan loss provision and bad debt expense:

	2022	2021
Allowance for doubtful loans at beginning of year	\$ 60,098	\$ 67,077
<u>Allowance for doubtful loans at end of year</u>	<u>61,922</u>	<u>60,098</u>
Decrease (increase) in allowance	(1,824)	6,979
<u>Loan write-off not included in opening allowance</u>	<u>(66)</u>	<u>-</u>
<u>Total loan loss provision and bad debt expense (recovery)</u>	<u>\$ (1,890)</u>	<u>\$ 6,979</u>

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended March 31, 2022**

**7. Capital Assets**

				<u>2022</u>	<u>2021</u>
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture & equipment	20%	\$ 59,860	\$ 50,384	\$ 9,476	\$ 11,337
Computer hardware	30%	45,748	28,411	17,337	21,118
Leasehold improvements		12,780	12,780	-	-
		<u>\$ 118,388</u>	<u>\$ 91,575</u>	<u>\$ 26,813</u>	<u>\$ 32,455</u>

**8. Investments**

**Investment Fund – ACCBIF Subscription**

The Corporation advanced \$37,500 as a subscription loan to the Atlantic Canada Community Business Investment Fund (ACCBIF) in the form of a promissory note. The note is non-interest bearing and has no set terms of repayment.

**9. Long-term Debt**

	<u>2022</u>	<u>2021</u>
<b>Atlantic Canada Community Business Investment Fund</b>		
Loan for investment purposes, with interest at 1.75%, repayable in blended monthly instalments of \$36,000, maturing in April, 2024 and secured by a promissory note and a negative pledge. Principal due next 12 months is \$420,454 (2021-\$413,316)	\$ 851,058	\$ 1,263,943
<b>Atlantic Association of Community Business Development Corporations – Regional Relief and Recovery Fund Loans</b>		
Loan for investment purposes, unsecured and non-interest bearing, with principal collections from clients repayable monthly. Reported net of loan forgiveness of \$86,250 (2021- \$10,000) which is equal to loan forgiveness granted to recipients of these loans.	1,205,700	1,210,700
<b>Newfoundland and Labrador Association of Community Business Development Corporations – Kickstart Program Loans</b>		
Loans for investment purposes, unsecured and non-interest bearing, with principal collections from clients repayable quarterly and interest receipts to be retained by the Corporation	<u>37,013</u>	<u>25,252</u>
	2,093,771	2,499,895
Less: Estimated portion due next twelve months	<u>420,454</u>	<u>413,316</u>
	<u>\$ 1,673,317</u>	<u>\$ 2,086,579</u>

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended March 31, 2022**

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**9. Long-term Debt (Continued)**

Given that the principal repayments are contingent upon repayments received on the corresponding RRRF and Kickstart loans, no current portion has been recorded as the amount is not determinable.

Estimated required principal payments to ACCBIF over the next four years are as follows: 2022 - \$413,166; 2023 - \$420,454; 2024 - \$427,871; 2025 - \$2,302.

**10. Externally Restricted Funds**

**Investment Fund**

The investment fund has externally imposed restrictions on net assets as well as the income earned from those net assets, as follows:

	2022	2021
Restricted for investing in business		
Capital contributions received, beginning of year	\$ 1,138,751	\$ 1,138,751
Accumulated surplus	1,324,717	1,296,955
	<u>\$ 2,463,468</u>	<u>\$ 2,435,706</u>

Article of Agreement:

9.1 Funds credited to the Investment Fund shall not be used for purposes other than Investment Fund activities without the prior written consent of ACOA. This includes funds lent to or received from ACCBIF.

9.2 Notwithstanding (9.1), funds credited to the Investment Fund account may be transferred to the Eligible Costs account of the CBDC where the following conditions are met:

9.2.1 The CBDC's annual budget submitted with the business plan projects a deficit and is accepted by ACOA;

9.2.2 The deficit was in fact incurred as projected; and

9.2.3 The CBDC shall provide to ACOA written confirmation of the transfer of the funds from the Investment Fund account to the Eligible Costs account withing 90 days of the end of each fiscal year.



**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended March 31, 2022**

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**10. Externally Restricted Funds (Continued)**

**FRAM-ED Fund**

The FRAM-ED fund has externally imposed restrictions on net assets as well as the income earned from those net assets, as follows:

	2022	2021
Restricted for investing in business		
Capital contributions received, beginning of year	\$ 850,000	\$ 850,000
Capital contributions received during the year	-	-
Accumulated surplus	802,454	748,882
	<u>\$ 1,652,454</u>	<u>\$ 1,598,882</u>

All investment income earned by the organization from net assets of the FRAM-ED fund must be reinvested in the fund for business investment purposes unless written consent is obtained from ACOA, including funds lent to or received from ACCBIF.

**11. Economic Dependence**

The Corporation receives an annual contribution from ACOA which partially covers the Corporation's operating expenses. At this time the continued operation of the organization is dependent on the receipt of this annual contribution.

**12. Commitment**

The Corporation leases office space at an annual rate of \$21,758 plus HST. The lease expires on March 31, 2025.

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended March 31, 2022**

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**13. Financial Risk Management**

**Financial Risk Factors**

The Board of Directors has overall responsibility for the oversight and management of financial risk factors which arise from holding financial instruments. The Board reviews the Corporation's policies on an ongoing basis to ensure that these risks are appropriately managed. The primary sources of risk exposure for the Corporation and how each is managed is outlined below.

**Credit Risk**

Credit risk is the risk that the organization will incur a loss because the receivables are not recovered. The Corporation's financial instruments that are exposed to credit risk include receivables and loans. The maximum credit risk exposure at March 31, 2022 is equal to the carrying value of receivables and loans as at the balance sheet date.

**Concentrations of Credit Risk**

Concentrations of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographic region and indicate the relative sensitivity of the CBDC's performance to developments affecting a particular segment of borrowers or geographic region. Geographic credit risk exists for the Corporation due to most of its activities being primarily provided in the Southern-Shore and St. Mary's Bay regions of the Avalon Peninsula.

The exposure to credit risk associated with the non-performance of these borrowers can be directly impacted by a decline in economic conditions which would impair the client's ability to satisfy their obligations to the CBDC. In order to reduce this economic risk, the Corporation has comprehensive credit procedures in place whereby analyses are performed to control the granting of credit to all borrowers. Additionally, the Corporation is a member of a Risk Mitigation Fund whereby they will be entitled to receive up to 35% of specified loan losses.

**Liquidity Risk**

Liquidity risk is the risk that the organization may not have cash available to satisfy financial liabilities as they become due. To mitigate this risk, the Corporation is monitoring its level of liquidity on a regular basis and taking appropriate action when required.

**Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument, that is short-term investments, will fluctuate because of changes in market prices. For the purposes of this disclosure, the organization segregates market risk into two categories: fair value risk and interest rate risk. The organization is exposed to interest rate risk.

Interest rate risk is the potential for loss from changes in interest rates. Financial instruments that potentially subject the organization to interest rate risk are loans and long-term debt. The organization does not hedge interest rate risk.

**CELTIC BUSINESS DEVELOPMENT CORPORATION INC.**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended March 31, 2022**

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**14. COVID-19 Impact**

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus included bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to business worldwide, resulting in economic slowdown. Government and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Corporation is considered an essential service as a government funded financial resource for small business and remained open during the most restrictive phase of the pandemic administering loans under the Regional Recovery and Relief Fund on behalf of the government, which generated additional revenues for the Corporation. The Corporation has assessed that there were no events that would require adjustment for the statement of financial position and results of operations for the year ended March 31, 2022.

**15. Prior Period Adjustment**

The comparative figures for the year ended March 31, 2021 have been adjusted to correct an accounting error. During that year, a provision was made for doubtful loans receivable related to the Regional Relief and Recovery Fund (RRRF). The provision was made based on the organization's policies for estimation of doubtful loans receivable. The RRRF provision was not related to any individual loan, rather it was an estimate taken on the overall balance of the loan portfolio. Subsequent to year end, the organization determined that the provision should not have been recorded since the funding agent, in accordance with the program criteria, would cover all uncollectible loans. Since there was no risk to the organization even if a loan should become uncollectible, there was no requirement to book a loan loss expense or allowance provision.

The amount of the adjustment is \$56,635 resulting in the following changes: reduction of the loan loss expense, increase in excess of revenue over expenditure for the year, increase in restricted net assets at the end of the year, increase in net loans receivable balance.

**16. Comparative Information**

Certain comparative figures have been adjusted to conform to the current year financial statement presentation.

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**Celtic Business Development Corporation****Schedule 3 Revenue and Expenses - SEB project****Thursday, March 31, 2022**

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	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Self-employment benefit program	<u>70,235</u>	<u>70,235</u>
<b>Expenses</b>		
Advertising	1,598	556
Insurance	511	586
Office supplies	1,493	856
Rent	4,678	4,678
Telephone	1,185	1,424
Training - Clients	600	-
Travel	378	-
Wages and benefits	78,915	78,160
<b>Total Expenses</b>	<u>89,358</u>	<u>86,260</u>
<b>Excess (deficiency) of revenue over expenses</b>	<u>- 19,123</u>	<u>- 16,025</u>

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CBDC Celtic

Notes to the Financial Statements

Year Ended March 31, 2022

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3. Summary of significant accounting policies (continued)

**Provision for loan losses**

Provision for loan losses are determined based on delinquent loans that are deemed doubtful by management less estimated amounts recoverable from security, net of estimated costs associated with converting the security into cash.

Category "A" Accounts

Accounts which are entirely satisfactory as to credit risk and performance, i.e. proven or established earnings and management, and on which loan arrears, if any, would represent less than two months' instalments of principal and interest. It should be noted that all accounts are automatically classified as category "A" upon authorization.

Category "B" Accounts

Accounts in which it is expected that, in spite of undesirable developments, the difficulties will be overcome, and the loan will in time be recovered, in full without the need to call the loan. Principal and/or interest are no more than 6 months in arrears.

Category "C" Accounts

Accounts in which serious adverse developments have occurred, difficulties are unlikely to be overcome, or there is little, or no chance of the loan being repaid from earnings and one or more of the following conditions apply:

operations have ceased and are unlikely to recommence under existing ownership; voluntary liquidation of assets has started with a view to winding up the business; other creditors, regardless of rank, may be expected to realize on their security;

a proposal either formal or informal to secured creditors has been made, or is under preparation; and  
no principal payments have been made for a 6-month period.

Category "D" Accounts

No recovery is anticipated and application for "Request to Waive Repayment" and loan write-off is in the process of being submitted or awaiting approval.

**Use of estimates**

In preparing the Organization's financial statements, management is required 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 reported amounts of revenue and expenses during the period. Significant estimates are required in recording the provision for loan loss. Actual results could differ from these estimates.

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CBDC Celtic  
Schedule 1 Allowance for Loan Impairment  
March 31, 2022

	<u>2022</u> Category A	<u>2022</u> Category B	<u>2022</u> Category C	<u>2022</u> Category D	<u>2022</u> Total
<u>Investment Fund</u>	\$ 2,450,712	\$ 50,732	\$ 496,596	\$ -	\$ 2,998,041
<u>FRAM Fund</u>	718,398	5,243	158,005	-	881,646
	<u>\$ 3,169,110</u>	<u>\$ 55,975</u>	<u>\$ 654,601</u>	<u>\$ -</u>	<u>\$ 3,879,686</u>
<b>Allowance for loan impairment</b>					
<u>Investment Fund</u>	\$ 137,759 6%	\$ 15,220	\$ 193,668	\$ -	\$ 346,647
<u>FRAM Fund</u>	42,827 6%	1,573	17,523	-	61,922
	<u>\$ 180,585</u>	<u>\$ 16,793</u>	<u>\$ 211,191</u>	<u>\$ -</u>	<u>\$ 408,569</u>
<b>Allowance Percentage</b>					10.5%
	<u>2021</u> Category A	<u>2021</u> Category B	<u>2021</u> Category C	<u>2021</u> Category D	<u>2021</u> Total
<u>Investment Fund</u>	\$ 2,693,237	\$ 53,244	\$ 445,068	\$ 27,838	\$ 3,219,387
<u>FRAM Fund</u>	822,527	5,503	151,985	-	980,015
	<u>\$ 3,515,764</u>	<u>\$ 58,747</u>	<u>\$ 597,053</u>	<u>\$ 27,838</u>	<u>\$ 4,199,402</u>
<b>Allowance for loan impairment</b>					
<u>Investment Fund</u>	\$ 149,394	\$ 2,953	\$ 172,477	\$ -	\$ 324,824
<u>FRAM Fund</u>	48,093	323	11,682	-	60,098
	<u>\$ 197,487</u>	<u>\$ 3,276</u>	<u>\$ 184,159</u>	<u>\$ -</u>	<u>\$ 384,922</u>
<b>Allowance Percentage</b>					9.2%

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Celtic Community Development Corporation  
Schedule 2 Number of Loans Approved/Under Management  
Thursday, March 31, 2022

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<u>Investment fund</u>	<u>#</u>	<u>2022</u>	<u>#</u>	<u>2021</u>
Total number of investment loans approved		<u>\$ 12</u>		<u>\$ 10</u>
Total number of investment loans under management		<u>\$ 72</u>		<u>\$ 74</u>

**Total Number of Investment Loans Approved:**

The total number of Investment Fund loans (term and equity) approved between April 1 and March 31.  
Newfoundland and Labrador: include FRAM-ED.

If a loan was approved and paid off within the period of April 1 to March 31, it is included in the total as it is based on the activity for the year.

If a new loan is approved for a new business activity and results in refinancing an existing CBDC loan, it is considered a new loan and can be counted as part of the CFoT model.

If a CBDC refinances a loan for the sole purpose of restructuring of an existing CBDC loan with no new loan advance to the client, it is not considered a new loan and cannot be counted as part of the CFoT model.

If a new loan is approved for the sole purpose of paying out another lender, the loan is not considered a new loan and cannot be counted as part of the CFoT model.

Excluded for the total are:

- Community Development Fund (CDF) loans
- Student in Business (SIB) loans (applicable in Nova Scotia)
- Kick Start loans (applicable in Newfoundland and Labrador only).

**Total Number of Active Investment Loans under Management:**

In line with the definition above, the number of active loans (term and equity) managed by the CBDC portfolio as of March 31.

Newfoundland and Labrador: include FRAM-ED.

For use in the CFoT model, a loan is considered "active" when it meets the following criteria:

- A regular payment has been received (not NSF) within the fiscal year
- If the terms of the loan do not call for a regular payment within the fiscal year.

Excluded from the total are:

- Community Development Fund (CDF) loans
- Student in Business (SIB) loans (applicable in Nova Scotia)
- Kick Start loans (applicable in Newfoundland and Labrador only)
- Loans that were recommended for write-off or written off within the fiscal year
- Loans paid off prior to March 31