

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

**MARCH 31, 2018**

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF FINANCIAL OPERATIONS AND CHANGES IN FUND BALANCES	3
STATEMENT OF CASH FLOW	4
NOTES TO FINANCIAL STATEMENTS	5 - 11



**BYRON D. SMITH**  
B. Comm., C.F.E., FCPA, FCA

P.O. Box 610  
100 Conception Bay Highway  
Spaniard's Bay, NL  
A0A 3X0

Telephone: (709) 786-1232  
Toll Free: 1-877-786-1232  
Facsimile: (709) 786-1230  
E-mail: byron@byronsmithca.com  
Website: byronsmithca.com



## INDEPENDENT AUDITOR'S REPORT

To: Board Members of  
CBDC TRINITY CONCEPTION CORPORATION

### Report on the Financial Statements

I have audited the accompanying financial statements of CBDC TRINITY CONCEPTION CORPORATION, which comprise the statement of financial position as at March 31, 2018 and the statement of operations and changes in fund balances and cash flows for the year ended March 31, 2018, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility 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.

### Auditor's Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 purposes 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the CBDC Trinity Conception Corporation as at March 31, 2018 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

June 27, 2018  
Spaniard's Bay, NL

  
BYRON D. SMITH, PROFESSIONAL CORPORATION  
CHARTERED PROFESSIONAL ACCOUNTANT

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

	Operating Fund	FRAM-ED Fund	Investment Fund	2018 Total	2017 Total
<b>ASSETS</b>					
Current					
Cash	\$26,159			\$26,159	\$79,627
Cash reserved for investment purposes		\$2,668	\$321,341	324,009	424,624
Receivables					54,918
ACOA					
AES	4,767			4,767	20,500
HST	5,666			5,666	6,468
Other	7,402			7,402	12,374
Interfund receivable	47,942	121,184		169,126	137,908
Prepaid expense	3,812		147	3,959	2,343
Current portion of investments, Note 5		122,711	893,584	1,016,295	1,022,080
	95,748	246,563	1,215,072	1,557,383	1,760,842
Investment - ACCBIF, Note 8			37,500	37,500	37,500
Investments - Loan Advances, Note 5		87,472	6,585,000	6,672,472	6,059,525
	<u>\$95,748</u>	<u>\$334,035</u>	<u>\$7,837,572</u>	<u>\$8,267,355</u>	<u>\$7,857,867</u>
<b>LIABILITIES</b>					
Current					
Payables and accruals	\$17,545		\$3,960	\$21,505	\$25,065
Deferred revenue, Note 11	23,709			23,709	42,691
Current portion payable to NLACBDC, Note 12			7,440	7,440	
Current portion of ACCBIF loan, Note 9			497,286	497,286	497,347
Interfund payable			169,126	169,126	137,908
	41,254		677,812	719,066	703,011
Long Term					
Payable to NLACBDC, Note 12			83,493	83,493	35,965
ACCBIF loan, Note 9			2,399,611	2,399,611	2,395,755
			2,483,104	2,483,104	2,431,720
<b>FUND BALANCES</b>					
Surplus - Restricted, Note 3		\$334,035	4,676,656	5,010,691	4,668,642
Surplus - Unrestricted	54,494			54,494	54,494
	54,494	334,035	4,676,656	5,065,185	4,723,136
	<u>\$95,748</u>	<u>\$334,035</u>	<u>\$7,837,572</u>	<u>\$8,267,355</u>	<u>\$7,857,867</u>

On Behalf of the Board:

*Raymond Tish*

Chairperson

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

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

	Operating Fund	Investment Fund	FRAM-ED Fund	2018 Total	2017 Total
<b>Revenue</b>					
- A.C.O.A. contribution	\$251,823			\$251,823	\$228,723
- AES CYC contract	105,000			105,000	105,000
- Interest	35	\$567,820	\$20,926	588,781	518,080
- Loan administration and application fees	25,472			25,472	38,545
- Miscellaneous	15,091			15,091	21,490
- AES - SEA	95,353			95,353	95,353
- Summer Career Placements	2,518			2,518	
- Youth Ventures	16,000			16,000	16,100
	511,292	567,820	20,926	1,100,038	1,023,291
<b>Expenditures</b>					
ACCBIF interest		43,799		43,799	41,320
Advertising	5,624			5,624	4,943
AES CYC Contract	56,997			56,997	59,738
Bank charges	3,184	3,801	167	7,152	5,526
Capital expenditures from revenue	485			485	2,390
Fees, memberships and taxes	3,366			3,366	3,221
Insurance	4,046			4,046	4,537
Janitorial	3,425			3,425	3,683
Loan loss provision		91,211	2,000	93,211	349,913
Miscellaneous		237		237	582
Postage and courier	410			410	324
Printing and communication	6,329			6,329	5,605
Professional fees	11,027			11,027	17,403
Rent	59,447			59,447	59,309
Resource materials and supplies	3,335			3,335	2,670
Salaries and benefits	391,778			391,778	368,257
SEA - other expenses	31,492			31,492	28,399
Travel, meetings and conference	28,135			28,135	35,164
Youth Programs	7,694			7,694	8,099
	616,774	139,048	2,167	757,989	1,001,083
<b>Surplus (deficit) before transfers</b>	(105,482)	428,772	18,759	342,049	22,208
<b>Transfer to Operating Fund</b>		(105,482)		(105,482)	(101,317)
<b>Transfer from Investment Fund</b>	105,482			105,482	101,317
<b>Surplus, for the period</b>	\$ NIL	\$323,290	\$18,759	\$342,049	\$22,208
<b>Fund balances, beginning of period</b>	\$54,494	\$4,353,366	\$315,276	\$4,723,136	\$4,700,928
<b>Surplus, for the period</b>	NIL	323,290	18,759	342,049	22,208
<b>Fund balances, end of period</b>	\$54,494	\$4,676,656	\$334,035	\$5,065,185	\$4,723,136

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

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

	Operating Fund	FRAM-ED Fund	Investment Fund	2018 Total	2017 Total
<b>Operating activities</b>					
Surplus, for the period		\$18,759	\$323,290	\$342,049	\$22,208
Loan loss provision		2,000	91,211	93,211	349,913
<b>Changes in:</b>					
Receivables ACOA	\$54,918			54,918	(33,446)
AES	15,733			15,733	2,512
HST	802			802	6,098
Other	(5,028)		10,000	4,972	4,493
Inter fund receivable	(96,708)	16,724		(79,984)	(73,662)
Prepaid expense	(1,469)		(147)	(1,616)	534
Payables and accruals	(2,734)		54,142	51,408	35,336
Deferred revenue	(18,982)			(18,982)	42,691
Inter fund payable			79,984	79,984	63,662
	(53,468)	37,483	558,480	542,495	420,339
<b>Financing</b>					
ACCBIF loan proceeds			500,000	500,000	1,000,000
ACCBIF loan repayments			(496,205)	(496,205)	(378,540)
			3,795	3,795	621,460
<b>Investing</b>					
Investment advances		(150,000)	(1,273,150)	(1,423,150)	(1,989,346)
Investment repayments		112,350	610,427	722,777	1,088,750
		(37,650)	(662,723)	(700,373)	(900,596)
<b>Increase (decrease) in cash and cash equivalents</b>	(53,468)	(167)	(100,448)	(154,083)	141,203
<b>Cash and cash equivalents, beginning of period</b>	79,627	2,835	421,789	504,251	363,048
<b>Cash and cash equivalents, end of period</b>	\$26,159	\$2,668	\$321,341	\$350,168	\$504,251
<b>Consists of:</b>					
Cash	\$26,159			\$26,159	\$79,627
Cash reserved for investment purposes		\$2,668	\$321,341	324,009	424,624
	\$26,159	\$2,668	\$321,341	\$350,168	\$504,251

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

---

CBDC TRINITY CONCEPTION CORPORATION  
OPERATING AND INVESTMENT FUNDS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

---

1. THE ORGANIZATION

The CBDC Trinity Conception Corporation (CBDC TC) is a community-based and community controlled development corporation with a mandate to provide business counselling and lending to small businesses in the Trinity Conception area who have had difficulty obtaining financing from conventional sources. CBDC TC is incorporated under the Newfoundland Companies act as a not-for-profit organization and as such is exempt from income tax by virtue of Paragraph 149(1)(l) of the Income Tax Act.

**PURPOSE OF EACH FUND**

**Operating**

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

**Canadian Fisheries Adjustment and Restructuring Initiative (FRAM-ED)**

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

**Investment Fund**

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

2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**

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



---

CBDC TRINITY CONCEPTION CORPORATION  
OPERATING AND INVESTMENT FUNDS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

---

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 \$ 213,746, 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:

	<b>COST</b>	<b>Accumulated Amortization</b>	<b>NBV 2018</b>	<b>NBV 2017</b>
Furniture and equipment	<u>\$213,746</u>	<u>\$212,324</u>	<u>\$1,422</u>	<u>\$3,070</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

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

### Credit Risk

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

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

CBDC TRINITY CONCEPTION CORPORATION  
 OPERATING AND INVESTMENT FUNDS  
 NOTES TO FINANCIAL STATEMENTS  
 MARCH 31, 2018

3. EXTERNALLY RESTRICTED FUNDS

Investment Fund

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

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

4. INTERFUND TRANSFERS

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

5. INVESTMENTS

Loan Advances - Investment Fund	2018	2017
Loans to business, at various rates, terms and maturity dates	\$8,291,584	\$7,627,072
Less: Allowance for doubtful loans, Investment Fund	813,000	720,000
	7,478,584	6,907,072
Less: Current portion of loans receivable, Investment Fund	893,584	965,885
	<u>\$6,585,000</u>	<u>\$5,941,187</u>
 Loan Advances - Fram - Ed Fund	 2018	 2017
Loan to businesses, at various rates, terms and maturity dates	\$221,283	\$183,633
Less: Allowance for doubtful loans	11,100	9,100
	210,183	174,533
Less: Current portion of loans receivable	122,711	56,195
	<u>\$87,472</u>	<u>\$118,338</u>

**5. INVESTMENTS (CON'T)**

Total number of investment loans approved for the fiscal year was 31.

Total number of active investment loans under management is 154.

**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 29 impaired loans as of March 31, 2018. Of these loans \$ 824,100 (2017 - \$ 729,100) was doubtful. Impaired loans are recognized on a case by case basis.

**6. ECONOMIC DEPENDENCE**

The CBDC TC receives an annual operating contribution from the Atlantic Canada Opportunities Agency to cover operating expenses of the Operating Fund. Although the organization is working toward achieving self-sufficiency, the continued operation of the organization depends on the receipt of the annual operating contribution.

**7. COMMITMENT**

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

**8. INVESTMENT - ACCBIF**

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

CBDC TRINITY CONCEPTION CORPORATION  
 OPERATING AND INVESTMENT FUNDS  
 NOTES TO FINANCIAL STATEMENTS  
 MARCH 31, 2018

9. LONG TERM DEBT

	2018	2017
Atlantic Canada Community Business Investment Fund loan repayable in monthly instalments of \$ 45,000 including interest at 1.60 %. Matures November 2022. Secured by an on demand assignment of book debts in favour of ACCBIF and a promissory note.	\$2,896,897	\$2,893,102
Current portion	497,286	497,347
	<u>\$2,399,611</u>	<u>\$2,395,755</u>

Principal repayments over each of the next five years are as follows: 2019 - \$ 497,286; 2020 - \$ 505,301; 2021 - \$ 513,445; 2022 - \$ 521,721 and 2023 - \$ 530,130.

10. LOANS RECEIVABLE

The loans receivable balance is comprised of:

	2018	2017
Balance, beginning of year	\$7,810,705	\$7,217,522
Loans advanced during the year	1,423,150	1,989,346
Loans repaid during the year	(722,777)	(1,088,750)
Recovery of loans written-off	1,789	12,054
Loans written-off during the year		(319,467)
Balance, principal	8,512,867	7,810,705
Allowance for doubtful accounts	(824,100)	(729,100)
Balance, end of year	<u>\$7,688,767</u>	<u>\$7,081,605</u>

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

Balance, beginning of year	\$729,100	\$686,600
Loans written-off during the year		(319,467)
Recovery of loans written-off in previous periods	1,789	12,054
Current year's loan loss provision	93,211	349,913
Balance, end of year	<u>\$824,100</u>	<u>\$729,100</u>
Allowance Percentage	9.7%	9.3%

---

CBDC TRINITY CONCEPTION CORPORATION  
OPERATING AND INVESTMENT FUNDS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

---

**11. DEFERRED REVENUE**

The amount of \$ 23,709 is monies from AES Linkages funding received for the next fiscal period.

**12. PAYABLE TO NLACBDC**

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