Growth Opportunities Limited

Financial Statements

March 31, 2019

CONRAD HURLBERT LEBLANC INC
CHARTERED PROFESSIONAL ACCOUNTANTS

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Conrad Hurlbert LeBlanc Inc
Chartered Professional Accountants

Independent Auditors' Report

To the Chairperson and Board of Directors of Growth Opportunities Limited:

Qualified Audit Opinion

We have audited the accompanying financial statements of Growth Opportunities Limited which comprise the statement of financial position as at March 31, 2019 and the statement of operations, statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Growth Opportunities Limited as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Basis for Qualified Opinion

Growth Opportunities Limited has not identified and classified all of the financial instruments or recorded its financial instruments at fair value. Rather, all financial instruments are recorded at historic cost. The Corporation 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. This basis of accounting used in these financial statements differs from Canadian Accounting Standards for Not-For-Profit Organizations.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our 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, we exercise professional judgment and maintain professional skepticism throughout the audit.

Independent Auditor's Report (Continued)

We 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 our 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association 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.

We 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 we identify during our audit.

Yarmouth, Nova Scotia
June 26, 2019

Conrad Hurlburt LeBlanc Inc.
Chartered Professional Accountants

Growth Opportunities Limited
Statement of Financial Position
March 31, 2019

	Service Award Fund	Operating Fund	Investment Fund	2019	2018
ASSETS					
Current Assets					
Cash and term deposits	$ 9,202	$ 31,653	$ 85,000	$ 125,855	$ 79,136
Monies held in trust - restricted	0	0	0	0	494,700
Accounts receivable					
SIB loans	0	0	1,976	1,976	6,820
Accrued interest	0	0	26,548	26,548	1,389
HST receivable	0	4,431	418	4,849	9,645
Other	0	6,329	14,065	20,394	46,342
Inter-fund receivables	1,400	0	2,325	3,725	10,350
Prepaids	0	1,446	0	1,446	1,376
Sub-total Current Assets	**10,602**	**43,859**	**130,332**	**184,793**	**649,758**
Loans receivable (Note 5)	0	0	4,367,482	4,367,482	3,844,179
Restricted cash - Investment Fund (Note 9)	0	0	341,724	341,724	24,725
Long-term investment - ACCBIF (Note 6)	0	0	37,500	37,500	37,500
Sub-total Long-Term Assets	**0**	**0**	**4,746,706**	**4,746,706**	**3,906,404**
Property and equipment (Note 4)	0	9,426	0	9,426	10,580
Total Assets	**$ 10,602**	**$ 53,285**	**$ 4,877,038**	**$ 4,940,925**	**$ 4,566,742**

	Service Award Fund	Operating Fund	Investment Fund	2019	2018
LIABILITIES					
Current Liabilities					
Payables and accruals (Note 7)	$ 0	$ 34,144	$ 995	$ 35,139	$ 33,200
Employee remittances payable	0	6,554	0	6,554	5,315
Accrued interest - ACCBIF	0	0	1,046	1,046	865
Inter-fund payables	0	3,725	0	3,725	10,350
Current portion of ACCBIF loans (Note 8)	0	0	169,033	169,033	171,176
Sub-total Current Liabilities	**0**	**44,423**	**171,074**	**215,497**	**220,906**
Deferred capital contributions (Note 16)	0	2,104	0	2,104	3,507
Payable to ACCBIF (Note 8)	0	0	593,667	593,667	458,658
Sub-total Long-Term Liabilities	**0**	**2,104**	**593,667**	**595,771**	**462,165**
Total Liabilities	**0**	**46,527**	**764,741**	**811,268**	**683,071**
FUND BALANCES					
Contributed surplus	0	0	436,158	436,158	436,158
Externally restricted funds (Note 9)	0	0	3,676,139	3,676,139	3,431,730
Service Award Fund - internally restricted (Note 9)	10,602	0	0	10,602	9,800
Unrestricted retained earnings	0	6,758	0	6,758	5,983
Total Fund Balances	**10,602**	**6,758**	**4,112,297**	**4,129,657**	**3,883,671**
Total Liabilities and Fund Balances	**$ 10,602**	**$ 53,285**	**$ 4,877,038**	**$ 4,940,925**	**$ 4,566,742**

Director

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

Growth Opportunities Limited
Statement of Operations and Changes in Fund Balances
Year Ended March 31, 2019

	Service Award Fund	Operating Fund	Investment Fund	2019	2018
Revenues					
ACOA contribution - Community Futures	$ 0	$ 230,182	$ 0	$ 230,182	$ 229,981
Investment income - loan portfolio	2	0	282,570	282,572	235,646
Self employment benefits	0	66,196	0	66,196	65,723
Other government revenue (Note 13)	0	0	0	0	13,394
Youth intern program	0	3,038	0	3,038	3,038
Rental income	0	3,000	0	3,000	5,000
Client administration fees	0	9,989	0	9,989	11,823
Grants for training	0	12,000	0	12,000	11,500
CAS funding and administration fees	0	31,313	0	31,313	66,547
Sundry	0	2,600	995	3,595	3,063
Amort. of def. capital contribution (Note 16)	0	1,403	0	1,403	1,403
Bad debt recovery	0	0	4,430	4,430	31,682
	2	359,721	287,995	647,718	678,800
Expenditures					
Advertising and marketing	0	4,920	0	4,920	3,246
Amortization	0	2,223	0	2,223	3,995
Equipment rental	0	3,442	0	3,442	2,501
HST expense	0	9,290	407	9,697	9,448
Insurance	0	2,138	0	2,138	2,078
Interest expense - ACCBIF	0	0	13,047	13,047	11,422
Loan loss provision	0	0	(19,677)	(19,677)	100,487
Meeting expenses	0	8,490	0	8,490	8,556
Memberships, dues and legal fees	0	1,957	0	1,957	3,913
Miscellaneous	0	2,573	1,807	4,380	6,393
Office supplies	0	8,258	0	8,258	7,133
Professional fees - accounting	0	8,200	0	8,200	8,115
Rent and utilities	0	27,839	0	27,839	27,294
Rental expenses - Taste of Heaven	0	0	0	0	3,335
Salaries, benefits & contract services (Note 13)	0	254,203	0	254,203	264,278
Telecommunications	0	9,684	0	9,684	10,713
Training and development	0	43,409	0	43,409	70,817
Travel	0	19,519	0	19,519	21,034
	0	406,145	(4,416)	401,729	564,758
Excess of revenues over expenditures (expenditures over revenues) before transfers	2	(46,424)	292,411	245,989	114,042
Transfers - Operating Fund (Note 14)	0	48,000	(48,000)	0	0
Transfers - Service Award Fund (Note 14)	800	(800)	0	0	0
Excess of revenues over expenditures	$ 802	$ 776	$ 244,411	$ 245,989	$ 114,042

	Service Award Fund	Operating Fund	Investment Fund	2019	2018
Fund balances, beginning of year	$ 9,800	$ 5,982	$ 3,431,728	$ 3,447,510	$ 3,333,468
Excess of revenues over expenditures	802	776	244,411	245,989	114,042
Fund balances, end of year	$ 10,602	$ 6,758	$ 3,676,139	$ 3,693,499	$ 3,447,510

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

Growth Opportunities Limited

Statement of Cash Flows
Year Ended March 31, 2019

	Service Award Fund	Operating Fund	Investment Fund	2019	2018
Operating					
Excess of revenues over expenditures	$ 802	$ 776	$ 244,411	$ 245,989	$ 114,042
Amortization	0	2,223	0	2,223	3,995
Loan loss provision	0	0	(19,677)	(19,677)	96,287
	802	2,999	224,734	228,535	214,324
Change in non-cash operating working capital:					
Accounts receivable	0	23,397	(12,968)	10,429	(10,891)
Prepaids	0	(70)	0	(70)	2,774
Payables and accruals	0	3,490	(131)	3,359	21,012
Inter-fund payables	(800)	(6,625)	7,425	0	0
Deferred capital contributions	0	(1,403)	0	(1,403)	(1,403)
	2	21,788	219,060	240,850	225,816
Investing					
Loans advanced to clients	0	0	(1,172,221)	(1,172,221)	(363,500)
Repayments on loan portfolio	0	0	638,594	638,594	473,340
Change in property held for sale	0	0	30,000	30,000	(21,000)
Purchase - office equipment and leaseholds	0	(1,071)	0	(1,071)	0
	0	(1,071)	(503,627)	(504,698)	88,840
Financing					
Loans advanced from ACCBIF	0	0	300,000	300,000	0
Loans repaid to ACCBIF	0	0	(167,134)	(167,134)	(168,349)
	0	0	132,866	132,866	(168,349)
Net change in cash and equivalents	2	20,717	(151,701)	(130,982)	146,307
***Cash and cash equivalents**					
Beginning of year	9,200	10,936	578,425	598,561	452,254
End of year	$ 9,202	$ 31,653	$ 426,724	$ 467,579	$ 598,561

*Cash and cash equivalents consist of cash, term deposits, and restricted cash.

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

1. Purpose of the Corporation

Growth Opportunities Limited's (GOL) mission statement is to "Create sustainable employment through promoting business development in our communities by providing capital and mentoring assistance."

Growth Opportunities Limited is a community-based and community-controlled corporation with a mandate to provide lending and other investment to small business in Digby County who have had difficulty obtaining financing from conventional sources. GOL is incorporated under the Nova Scotia Companies Act as a not-for-profit organization, and as such, is exempt from income tax by virtue of subsection 149(1)(1) of the Income Tax Act.

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

The financial statements of GOL have not adopted the new CICA Handbook Section 3855 - *Financial Instruments - Recognition and Measurement* and Section 3861 - *Financial Instruments - Disclosure and Presentation*, and as a result, depart from the accounting standards for not-for-profit organizations. The effects of these actions have not been recorded or disclosed in these financial statements.

The Atlantic Canada Opportunities Agency has confirmed, within the 2011 CF agreement to all Atlantic CBDCs, it will accept qualified financial statements from CBDCs when not prepared in full compliance with the new CICA Handbook Section 3855 - *Financial Instruments - Recognition and Measurement* and Section 3861 - *Financial Instruments - Disclosure and Presentation* inclusively.

3. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting
GOL follows the restricted fund method of accounting for contributions. The externally imposed restrictions are specifically described in Note 9.

The Operating Fund accounts for the Corporation'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 the Atlantic Canada Opportunities Agency (ACOA) or other funding partners and GOL.

The Investment Fund reports all restricted resources of the investment fund and the income and expenses resulting from investing activities employing the fund.

The Service Award Fund internally restricts funds to compensate employees who qualify for the Long-Term Service Award upon retirement from the Corporation.

Property and equipment
Property and equipment are stated at cost, net of any grants applied. Amortization is recorded using the declining balance method at 20% per year for office equipment and computers and straight line method over the term of the lease for leasehold improvements and is reported in the Operating Fund. Half of the amortization rate is used in the year of addition for office equipment and computers.

3. Significant accounting policies (continued)

Investments
Investments are recorded at the lower of cost or market value. Provisions for loan losses are reported in the applicable fund. A specific allowance for doubtful loans is calculated on the basis of an analysis of loans receivables.

Foreclosed assets
Foreclosed assets are recorded at the lesser of their fair market value and the amount of loan receivable, net of allowance. Any recovery of allowance is recognized when the assets are sold.

Inter-fund advances
The inter-fund advances are non-interest bearing, with no set terms of repayment.

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

Use of estimates
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses. Actual amounts could differ from these estimates. Estimates include accruals, amortization and allowance of doubtful accounts.

Revenue and expense recognition
Investment income is recorded on an accrual basis. Grants are recognized in the period the grant is authorized, the contract has been signed and the Corporation has no unfulfilled obligations. Expenses, as well as other revenues, are recorded on an accrual basis.

Financial instrument measurement
The Corporation initially measures its financial assets and financial liabilities at fair market value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets and liabilities subsequently measured at amortized cost include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities.

Financial instruments
The Corporation is exposed to various risks through its financial instruments. The following analysis presents the Corporation's exposures to significant risk:

Credit risk
The Corporation is exposed to credit risk with respect to accounts and loans receivable. The Corporation assesses, on a continuous basis, accounts receivable on the basis of amounts it is certain to receive.

Interest rate risk
The Corporation is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate instruments subject the Corporation to risk of changes in fair value.

4. Property and equipment

	2019			2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment and computers	$ 185,490	$ 176,064	$ 9,426	$ 10,580
Leasehold improvements	6,749	6,749	0	0
	$ 192,239	$ 182,813	$ 9,426	$ 10,580

5. Loans receivable

	2019	2018
Loans to businesses	$ 4,534,812	$ 4,027,262
Loan guarantee	10,000	10,000
Equity investment - property inventory	50,000	80,000
Allowance for impaired loans	(227,331)	(273,082)
	$ 4,367,481	$ 3,844,180

	2019	2018
The loans and equity receivable balance is comprised of:		
Balance, beginning of year	$ 4,117,262	$ 4,268,117
Loans advanced during the year	1,172,221	363,500
Loans repaid during the year	(643,866)	(473,340)
Change in security held	(30,000)	21,000
Loans written off during the year	(20,805)	(62,015)
Balance, principal	4,594,812	4,117,262
Allowance for doubtful accounts	(227,331)	(273,082)
Balance, end of year	$ 4,367,481	$ 3,844,180

Continuity of allowance for impaired loans	2019	2018
Allowance, beginning of year	$ 273,084	$ 238,812
Loans written off during the year (including SIB)	(26,076)	(62,015)
Loan loss provision - current year	(19,677)	96,287
Allowance, end of year	$ 227,331	$ 273,084

Allowance for impaired loans is determined by providing specific loan losses by loan, after reviewing outstanding loans on a loan-by-loan basis, plus the use of an estimated percentage based on past experience for all loans for which no specific provision has been established. The general allowance is estimated at 1% of unallowed for loans each annum.

6. Investments - ACCBIF

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

Growth Opportunities Limited
Notes to the Financial Statements
March 31, 2019

7. Payables and accruals - Operating Fund	**2019**	**2018**
Accounts payable	8,669	5,220
Accrued payroll	0	4,056
Accrued audit fees	7,210	7,210
Accrued vacation pay	17,841	15,410
Accrued group pension	424	0
	$ 34,144	$ 31,896

8. Payable to ACCBIF

ACCBIF lends money to CBDC Investment Funds throughout Atlantic Canada. To be a member, a CBDC must lend $37,500 to ACCBIF. Loans from ACCBIF carry an interest charge set every two years by the ACCBIF Board of Governance. Currently, the rate is 1.6% and the loan is repayable in equal, monthly installments of principal and interest of $15,000.

	2019	**2018**
Loan 127-7, matures 2021, 1.6%	$ 762,700	$ 629,834
Principal due within one year	(169,033)	(171,176)
	$ 593,667	$ 458,658

The loan is secured by a promissory note issued on behalf of the Corporation. GOL has also supplied a negative pledge to ACCBIF which executes general assignment of book debts upon request. Interest rates are re-negotiated on the anniversary date (August 1st) of every 2nd year and will be the lesser of 15% and the lending rate charged by ACCBIF to Community Business Development Corporations on May 1st of the respective year.

5 year repayment schedule is as follows:

2020	$ 169,033
2021	171,757
2022	174,526
2023	177,339
2024	70,045
	$ 762,700

9. Externally restricted funds

Funds advanced to Growth Opportunities Limited in respect of its Eligible Costs and the Corporation's Investment Fund capitalization costs shall be deposited and maintained in two separate accounts.

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

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

9.2.1 the CBDC's Annual Budget submitted with the Business Plan projects a deficit (the "Deficit") and is accepted by ACOA (9.2.1), the Deficit was, in fact, incurred as projected (9.2.2), and, 9.2.3. the CBDC shall provide to ACOA written confirmation of the transfer of the funds from the Investment Fund to the Eligible Costs account within 90 days of the end of each fiscal year (9.2.3).

Cash of this fund is shown as restricted and long-term, with the exception of the amount approved for transfer by ACOA for the next fiscal year.

9. Externally restricted funds (continued)

Internally restricted funds

The Service Award Fund has internally imposed restrictions on net assets as the amounts designated each year to maintain the fund. The net assets of the fund are restricted internally by the Board of Directors to be used only for disbursement to qualified employees upon retirement from the Corporation.

10. Economic dependence

GOL receives an annual operating contribution from ACOA to cover a portion of the operating expenses of the Operating Fund. The continued operation of GOL currently depends on the receipt of the annual operating contribution.

11. Fair value of financial instruments

The carrying value of short-term assets and liabilities approximates their fair value due to the short-term maturities of these items. The fair value of the payable to ACCBIF approximates its carrying value. The interest rate is fixed on all loans to maturity. The fair value of the payable to ACOA approximates its carrying value. These are repayable capital amounts under different programs. There are no interest rates attached to the repayable amounts.

It has not been practicable to determine the fair value of loans receivable included in the investments. Factors such as prevailing interest rates at the time of contractual re-pricing of loans would determine fair value.

12. Loan categories

	Category A	Category B	Category C	Category D	2019 Total
Investment Fund	$ 4,091,430	$ 229,229	$ 11,876	$ 272,278	$ 4,604,813
Less: Loan guarantees	10,000	0	0	0	10,000
	4,081,430	229,229	11,876	272,278	4,594,813
Allowances for loan impairment	$ 0	$ 20,000	$ 5,000	$ 202,331	$ 227,331
Allowance Percentage					4.9%

	Category A	Category B	Category C	Category D	2018 Total
Investment Fund	$ 3,208,197	$ 376,945	$ 16,613	$ 515,507	$ 4,117,262
Less: Loan guarantees	10,000	0	0	0	10,000
	3,198,197	376,945	16,613	515,507	4,107,262
Allowances for loan impairment	$ 38,830	$ 15,000	$ 5,000	$ 214,253	$ 273,083
Allowance Percentage					6.6%

13. ACOA Inter-change

In fiscal 2018, ACOA reimbursed GOL for an employee that was contracted to work for ACOA for a portion of the fiscal year. This reimbursement has been included as revenue and the employee's salary has been included as an expense. ACOA is funding 100% of the employee's salary and benefits. The contract expired in fiscal 2018.

14. Inter-fund transfers

In fiscal 2019, GOL transferred $48,000 (2018 - $30,200) from the Investment Fund to the Operating Fund with approval from ACOA. GOL also transferred $800 from the Operating Fund to the Service Award Fund to fund the annual commitment to long-term service awards.

15. Loan approvals and active loans

In fiscal 2019, GOL ended the year with 19 new loan approvals (2018 - 28) and active loans totaling 80 (2018 - 77).

16. Deferred capital contributions

	2019	2018
Balance, beginning of year	$ 3,507	$ 4,910
Additions	0	0
Amortization	(1,403)	(1,403)
Balance, end of year	$ 2,104	$ 3,507

Deferred capital contributions represent the unamortized portion of contributions received for the purchase of property and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations and is calculated on the same basis as the related underlying asset.