

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

MARCH 31, 2016

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 - 10
SCHEDULE OF ALLOWANCE FOR LOAN IMPAIRMENT	11



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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, 2016 and the statement of operations and changes in fund balances and cash flows for the year ended March 31, 2016, 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, 2016 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 15, 2016
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	2016 Total	2015 Total
ASSETS					
Current					
Cash	\$24,535			\$24,535	\$84,036
Cash reserved for investment purposes		\$3,003	\$335,510	338,513	449,220
Receivables	21,472			21,472	22,500
ACOA					
AES	23,012			23,012	
HST	12,566			12,566	9,801
Other	6,867			6,867	33,758
Interfund receivable		74,246		74,246	196,481
Prepaid expense	2,877			2,877	2,927
Current portion of investments, Note 5		40,545	1,100,718	1,141,263	703,374
	91,329	117,794	1,436,228	1,645,351	1,502,097
Investment - ACCBIF, Note 8			37,500	37,500	37,500
Investments - Loan Advances, Note 5		179,533	5,210,126	5,389,659	5,325,390
	<u>\$91,329</u>	<u>\$297,327</u>	<u>\$6,683,854</u>	<u>\$7,072,510</u>	<u>\$6,864,987</u>
LIABILITIES					
Current					
Payables and accruals	\$11,986		\$3,708	\$15,694	\$36,927
Current portion payable to NLACBDC			1,894	1,894	
Current portion of ACCBIF loan, Note 9			374,391	374,391	376,441
Interfund payable	24,849		49,397	74,246	196,481
	36,835		429,390	466,225	609,849
Long Term					
Payable to NLACBDC			8,106	8,106	
ACCBIF loan, Note 9			1,897,251	1,897,251	1,768,026
			1,905,357	1,905,357	1,768,026
FUND BALANCES					
Surplus - Restricted, Note 3		\$297,327	4,349,107	4,646,434	4,432,618
Surplus - Unrestricted	54,494			54,494	54,494
	54,494	297,327	4,349,107	4,700,928	4,487,112
	<u>\$91,329</u>	<u>\$297,327</u>	<u>\$6,683,854</u>	<u>\$7,072,510</u>	<u>\$6,864,987</u>

On Behalf of the Board:

Raymond Tuck

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	2016 Total	2015 Total
Revenue					
- A.C.O.A. contribution	\$214,718			\$214,718	\$225,000
- AES CYC contract	87,500			87,500	67,000
- Interest	42	\$475,897	\$13,810	489,749	420,522
- Loan administration and application fees	26,050			26,050	31,761
- Miscellaneous	39,264			39,264	29,186
- AES - SEA	95,353			95,353	92,996
- Summer Career Placements	2,675			2,675	2,595
- Youth Ventures	5,182			5,182	14,100
	470,784	475,897	13,810	960,491	883,160
Transfer in from Investment Fund	75,234			75,234	35,590
	546,018	475,897	13,810	1,035,725	918,750
Expenditures					
ACCBIF interest		35,824		35,824	26,521
Advertising	3,883			3,883	4,354
AES CYC Contract	47,336			47,336	8,046
Bank charges	2,553	2,405	168	5,126	5,583
Capital expenditures from revenue					428
Fees, memberships and taxes	3,135			3,135	3,130
Insurance	4,397			4,397	4,444
Janitorial	3,298			3,298	3,381
Loan loss provision		157,863	3,993	161,856	52,784
Miscellaneous		404		404	496
Postage and courier	389			389	1,212
Printing and communication	5,215			5,215	8,260
Professional fees	10,283			10,283	10,809
Rent	58,895			58,895	58,895
Resource materials and supplies	3,223			3,223	1,452
Salaries and benefits	334,729			334,729	330,983
SEA - other expenses	34,696			34,696	30,381
Travel, meetings and conference	28,990			28,990	23,278
Youth Programs	4,996			4,996	6,213
	546,018	196,496	4,161	746,675	580,650
Surplus before transfers	NIL	279,401	9,649	289,050	338,100
Transfer to operating fund		75,234		75,234	35,590
Surplus, for the period	\$ NIL	\$204,167	\$9,649	\$213,816	\$302,510
Fund balances, beginning of period	\$54,494	\$4,144,940	\$287,678	\$4,487,112	\$4,184,602
Surplus, for the period	NIL	204,167	9,649	213,816	302,510
Fund balances, end of period	\$54,494	\$4,349,107	\$297,327	\$4,700,928	\$4,487,112

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	2016 Total	2015 Total
Operating activities					
Surplus, for the period		\$9,649	\$204,167	\$213,816	\$302,510
Loan loss provision		3,993	157,863	161,856	52,784
Changes in:					
Receivables					
ACOA	\$1,028			1,028	1,764
AES	(23,012)			(23,012)	(17,511)
HST	(2,765)			(2,765)	26,444
Other	26,891			26,891	(1,452)
Inter fund receivable		122,235		122,235	(88,090)
Prepaid expense	50			50	4,761
Payables and accruals	(22,469)		11,236	(11,233)	(28,873)
Deferred revenue - AES CYC					(12,000)
Inter fund payable	(39,224)		(83,011)	(122,235)	88,997
	(59,501)	135,877	290,255	366,631	329,334
Financing					
ACCBIF loan proceeds			500,000	500,000	1,000,000
ACCBIF loan repayments			(372,825)	(372,825)	(358,318)
			127,175	127,175	641,682
Investing					
Investment advances		(150,000)	(1,372,827)	(1,522,827)	(1,883,089)
Investment repayments		13,956	844,857	858,813	798,639
		(136,044)	(527,970)	(664,014)	(1,084,450)
Decrease in cash and cash equivalents	(59,501)	(167)	(110,540)	(170,208)	(113,434)
Cash and cash equivalents, beginning of period	84,036	3,170	446,050	533,256	646,690
Cash and cash equivalents, end of period	<u>\$24,535</u>	<u>\$3,003</u>	<u>\$335,510</u>	<u>\$363,048</u>	<u>\$533,256</u>
Consists of:					
Cash	\$24,535			\$24,535	\$84,036
Cash reserved for investment purposes		\$3,003	\$335,510	338,513	449,220
	<u>\$24,535</u>	<u>\$3,003</u>	<u>\$335,510</u>	<u>\$363,048</u>	<u>\$533,256</u>

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, 2016**

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, 2016

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 \$ 211,356, 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 2016</u>	<u>NBV 2015</u>
Furniture and equipment	<u>\$211,356</u>	<u>\$205,680</u>	<u>\$5,676</u>	<u>\$12,708</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.

**CBDC TRINITY CONCEPTION CORPORATION
OPERATING AND INVESTMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

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, 2016

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	2016	2015
Loans to business, at various rates, terms and maturity dates	\$6,985,844	\$6,482,737
Less: Allowance for doubtful loans, Investment Fund	675,000	542,000
	6,310,844	5,940,737
Less: Current portion of loans receivable, Investment Fund	1,100,718	659,249
	<u>\$5,210,126</u>	<u>\$5,281,488</u>
 Loan Advances - Fram - Ed Fund	 2016	 2015
Loan to businesses, at various rates, terms and maturity dates	\$231,678	\$92,727
Less: Allowance for doubtful loans	11,600	4,700
	220,078	88,027
Less: Current portion of loans receivable	40,545	53,254
	<u>\$179,533</u>	<u>\$34,773</u>

**CBDC TRINITY CONCEPTION CORPORATION
OPERATING AND INVESTMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

5. INVESTMENTS (CON'T)

Total number of investment loans approved for the fiscal year was 32.

Total number of active investment loans under management is 128.

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 24 impaired loans as of March 31, 2016. Of these loans \$ 686,600 (2015 - \$ 546,700) 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.

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, 2016

9. LONG TERM DEBT

	2016	2015
Atlantic Canada Community Business Investment Fund loan repayable in monthly instalments of \$ 34,000 including interest at 1.60 %. Matures August 2020. Secured by an on demand assignment of book debts in favour of ACCBIF and a promissory note.	\$2,271,642	\$2,144,467
Current portion	374,391	376,441
	<u>\$1,897,251</u>	<u>\$1,768,026</u>

Principal repayments over each of the next five years are as follows: 2017 - \$ 374,391; 2018 - \$ 380,426; 2019 - \$ 386,557; 2020 - \$ 392,788 and 2021 - \$ 399,119.

10. LOANS RECEIVABLE

The loans receivable balance is comprised of:

	2016	2015
Balance, beginning of year	\$6,575,464	\$5,704,198
Loans advanced during the year	1,719,300	1,883,089
Loans repaid during the year	(1,055,286)	(798,639)
Recovery of loans written-off	30,190	
Loans written-off during the year	(52,146)	(213,184)
Balance, principal	7,217,522	6,575,464
Allowance for doubtful accounts	(686,600)	(546,700)
Balance, end of year	<u>\$6,530,922</u>	<u>\$6,028,764</u>

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

Balance, beginning of year	\$546,700	\$707,100
Loans written-off during the year	(52,146)	(213,184)
Recovery of loans written-off in previous periods	30,190	
Current year's loan loss provision	161,856	52,784
Balance, end of year	<u>\$686,600</u>	<u>\$546,700</u>

CBDC TRINITY CONCEPTION CORPORATION
SCHEDULE OF ALLOWANCE FOR LOAN IMPAIRMENT
MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
<u>Investment Fund</u>	\$7,217,522	\$6,575,464
Less: Loan Guarantees	<u>NIL</u>	<u>NIL</u>
	<u>\$7,217,522</u>	<u>\$6,575,464</u>
 Allowance for loan impairment:		
Investment Fund	<u>\$686,600</u>	<u>\$546,700</u>
 Allowance Percentage	9.5%	8.3%