

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

**MARCH 31, 2015**

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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, 2015 and the statement of operations and changes in fund balances and cash flows for the year ended March 31, 2015, 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, 2015 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 29, 2015  
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	2015 Total	2014 Total
<b>ASSETS</b>					
Current					
Cash	\$84,036	\$3,170		\$87,206	\$105,734
Cash reserved for investment purposes			\$446,050	446,050	308,199
Cash held in trust					173,000
Cash restricted - severance					59,757
Receivables	22,500			22,500	24,264
ACO					11,908
AES					36,245
HST	9,801			9,801	2,887
Other	33,758			33,758	
Interfund receivable		196,481		196,481	108,391
Prepaid expense	2,927			2,927	7,688
Current portion of investments, Note 5		44,125	659,249	703,374	446,599
	153,022	243,776	1,105,299	1,502,097	1,284,672
Investment - ACCBIF, Note 9			37,500	37,500	37,500
Investments - Loan Advances, Note 5		43,902	5,281,488	5,325,390	4,550,499
	\$153,022	\$287,678	\$6,424,287	\$6,864,987	\$5,872,671
<b>LIABILITIES</b>					
Current					
Payables and accruals	\$34,455		\$2,472	\$36,927	\$38,690
Deferred revenue - AES CYC					12,000
Current portion of ACCBIF loan			376,441	376,441	291,520
Interfund payable	64,073		132,408	196,481	107,484
	98,528		511,321	609,849	449,694
Long Term					
Severance pay accrual, Note 8					27,110
ACCBIF loan, Note 10			1,768,026	1,768,026	1,211,265
			1,768,026	1,768,026	1,238,375
<b>FUND BALANCES</b>					
Surplus - Restricted, Note 3		\$287,678	4,144,940	4,432,618	4,130,108
Surplus - Unrestricted	54,494			54,494	54,494
	54,494	287,678	4,144,940	4,487,112	4,184,602
	\$153,022	\$287,678	\$6,424,287	\$6,864,987	\$5,872,671

On Behalf of the Board:

\_\_\_\_\_  
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	2015 Total	2014 Total
<b>Revenue</b>					
- AES contribution - EAS Project					\$353,035
- A.C.O.A. contribution	\$225,000			\$225,000	240,000
- AES CYC contract	67,000			67,000	118,000
- Interest	202	\$414,610	\$5,710	420,522	335,584
- Loan administration and application fees	31,761			31,761	15,968
- Miscellaneous	29,016		170	29,186	5,014
- AES - SEA	92,996			92,996	93,136
- Summer Career Placements	2,595			2,595	2,718
- Youth Ventures	14,100			14,100	14,049
	462,670	414,610	5,880	883,160	1,177,504
Transfer in from EAS Project					39,551
Transfers to Administration Fund, fees					(39,551)
Transfer in from Investment Fund	35,590			35,590	
	498,260	414,610	5,880	918,750	1,177,504
<b>Expenditures</b>					
ACCBIF interest		26,521		26,521	15,181
Advertising	4,354			4,354	4,242
AES CYC Contract	8,046			8,046	10,810
ARMS fees					2,940
Bank charges	2,994	2,520	69	5,583	5,175
Capital expenditures from revenue	428			428	4,936
Equipment repair and rental					639
Fees, memberships and taxes	3,130			3,130	3,401
Insurance	4,444			4,444	5,803
Janitorial	3,381			3,381	4,549
Loan loss provision (recovery)		65,215	(12,431)	52,784	254,704
Miscellaneous		496		496	790
Postage and courier	1,212			1,212	1,468
Printing and communication	8,260			8,260	31,389
Professional fees	10,809			10,809	13,811
Rent	58,895			58,895	84,652
Resource materials and supplies	1,452			1,452	6,323
Salaries and benefits	330,983			330,983	605,733
SEA - other expenses	30,381			30,381	17,621
Staff training					5,632
Travel, meetings and conference	23,278			23,278	35,407
Utilities					697
Youth Programs	6,213			6,213	5,400
	498,260	94,752	(12,362)	580,650	1,121,303
<b>Surplus before transfers</b>	NIL	319,858	18,242	338,100	56,201
<b>Transfer to operating fund</b>		35,590		35,590	
<b>Surplus, for the period</b>	\$ NIL	\$284,268	\$18,242	\$302,510	\$56,201
<b>Fund balances, beginning of period</b>	\$54,494	\$3,860,672	\$269,436	\$4,184,602	\$4,128,401
<b>Surplus, for the period</b>	NIL	284,268	18,242	302,510	56,201
<b>Fund balances, end of period</b>	\$54,494	\$4,144,940	\$287,678	\$4,487,112	\$4,184,602

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	2015 Total	2014 Total
<b>Operating activities</b>					
Surplus (deficit), for the period		\$18,242	\$284,268	\$302,510	\$56,201
Loan loss provision (recovery)		(12,431)	65,215	52,784	254,704
Changes in:					
Receivables	ACOA	\$1,764		1,764	65,465
	AES	(17,511)		(17,511)	73,257
	HST	26,444		26,444	(12,930)
	Other	(1,452)		(1,452)	(2,887)
Inter fund receivable			(88,090)	(88,090)	92,463
Prepaid expense		4,761		4,761	(3,066)
Payables and accruals		(29,703)	830	(28,873)	(10,642)
Deferred revenue - AES CYC		(12,000)		(12,000)	(38,000)
Inter fund payable		(35,519)	124,516	88,997	(92,463)
		(63,216)	(82,279)	474,829	329,334
					382,102
<b>Financing</b>					
ACCBIF loan proceeds			1,000,000	1,000,000	750,000
ACCBIF loan repayments			(358,318)	(358,318)	(297,215)
			641,682	641,682	452,785
<b>Investing</b>					
Investment advances			(1,883,089)	(1,883,089)	(1,235,258)
Investment repayments		67,210	731,429	798,639	552,164
		67,210	(1,151,660)	(1,084,450)	(683,094)
<b>Increase (decrease) in cash and cash equivalents</b>	(63,216)	(15,069)	(35,149)	(113,434)	151,793
<b>Cash and cash equivalents, beginning of period</b>	147,252	18,239	481,199	646,690	494,897
<b>Cash and cash equivalents, end of period</b>	\$84,036	\$3,170	\$446,050	\$533,256	\$646,690
<b>Consists of:</b>					
Cash	\$84,036	\$3,170		\$87,206	\$105,734
Cash reserved for investment purposes			\$446,050	446,050	308,199
Cash held in trust					173,000
Cash restricted - severance					59,757
	\$84,036	\$3,170	\$446,050	\$533,256	\$646,690

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

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**CBDC TRINITY CONCEPTION CORPORATION  
OPERATING AND INVESTMENT FUNDS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2015**

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**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**

**Administration**

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 in getting started or obtaining financing.

**Self Employment Assistance (SEA)**

The purpose of this project is to assist individuals become self employed including assistance in business counselling, assessing the client's business plan and market research.

**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.

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CBDC TRINITY CONCEPTION CORPORATION  
OPERATING AND INVESTMENT FUNDS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2015

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2. SIGNIFICANT ACCOUNTING POLICIES

**Fund Accounting**

The CBDC TC follows the restricted fund method of accounting for the investment fund.

The Operating Fund accounts for the organization'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 CBDC TC.

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

**Basis of Accounting**

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

**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 \$ 211,056, 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 2015</u>	<u>NBV 2014</u>
Furniture and equipment	<u>\$211,056</u>	<u>\$198,348</u>	<u>\$12,708</u>	<u>\$21,958</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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 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, 2015

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

<b>Loan Advances - Investment Fund</b>	<u>2015</u>	<u>2014</u>
Loans to business, at various rates, terms and maturity dates	\$6,482,737	\$5,522,292
Less: Allowance for doubtful loans, Investment Fund	<u>542,000</u>	<u>668,000</u>
	5,940,737	4,854,292
Less: Current portion of loans receivable, Investment Fund	<u>659,249</u>	<u>393,345</u>
	<u>\$5,281,488</u>	<u>\$4,460,947</u>
<b>Loan Advances - Fram - Ed Fund</b>	<u>2015</u>	<u>2014</u>
Loan to businesses, at various rates, terms and maturity dates	\$92,727	\$181,906
Less: Allowance for doubtful loans	<u>4,700</u>	<u>39,100</u>
	88,027	142,806
Less: Current portion of loans receivable	<u>44,125</u>	<u>53,254</u>
	<u>\$43,902</u>	<u>\$89,552</u>

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

**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 15 impaired loans as of March 31, 2015. Of these loans \$ 546,700 (2014 - \$ 707,100) 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.

**8. SEVERANCE PAY ACCRUAL**

The Corporation followed the policy of accounting for severance pay on an accrual basis. Employees were entitled to one week's pay for each year of continuous employment to a maximum of 30 weeks pay upon retirement. In the case of a partial year, the week was to be prorated based on the number of days of continuous employment divided by 365 days. In the current fiscal year it was the decision of the Board to pay out all severance to eligible employees; severance was paid out on March 9, 2015.

**9. INVESTMENT - ACCBIF**

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

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CBDC TRINITY CONCEPTION CORPORATION  
OPERATING AND INVESTMENT FUNDS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2015

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10. LONG TERM DEBT

	<u>2015</u>	<u>2014</u>
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.	\$2,144,467	\$1,502,785
Current portion	<u>376,441</u>	<u>291,520</u>
	<u>\$1,768,026</u>	<u>\$1,211,265</u>

Principal repayments over each of the next five years are as follows: 2016 - \$ 376,441; 2017 - \$ 382,508; 2018 - \$ 388,674; 2019 - \$ 394,938; and 2020 - \$ 401,304.