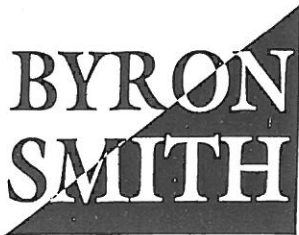


**CBDC TRINITY CONCEPTION CORPORATION  
OPERATING AND INVESTMENT FUNDS  
FINANCIAL STATEMENTS**

**MARCH 31, 2014**

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CHARTERED ACCOUNTANT  
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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, 2014 and the statement of operations and changes in fund balances and cash flows for the year ended March 31, 2014, 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, 2014 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 19, 2014  
Spaniard's Bay, NL

  
CHARTERED ACCOUNTANT

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

	Operating Fund	EAS Fund	FRAM-ED Fund	Investment Fund	2014 Total	2013 Total
<b>ASSETS</b>						
<b>Current</b>						
Cash	\$87,495		\$18,239		\$105,734	\$38,459
Cash reserved for investment purposes				\$308,199	308,199	371,755
Cash held in trust				173,000	173,000	25,000
Cash restricted - severance	59,757				59,757	59,683
Receivables ACOA	24,264				24,264	89,729
AES	11,908				11,908	85,165
HST	36,245				36,245	23,315
Other	2,887				2,887	
Interfund receivable			108,391		108,391	200,854
Prepaid expense	7,688				7,688	4,622
Current portion of investments, Note 5			53,254	393,345	446,599	736,314
	230,244		179,884	874,544	1,284,672	1,634,896
Investment - ACCBIF, Note 9				37,500	37,500	37,500
Investments - Loan Advances, Note 5			89,552	4,460,947	4,550,499	3,832,394
	<u>\$230,244</u>	<u>\$NIL</u>	<u>\$269,436</u>	<u>\$5,372,991</u>	<u>\$5,872,671</u>	<u>\$5,504,790</u>
<b>LIABILITIES</b>						
<b>Current</b>						
Payables and accruals	\$37,048			\$1,642	\$38,690	\$53,481
Deferred revenue - AES CYC	12,000				12,000	50,000
Current portion of ACCBIF loan				291,520	291,520	298,338
Interfund payable	99,592			7,892	107,484	199,947
	148,640			301,054	449,694	601,766
<b>Long Term</b>						
Severance pay accrual, Note 8	27,110				27,110	22,961
ACCBIF loan, Note 10				1,211,265	1,211,265	751,662
	27,110			1,211,265	1,238,375	774,623
<b>FUND BALANCES</b>						
Surplus - Restricted, Note 3			\$269,436	3,860,672	4,130,108	4,067,067
Surplus - Unrestricted	54,494				54,494	61,334
	54,494		269,436	3,860,672	4,184,602	4,128,401
	<u>\$230,244</u>	<u>\$NIL</u>	<u>\$269,436</u>	<u>\$5,372,991</u>	<u>\$5,872,671</u>	<u>\$5,504,790</u>

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	EAS Fund	2014 Total	2013 Total
<b>Revenue</b>						
- AES contribution - EAS Project				\$353,035	\$353,035	\$1,032,284
- A.C.O.A. contribution	\$240,000				240,000	225,000
- AES CYC contract	118,000				118,000	105,000
- Interest	203	\$324,004	\$11,377		335,584	307,045
- Loan administration and application fees	15,968				15,968	
- Miscellaneous	3,983		285	746	5,014	4,560
- AES - SEA	93,136				93,136	90,709
- Summer Career Placements	2,718				2,718	2,594
- Youth Ventures	14,049				14,049	5,800
	488,057	324,004	11,662	353,781	1,177,504	1,772,992
Transfer in from EAS Project	39,551				39,551	126,051
Transfers to Administration Fund, fees				(39,551)	(39,551)	(126,051)
	527,608	324,004	11,662	314,230	1,177,504	1,772,992
<b>Expenditures</b>						
ACCBIF interest		15,181			15,181	9,947
Advertising	3,804			438	4,242	7,023
AES CYC Contract	10,810				10,810	13,249
ARMS fees				2,940	2,940	11,758
Bank charges	2,419	1,913	37	806	5,175	3,989
Capital expenditures from revenue	4,936				4,936	19,622
Equipment repair and rental				639	639	5,270
Fees, memberships and taxes	3,401				3,401	1,039
Insurance	4,017			1,786	5,803	8,586
Janitorial	4,549				4,549	4,995
Loan loss provision		228,804	25,900		254,704	279,488
Miscellaneous		790			790	2,622
Postage and courier	820			648	1,468	4,164
Printing and communication	8,595			22,794	31,389	30,906
Professional fees	10,811			3,000	13,811	22,470
Rent	58,895			25,757	84,652	161,925
Resource materials and supplies	1,810			4,513	6,323	27,782
Salaries and benefits	361,839			243,894	605,733	1,067,247
SEA - other expenses	17,621				17,621	16,559
Staff training				5,632	5,632	8,493
Travel, meetings and conference	34,721			686	35,407	48,226
Utilities				697	697	1,887
Youth Programs	5,400				5,400	6,078
	534,448	246,688	25,937	314,230	1,121,303	1,763,325
<b>Surplus (deficit), for the period</b>	<b>(\$6,840)</b>	<b>\$77,316</b>	<b>\$ (14,275)</b>	<b>\$NIL</b>	<b>\$56,201</b>	<b>\$9,667</b>
<b>Fund balances, beginning of period</b>	<b>\$61,334</b>	<b>\$3,783,356</b>	<b>\$283,711</b>	<b>\$NIL</b>	<b>\$4,128,401</b>	<b>\$4,118,734</b>
<b>Surplus (deficit), for the period</b>	<b>(6,840)</b>	<b>77,316</b>	<b>(14,275)</b>	<b>NIL</b>	<b>56,201</b>	<b>9,667</b>
<b>Fund balances, end of period</b>	<b>\$54,494</b>	<b>\$3,860,672</b>	<b>\$269,436</b>	<b>\$NIL</b>	<b>\$4,184,602</b>	<b>\$4,128,401</b>

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	EAS Fund	FRAM-ED Fund	Investment Fund	2014 Total	2013 Total
<b>Operating activities</b>						
Surplus (deficit), for the period	(\$6,840)		(\$14,275)	\$77,316	\$56,201	\$9,667
Loan loss provision (recovery)			25,900	228,804	254,704	279,488
<b>Changes in:</b>						
Receivables SEA						907
ACOA	65,465				65,465	(35,833)
AES	(6,903)	\$80,160			73,257	236
HST	(25,558)	11,675		953	(12,930)	(738)
Other	(2,887)				(2,887)	1,339
Inter fund receivable	101,227		(56,731)	47,967	92,463	7,141
Prepaid expense	(4,852)	1,786			(3,066)	(1,918)
Payables and accruals	2,969	(14,039)		428	(10,642)	(8,733)
Deferred revenue - AES CYC	(38,000)				(38,000)	
Inter fund payable	872	(101,227)		7,892	(92,463)	(8,047)
	85,493	(21,645)	(45,106)	363,360	382,102	243,509
<b>Financing</b>						
ACCBIF loan proceeds				750,000	750,000	750,000
ACCBIF loan repayments				(297,215)	(297,215)	(100,000)
				452,785	452,785	650,000
<b>Investing</b>						
Investment advances				(1,235,258)	(1,235,258)	(1,627,000)
Investment repayments			48,607	503,557	552,164	693,231
			48,607	(731,701)	(683,094)	(933,769)
<b>Increase (decrease) in cash and cash equivalents</b>	85,493	(21,645)	3,501	84,444	151,793	(690,260)
<b>Cash and cash equivalents, beginning of period</b>	61,759	21,645	14,738	396,755	494,897	535,157
<b>Cash and cash equivalents, end of period</b>	\$147,252	\$NIL	\$18,239	\$481,199	\$646,690	\$494,897
<b>Consists of:</b>						
Cash	\$87,495		\$18,239		\$105,734	\$38,459
Cash reserved for investment purposes				\$308,199	308,199	371,755
Cash held in trust				173,000	173,000	25,000
Cash restricted - severance	59,757				59,757	59,683
	\$147,252	\$NIL	\$18,239	\$481,199	\$646,690	\$494,897

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

**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.

**Employment Assisted Services (EAS)**

The purpose of this fund is to operate the Employment Assisted Services Offices in the Trinity Conception Area and to provide community based employment services. As of June 30, 2013 the Employment Assistance Services Offices were closed due to funding cuts.

**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, 2014**

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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 \$ 210,628, 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 2014</b>	<b>NBV 2013</b>
Furniture and equipment	<u>\$210,628</u>	<u>\$188,670</u>	<u>\$21,958</u>	<u>\$28,226</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.

### 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, 2014

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	2014	2013
Loans to business, at various rates, terms and maturity dates	\$5,522,292	\$4,927,395
Less: Allowance for doubtful loans, Investment Fund	668,000	576,000
	4,854,292	4,351,395
Less: Current portion of loans receivable, Investment Fund	393,345	690,036
	<u>\$4,460,947</u>	<u>\$3,661,359</u>
 Loan Advances - Fram - Ed Fund	 2014	 2013
Loan to businesses, at various rates, terms and maturity dates	\$181,906	\$230,513
Less: Allowance for doubtful loans	39,100	13,200
	142,806	217,313
Less: Current portion of loans receivable	53,254	46,278
	<u>\$89,552</u>	<u>\$171,035</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 20 impaired loans as of March 31, 2014. Of these loans \$ 707,100 (2013 - \$ 589,200) 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, 2014.

**8. SEVERANCE PAY ACCRUAL**

The Corporation follows the policy of accounting for severance pay on an accrual basis. Employees are 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 will be prorated based on the number of days of continuous employment divided by 365 days.

**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, 2014

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10. LONG TERM DEBT

Atlantic Canada Community Business Investment Fund loan repayable in monthly instalments of \$ 26,000 including interest at 1.50 %. Matures August 2016. Secured by an on demand assignment of book debts in favour of ACCBIF and a promissory note.

2014

2013

\$1,502,785

\$1,050,000

Current portion

291,520

298,338

\$1,211,265

\$751,662