

Financial Statements of

**CABOT COMMUNITY BUSINESS
DEVELOPMENT CORPORATION**

YEAR ENDED MARCH 31, 2023

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Financial Statements
Year ended March 31, 2023

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1.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Cabot Community Business Development Corporation

Qualified Opinion

I have audited the financial statements of the Cabot Community Business Development Corporation, which comprise the statement of financial position as at March 31, 2023, and the statements of revenue and expenditure and changes in fund balances and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Cabot Community Business Development Corporation as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

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

The Cabot Community Business Development Corporation has not identified and classified all its financial instruments, and recorded its financial instruments at fair value. Rather, all financial instruments are recorded at historical cost. The organization 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. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles for not-for-profit organizations.

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

Management is responsible for the preparation and fair presentation of the 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 of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)**Auditor's Responsibilities for the Audit of Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements are as a whole free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 an opinion. The risk of not detecting a material misstatement from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 Cabot Community Business Development Corporation'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 Cabot Community Business Development Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my audit opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Cabot Community Business Development Corporation 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.

I 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 I identify during my audit.

Bay Roberts, Newfoundland and Labrador

October 11, 2023


Chartered Professional Accountant

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION**Statement of Financial Position****As at March 31, 2023**

					2023	2022
	Operating Fund	Investment Fund	FRAM-ED Fund	RRR Fund	Total	Total
ASSETS						
Current						
Cash	\$ 56,786	\$ 1,071,595	\$ 318,768	\$ -	\$ 1,447,149	\$ 1,263,098
Harmonized sales tax recoverable	14,934	484	-	-	15,418	7,905
Receivable from AACBDC	15,334	13,007	-	-	28,341	32,432
Due from Operating fund	-	43,562	-	-	43,562	50,000
Due from Investment fund	-	-	577,627	34,780	612,407	592,378
Due from Fram-Ed Fund	50	-	-	-	50	-
Prepaid expenses	2,483	-	-	-	2,483	2,329
Current portion of loans receivable	-	991,586	17,742	-	1,009,328	667,198
	89,587	2,120,234	914,137	34,780	3,158,738	2,615,340
Capital assets (note 2)	22,446	-	-	-	22,446	26,950
Investments (note 3)	-	37,500	-	-	37,500	37,500
Loans receivable (notes 4, 5 and 6)	-	5,452,411	446,517	2,120,096	8,019,024	8,701,081
	\$ 112,033	\$ 7,610,145	\$ 1,360,654	\$ 2,154,876	\$11,237,708	\$11,380,871

LIABILITIES

Current

Payables and accrued liabilities	\$ 35,099	\$ 1,799	\$ -	\$ -	\$ 36,898	\$ 24,898
Statutory payroll remittances	10,926	-	-	-	10,926	8,645
Due to Operating Fund	-	-	50	-	50	75
Due to Investment Fund	43,562	-	-	-	43,562	50,000
Due to Fram-Ed Fund	-	577,627	-	-	577,627	578,880
Due to RRR Fund	-	34,780	-	-	34,780	13,423
Current portion of long-term debt	-	289,766	-	34,780	324,546	305,656
	89,587	903,972	50	34,780	1,028,389	981,577
Long-term debt (notes 6, 7 and 8)	-	241,773	-	2,120,096	2,361,869	2,793,409
	89,587	1,145,745	50	2,154,876	3,390,258	3,774,986

Contingencies (note 10) Commitment (note 11)

FUND BALANCES

Unrestricted	-	-	-	-	-	12,630
Invested in Capital Assets	22,446	-	-	-	22,446	26,950
Restricted surplus (notes 4, 5 and 6)	-	5,004,400	360,604	-	5,365,004	5,106,305
Contributed surplus (notes 4 and 5)	-	1,460,000	1,000,000	-	2,460,000	2,460,000
	22,446	6,464,400	1,360,604	-	7,847,450	7,605,885
	\$ 112,033	\$ 7,610,145	\$ 1,360,654	\$ 2,154,876	\$11,237,708	\$11,380,871

See accompanying notes to the financial statements

On Behalf of the Board:

Director_____
Director

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Statement of Operations and Changes in Fund Balances
For the Year Ended March 31, 2023

					2023	2022
	Operating Fund	Investment Fund	FRAM-ED Fund	RRR Fund	Total	Total
REVENUE						
ACOA - operating grant	\$ 231,350	\$ -	\$ -	\$ -	\$ 231,350	\$ 226,814
AACBDC – interest cessation grant	-	-	-	-	-	53,192
Investment income - loan portfolio	-	533,972	40,240	-	574,212	452,251
Province of NL - SEA program	95,188	-	-	-	95,188	95,188
NLACBDC – YV program	17,000	-	-	-	17,000	12,859
Entrepreneurial training fund	-	13,199	-	-	13,199	18,233
Loan application and admin fees	9,876	-	-	-	9,876	45,245
Canada emergency wage subsidy	-	-	-	-	-	1,118
Other income	22,619	-	-	-	22,619	29,194
	376,033	547,171	40,240	-	963,444	934,094
EXPENDITURE						
Advertising	5,246	-	-	-	5,246	5,336
Amortization	4,447	-	-	-	4,447	5,081
Bank charges and interest	1,800	3,704	81	-	5,585	3,440
Cleaning	3,225	-	-	-	3,225	3,838
Courses and training	17,474	-	-	-	17,474	2,910
Dues and associations	2,434	-	-	-	2,434	7,253
Entrepreneurial training	-	11,394	-	-	11,394	20,311
Insurance	2,682	-	-	-	2,682	2,933
Interest on long-term debt	-	7,346	-	-	7,346	15,547
Loan loss provision (recovery)	-	191,968	(1,267)	-	190,701	7,337
Miscellaneous	3,307	-	-	-	3,307	-
Office supplies and expenses	6,954	-	-	-	6,954	9,203
Professional and consulting fees	9,236	-	-	-	9,236	13,843
Rent	38,382	-	-	-	38,382	37,383
Salaries and employee benefits	391,187	-	-	-	391,187	351,852
Telephone	8,694	-	-	-	8,694	8,284
Travel	9,257	-	-	-	9,257	6,911
Utilities	2,328	-	-	-	2,328	1,797
Youth Ventures program contribution	2,000	-	-	-	2,000	1,000
	508,653	214,412	(1,186)	-	721,879	504,259
Excess of revenue over (under)expenditure (132,620)		332,759	41,426	-	241,565	429,835
Fund balance, beginning of year	39,580	6,247,127	1,319,178	-	7,605,885	7,176,050
Interfund Transfers	115,486	(115,486)	-	-	-	-
Fund balance, end of year	\$ 22,446	\$ 6,464,400	\$ 1,360,604	\$ -	\$ 7,847,450	\$ 7,605,885

See accompanying notes to the financial statements

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Cash Flow Statement
For the Year Ended March 31, 2023

					2023	2022
	Operating Fund	Investment Fund	FRAM-ED Fund	RRR Fund	Total	Total
Cash provided by (used in)						
Operating activities:						
Excess of revenue over expenditure (expenditure over revenue)	\$ (132,620)	\$ 332,759	\$ 41,426	\$ -	\$ 241,565	\$ 429,835
Items which do not involve cash:						
Amortization	4,447	-	-	-	4,447	5,081
Loss on disposal of capital assets	57	-	-	-	57	35
Loan loss provision (recovery)	-	191,968	(1,267)	-	190,701	7,337
	(128,116)	524,727	40,159	-	436,770	442,288
Changes in non-cash working capital:						
Accounts receivable	4,066	25	-	-	4,091	197,771
Due to/from other funds	(6,413)	67,206	1,303	(62,096)	-	(1)
Prepaid expenses	(154)	-	-	-	(154)	295
Harmonized sales tax recoverable	(7,475)	(38)	-	-	(7,513)	(3,228)
Employee deductions payable	2,281	-	-	-	2,281	464
Payables and accrued liabilities	10,630	1,370	-	-	12,000	(621)
	(125,181)	593,290	41,462	(62,096)	447,475	636,968
Investing activities:						
Purchase of capital assets	-	-	-	-	-	(653)
Loans – advances	-	(1,298,659)	(150,000)	-	(1,448,659)	(1,612,746)
Loans – repayments	-	1,312,060	175,320	144,017	1,631,397	948,897
Decrease (increase) in accrued interest	-	(72,806)	(1,444)	-	(74,250)	(1,629)
	-	(59,405)	23,876	144,017	108,488	(666,131)
Financing activities:						
Inter-fund transfers	115,486	(115,486)	-	-	-	-
Proceeds of long-term debt	-	25,000	-	-	25,000	634,955
Repayment of long-term debt	-	(314,991)	-	(81,921)	(396,912)	(580,576)
	115,486	(405,477)	-	(81,921)	(371,912)	54,379
Increase (decrease) in cash	(9,695)	128,408	65,338	-	184,051	25,216
Cash and equivalents, beginning of year	66,481	943,187	253,430	-	1,263,098	1,237,882
Cash and equivalents, end of year	\$ 56,786	\$ 1,071,595	\$ 318,768	\$ -	\$ 1,447,149	\$ 1,263,098

Cash equivalents are comprised of cash in bank.

See accompanying notes to the financial statements

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Notes to the Financial Statements
For the Year Ended March 31, 2023

The Cabot Community Business Development Corporation (the 'Corporation') is a community-based and community-controlled organization with a mandate to encourage and support economic growth, diversification, job creation and sustainable, self-reliant communities in its region. The Corporation's services to the small business sector include financial assistance, advisory and counseling services, development and growth of the region's youth, and information resources. The Corporation is a not-for-profit organization incorporated under "The Corporations Act" of Newfoundland and Labrador and is exempt from income tax by virtue of Subsection 149(1) of "The Income Tax Act" of Canada.

1. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and amortized on the diminishing balance method for furniture and equipment at the rates indicated in note 2. Funding agencies may, in some cases, direct the disposition of capital assets which were financed through their contributions to the Corporation.

Cash and Cash Equivalents

The Corporation's cash and cash equivalents are comprised of cash held in bank accounts and short-term guaranteed investment certificates.

Contributed Services

Contributed services, consisting primarily of time contributed by volunteers, are not recognized in these financial statements due to the difficulty of determining their fair value.

Financial Instruments

The Corporation initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost. The financial assets and liabilities measured at amortized cost include cash, accounts receivable, loans receivable, long-term debt and accounts payable.

Fund Accounting

The Corporation uses Fund Accounting to segregate and account for its most significant activities. A description of each Fund is as follows:

Operating Fund

Accounts for all administrative activities and includes all contributions for core operations. The Operating Fund reports all program delivery and other activities not included in other Funds. Certain program expenditures may be restricted to those agreed upon by agreements with significant contributors including the Atlantic Canada Opportunities Agency (ACOA) and the Province of Newfoundland and Labrador.

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Notes to the Financial Statements (Continued)
For the Year Ended March 31, 2023

1. Significant Accounting Policies (Continued)

Investment Fund

Accounts for a group of loan products and reports the loan portfolio balance and all loan activities. The resources of this Fund, including the annual excess of revenue over expenditure, are subject to an external restriction that they be used as loan capital available for lending, unless permission is granted for other uses.

FRAM-ED Fund

Accounts for one loan product that is required to be segregated for reporting purposes by the original contributors of the loan capital. The Fund reports the loan portfolio balance and all loan activities. The resources of this Fund, including the annual excess of revenue over expenditure, are subject to an external restriction that they be used as loan capital available for lending, unless permission is granted for other uses.

Regional Relief and Recovery Fund (RRR Fund)

Accounts for one loan product that is required to be segregated for reporting purposes by the original contributors of the loan capital. The loan product's purpose is to assist small business experiencing difficulties due to the impact of the Covid 19 pandemic. The Fund reports the loan portfolio balance and all loan activities. The resources of this Fund, including the annual excess of revenue over expenditure, are subject to an external restriction that they be used as loan capital available for lending.

Investments

Investments are recorded at the lower of cost and net realizable value. Provision for loan losses are reported in the Investment Fund and FRAM-ED Fund.

Revenue Recognition

The Corporation uses the restricted fund method of accounting for contributions. Contributions from funding agencies are recognized when the contributions are due or the funded activity has been completed. Other revenues including interest are recognized when earned.

Use of Accounting Estimates

The preparation of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. A significant estimate included in these financial statements is the provision for doubtful loans as stated in notes 4 and 5.

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Notes to the Financial Statements (Continued)
For the Year Ended March 31, 2023

2. Capital Assets

				2023	2022
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture & equipment	20%	\$ 24,728	\$ 21,667	\$ 3,061	\$ 3,870
Computer hardware	30%	14,354	12,655	1,699	2,441
Leasehold improvements	10 years	23,370	7,500	15,870	18,370
Signage	10 years	3,547	1,731	1,816	2,271
		<u>\$ 65,999</u>	<u>\$ 43,553</u>	<u>\$ 22,446</u>	<u>\$ 26,952</u>

3. Investments

Investment Fund

The Corporation has invested \$37,500 in the Atlantic Canada Community Business Investment Fund (ACCBIF). The investment is secured by a promissory note, is non-interest bearing, with no set terms of repayment. A determination of fair value for this financial instrument is not considered possible.

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Notes to the Financial Statements (Continued)
For the Year Ended March 31, 2023

4. Loans Receivable - Investment Fund

	2023	2022
Loans receivable, beginning of year	\$ 7,481,653	\$ 7,442,881
Disbursements during the year	1,298,659	920,824
Repayments during the year	(1,312,060)	(842,088)
Loans written off during the year	(261,968)	(44,359)
Change in year end accrued interest	72,806	4,395
Loans receivable, end of year	7,279,090	7,481,653
Allowance for impaired loans	(835,093)	(864,355)
	6,443,997	6,617,298
Current portion of loans receivable	(991,586)	(635,377)
	<u>\$ 5,452,411</u>	<u>\$ 5,981,921</u>

Loans receivable includes accrued interest receivable in the amount of \$481,206 (2022 - \$408,400). There are 20 impaired loans as of March 31, 2023 totalling \$1,383,046 (2022 - 21 impaired loans totalling \$1,343,093). The current portion of loans receivable assumes required loan payments will be received during the year.

The activity in the allowance for impaired loans account is as follows:

	2023	2022
Allowance, beginning of year	\$ 864,355	\$ 876,323
Loans in opening balance written off during the year	(93,553)	(44,359)
Adjustment to loan loss provision	64,291	32,391
	<u>\$ 835,093</u>	<u>\$ 864,355</u>

The investment fund has externally imposed restrictions on net assets as well as the income earned from those net assets as follows:

	2023	2022
Loan capital contributed	\$ 1,460,000	\$ 1,460,000
Accumulated surplus	5,004,400	4,795,185
	<u>\$ 6,464,400</u>	<u>\$ 6,255,185</u>

All investment income earned by the organization from net assets of the Investment Fund must be reinvested in the fund for business investment purposes unless written consent is obtained from ACOA, including funds lent to or received from ACCBIF. Investment funds may be transferred to the operating fund to cover an annual operating deficit provided certain conditions have been met, as set out by ACOA.

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Notes to the Financial Statements (Continued)
For the Year Ended March 31, 2023

5. Loans Receivable - Canadian Fisheries Restructuring & Adjustment Initiative (FRAM-ED) Fund

	2023	2022
Loans receivable, beginning of year	\$ 868,901	\$ 909,174
Disbursements during the year	150,000	-
Repayments during the year	(175,320)	(37,507)
Change in year end accrued interest	1,444	(2,766)
Loans receivable, end of year	845,025	868,901
Allowance for impaired loans	(380,766)	(382,033)
	464,259	486,868
Current portion of loans receivable	(17,742)	(31,821)
	<u>\$ 446,517</u>	<u>\$ 455,047</u>

Loans receivable includes accrued interest receivable in the amount of \$186,560 (2022 - \$185,116). There are three impaired loans as of March 31, 2023 totalling 601,584 (2022 - three impaired loans totalling \$599,469). The current portion of loans receivable assumes required loan payments will be received during the year.

The activity in the allowance for impaired loans account is as follows:

	2023	2022
Allowance, beginning of year	\$ 382,033	\$ 383,908
Change in current year's loan loss provision	(1,267)	(1,875)
	<u>\$ 380,766</u>	<u>\$ 382,033</u>

The FRAM-ED fund has externally imposed restrictions on net assets as well as the income earned from those net assets as follows:

	2023	2022
Loan capital contributed	\$ 1,000,000	\$ 1,000,000
Accumulated surplus	360,604	319,178
	<u>\$ 1,360,604</u>	<u>\$ 1,319,178</u>

All investment income earned by the organization from net assets of the FRAM-ED fund must be reinvested in the fund for business investment purposes unless written consent is obtained from ACOA, including funds lent to or received from ACCBIF.

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Notes to the Financial Statements (Continued)
For the Year Ended March 31, 2023

6. Loans Receivable – Regional Relief and Recovery (RRR) Fund

The Regional Relief and Recovery Fund was established in May, 2020 pursuant to an agreement between the Corporation and the Atlantic Association of Community Business Development Corporations (AACBDC). The purpose of the Fund is to provide term loans to eligible businesses that were impacted by the Covid-19 pandemic and resulting public health restrictions. During the year, there were no advances to clients (2022 – advances of \$691,222) and during the year the organization received principal repayments of \$144,017 (2022 - \$46,123), resulting in a portfolio balance of \$2,120,096 (2022 - \$2,264,113).

The loans are interest free and non-repayable until December 31, 2023. Clients who repay 75% of the amount borrowed under Phase 1 of the program before December 31, 2022 will have 25% of their loans forgiven, up to a maximum of \$10,000. Clients who received an advance under Phase 2 of the program may be eligible for additional loan forgiveness. Management has estimated, based on an assessment of the current business status of clients, that 39 clients may repay before December 31, 2023 and receive loan forgiveness amounting to \$475,366. Management estimates that two loans totalling \$60,000 may be doubtful as at March 31, 2023. The RRR Fund has externally imposed restrictions on the net assets of the Fund. Fund assets may be used only for loans to approved clients and to repay loan capital to the AACBDC.

7. Long-term Debt

	<u>2023</u>	<u>2022</u>
Atlantic Canada Community Business Investment Fund		
Loan for investment purposes, with interest at 1.75%, repayable in blended monthly instalments of \$25,000, maturing in March 15, 2024 and secured by a promissory note and a negative pledge.	\$ 283,834	\$ 576,488
Atlantic Association of Community Business Development Corporations – Technology Development Fund		
Loan for investment purposes, non-interest bearing, with principal collections from clients repayable annually and interest receipts to be retained by the Corporation	156,391	156,391
Newfoundland and Labrador Association of Community Business Development Corporations – Kickstart Program Loans		
Loans for investment purposes, unsecured and non-interest bearing, with principal collections from clients repayable quarterly and interest receipts to be retained by the Corporation	<u>91,314</u>	<u>88,651</u>
	531,539	821,530
Less: Estimated portion due next twelve months	<u>(289,766)</u>	<u>(292,233)</u>
	\$ <u>241,773</u>	\$ <u>529,297</u>

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Notes to the Financial Statements (Continued)
For the Year Ended March 31, 2023

8. Long-term Debt – Regional Relief and Recovery Fund

The loan capital for the Regional Relief and Recovery Fund is provided to the Corporation by the Atlantic Association of Community Business Development Corporations (AACBDC). Principal will be repaid to the AACBDC when it is repaid to the Corporation by the client. Under the terms of the program, principal repayments from clients are not due until January 1, 2024 with certain amounts being forgivable if the client meets the established criteria. The forgivable amounts will reduce the amount repayable by the Corporation to the AACBDC and will be confirmed on a case-by-case basis as determined by the clients' repayments. See note 6 for more information on the Regional Relief and Recovery Fund.

9. Allowance for Impaired Loans

Impaired loans are recognized on a case-by-case basis. When a loan is deemed to be impaired, its carrying amount is reduced to its estimated realizable amount. The estimated realizable amount is determined by management based on its assessment of factors including the estimated realizable value of the underlying security, the client's payment history and the nature of the industry in which the client operates. The allowance for impaired loans includes a general 5% reserve applied to the balance of non-impaired loans. Within each investment fund, the change in the loan portfolio's estimated realizable amount is recorded as a bad debt expense.

10. Contingencies

Any surplus of the operating fund may be subject to repayment to the Receiver General of Canada after a review of program expenses and revenues by ACOA. Investment funding provided by government agencies under the FRAM-ED agreement which have not been utilized at the end of the contract period may be subject to repayment at the discretion of the funding agent. Any amounts determined to be repayable will be accounted for in the year that such a determination is made.

11. Commitment

The Corporation leases office space for a term which expires in November, 2029. The annual base rent during year one to five of the lease is \$29,873 plus HST. The lessor charges an additional rent for the tenant's proportional share of real estate taxes, insurance and building maintenance. Additional rents may be adjusted on an annual basis by the lessor.

12. Economic Dependence

The Corporation receives an annual contribution from the Atlantic Canada Opportunities Agency which partially covers the Corporation's operating expenses. At this time the continued operation of the organization is dependent on the receipt of this annual contribution.

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Notes to the Financial Statements (Continued)
For the Year Ended March 31, 2023

13. Financial Risk Management

Financial risk factors

The Board of Directors has overall responsibility for the oversight and management of financial risk factors which arise from holding financial instruments. The Board reviews the Corporation's policies on an ongoing basis to ensure that these risks are appropriately managed. The primary sources of risk exposure for the Corporation and how each is managed is outlined below.

Credit risk

The Corporation has exposure to credit risk as a result of holding financial instruments. Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Corporation's credit risk is primarily attributable to accounts receivable and loans receivable. Management believes that the credit risk with respect to accounts receivable is remote as the majority is due directly from government or government-funded entities. The Corporation's loans receivable are recorded at net realizable value and a determination of fair value for these financial instruments is not considered possible. Management's policies relating to credit risk from loans receivable is discussed in note 9.

CABOT COMMUNITY BUSINESS DEVELOPMENT CORPORATION
Allowance for Loan Impairment

(Schedule 1)

Year Ended March 31, 2023

	Category A 2023	Category B 2023	Category C 2023	Category D 2023	Total 2023
Investment Fund	\$7,429,929	\$460,100	\$714,311	\$313,641	\$8,917,981
FRAM-ED	241,876	0	146,707	269,871	658,454
	<u>7,671,805</u>	<u>460,100</u>	<u>861,018</u>	<u>583,512</u>	<u>9,576,435</u>
Allowance for loan impairment					
Investment Fund	45,000	65,000	279,000	259,888	648,888
FRAM-ED	0	0	15,000	351,150	366,150
	<u>45,000</u>	<u>65,000</u>	<u>294,000</u>	<u>611,038</u>	<u>1,015,038</u>
Allowance Percentage	<u>9</u>				

	2022	2022	2022	2022	2022
Investment Fund	\$7,914,577	\$351,350	\$676,965	\$394,474	\$9,337,366
FRAM-ED	267,196	0	146,717	269,871	683,784
	<u>8,181,773</u>	<u>351,350</u>	<u>823,682</u>	<u>664,345</u>	<u>10,021,150</u>
Allowance for loan impairment					
Investment Fund	62,720	0	221,500	315,959	600,179
FRAM-ED	0	0	15,000	366,150	381,150
	<u>62,720</u>	<u>0</u>	<u>236,500</u>	<u>682,109</u>	<u>981,329</u>
Allowance Percentage	<u>10</u>				

CBDC Cabot**Schedule 2 - Number of Loans Approved/Under Management****March 31, 2023**

<u>Investment fund</u>	<u>#</u>	<u>2023</u>	<u>#</u>	<u>2022</u>
Total number of investment loans approved	21	\$ 1,717,000	20	\$ 1,038,624
Total number of investment loans under management	140	\$ 7,370,435	140	\$ 7,673,962

Total Number of Investment Loans Approved:

The total number of Investment Fund loans (term and equity) approved between April 1 and March 31.

Newfoundland and Labrador: include FRAM-ED.

If a loan was approved and paid off within the period of April 1 to March 31, it is included in the total as it is based on the activity for the year.

If a new loan is approved for a new business activity and results in refinancing an existing CBDC loan, it is considered a new loan and can be counted as part of the CFoT model.

If a CBDC refinances a loan for the sole purpose of restructuring of an existing CBDC loan with no new loan advance to the client, it is not considered a new loan and cannot be counted as part of the CFoT model.

If a new loan is approved for the sole purpose of paying out another lender, the loan is not considered a new loan and cannot be counted as part of the CFoT model.

Excluded for the total are:

Community Development Fund (CDF) loans

Student in Business (SIB) loans (applicable in Nova Scotia)

Kick Start loans (applicable in Newfoundland and Labrador only).

Total Number of Active Investment Loans under Management:

In line with the definition above, the number of active loans (term and equity) managed by the CBDC portfolio as of March 31.

Newfoundland and Labrador: include FRAM-ED.

For use in the CFoT model, a loan is considered "active" when it meets the following criteria:

- A regular payment has been received (not NSF) within the fiscal year
- If the terms of the loan do not call for a regular payment within the fiscal year.

Excluded from the total are:

- Community Development Fund (CDF) loans
- Student in Business (SIB) loans (applicable in Nova Scotia)
- Kick Start loans (applicable in Newfoundland and Labrador only)
- Loans that were recommended for write-off or written off within the fiscal year
- Loans paid off prior to March 31

Cabot Community Business Development Corporation
Schedule 3 - Core Vs. Non-Core
March 31, 2023

	Core Operating Fund	SEA	Youth Ventures	Total
Revenue				
ACOA Contribution - Community Futures	231,350	-	-	231,350
Other Contributions - Youth Ventures	-	-	17,000	17,000
Other Government revenue - SEA	-	95,188	-	95,188
Insurance and admin fees	32,495	-	-	32,495
TOTAL	263,845	95,188	17,000	376,033
Expenses				
Advertising	2,410	360	2,476	5,246
Amortization	4,447	-	-	4,447
Cleaning	2,580	645	-	3,225
Courses & Training	17,474	-	-	17,474
Dues and Associations	2,149	285	-	2,434
Insurance	2,177	505	-	2,682
Interest and bank charges	1,387	413	-	1,800
Office supplies and expenses	7,390	953	1,918	10,261
Professional and consulting fees	9,236	-	-	9,236
Rent	31,098	7,284	-	38,382
Salaries and employee benefits	297,769	83,386	10,032	391,187
Telephone	7,846	848	-	8,694
Travel	8,683	-	574	9,257
Utilities	1,819	509	-	2,328
Youth Ventures program contribution	-	-	2,000	2,000
TOTAL	396,465	95,188	17,000	508,653
Excess deficiency of revenues over expenses	<u>(132,620)</u>	<u>-</u>	<u>-</u>	<u>(132,620)</u>