ANNUAL REPORT

2017-2018

Investing in the
Entrepreneurial Spirit

Corporation au bénéfice du développement communautaire
Community Business Development Corporation

CBDC **Kent**

CBDC Kent

credit: Denise Daigle

Among our accomplishments for 2017-2018, CBDC Kent granted funding to 62 business people, for a total of $3,079,171 in the Kent county region and the Rogersville civil parish. These investments helped create 98 jobs and maintain 156 jobs in the region.

The fishing sector is the business sector where the corporation invested the most, with $951,101, followed by the wholesale and retail sectors ($496,720), manufacturing sector ($549,000) and services sector ($224,250).

A total of 41 participants were approved for the Self-Employment Benefit (SEB) program. This program assisted in the start-up of 41 new businesses and the creation of 78 full-time and part-time jobs.

Over the last year, we also focused on training for entrepreneurs. As for training provided as part of the Atlantic Association of CBDCs' Entrepreneurial Fund, 17 clients benefited from it, for a total of $18,697. Furthermore, 6 participants benefited from the Consulting Advisory Services program, for an investment of $38,905. These different trainings assisted business people in becoming more efficient in their respective fields.

Since 2012, the loan portfolio has seen an annual growth. The Board of Directors is pleased to announce that the corporation has a portfolio of over $10 million.

Corporation au bénéfice du développement communautaire
Community Business Development Corporation
Kent

Twelve (12) seminars for the year 2017-2018

In addition to the general services and programs presented below, CBDC Kent offers **Business Development Seminars** to individuals considering starting their own business.

The topics covered include: financing, marketing, cash flow and accounting. A total of 29 individuals benefited from this program.

Investments in the region

Requests processed

Applications received	85
Applications approved	73
Amounts invested	$3,079,171

Number of business counselling sessions

Number of clients	292

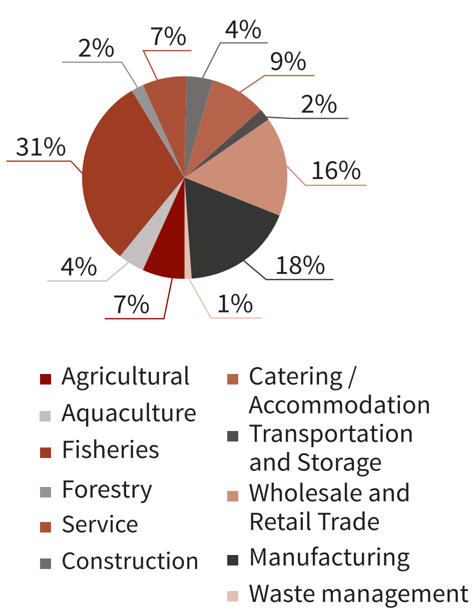
Impact on businesses

New businesses	28
Existing businesses	30
Total	**58**

Impact on employment

Jobs created	86
Jobs maintained	174
Total	**260**

Loans by Sector



Training sessions

Number of sessions	17
Number of clients	16
Amounts granted	$18,697

Self-Employment Benefit

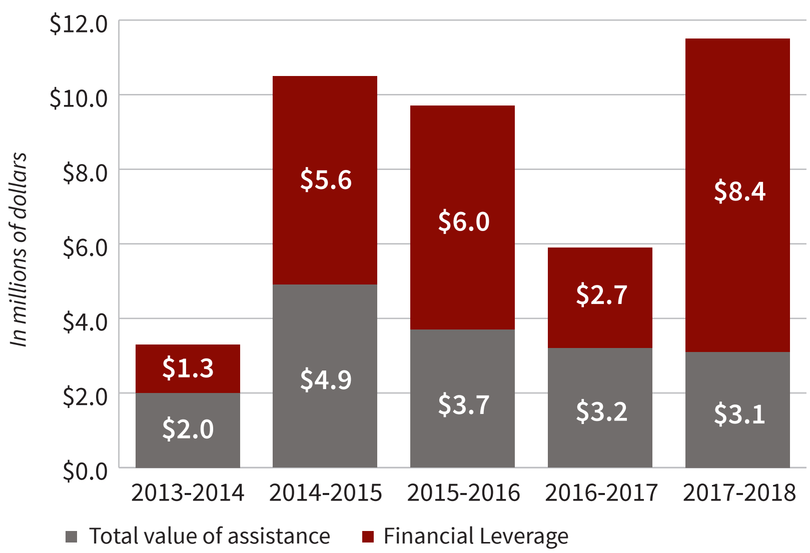
Applications approved	41
Value of assistance	$717,500

Consulting Advisory Services

Number of clients	6
Amounts granted	$38,905

Building strong entrepreneurial leverage in the Kent region

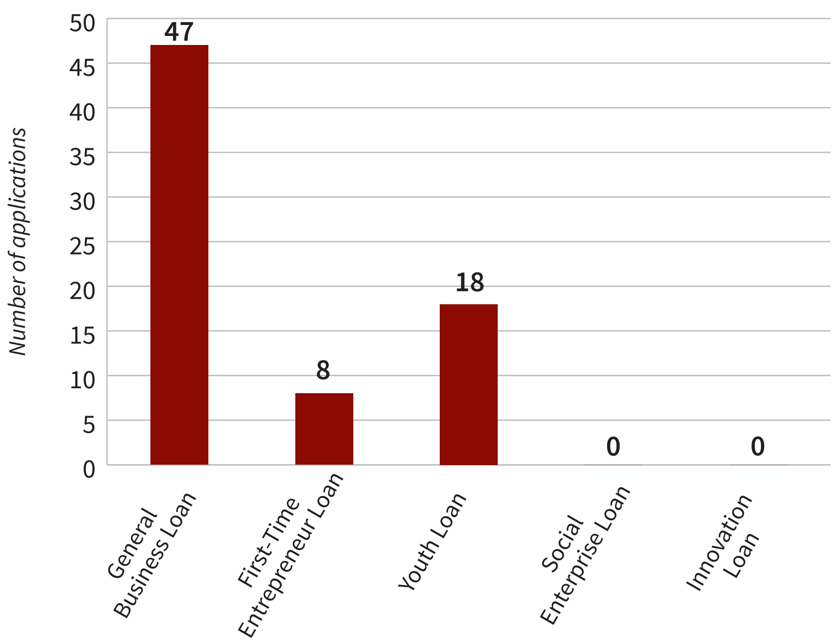
The total value of assistance from the CBDC and financial leverage over the past five years



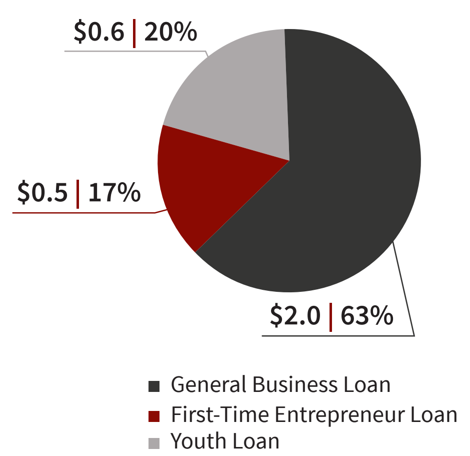
While the amounts disbursed to businesses are comparable to the previous year, a **211%** increase in leverage was recorded.

Since its inception in 1981, CBDC Kent injected over **46 million dollars** in the community.

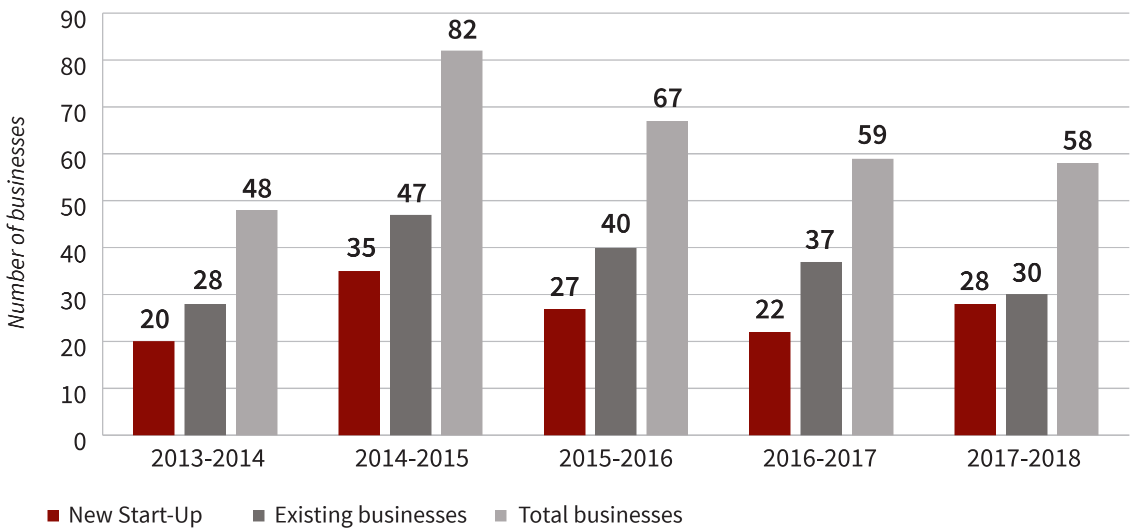
Number of applications approved for each CBDC loan product



Breakdown of amounts disbursed per loan product
(in millions of dollars)



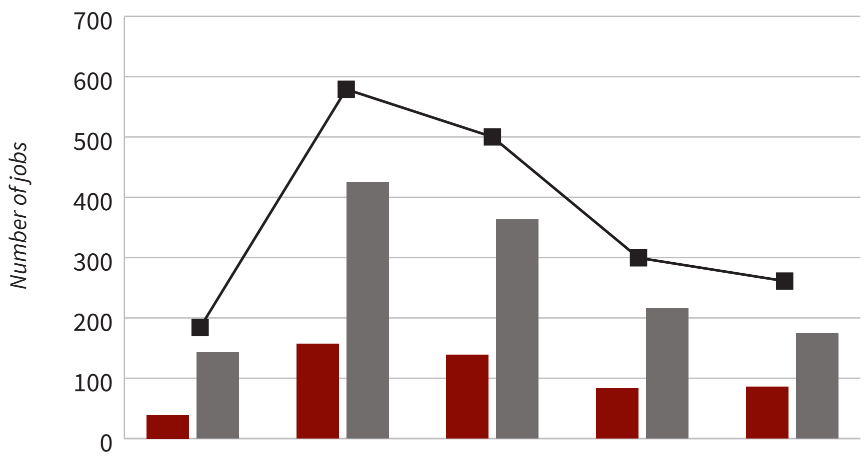
The number of businesses who received financial assistance over the past five years



While the total number of businesses that received financial assistance is comparable to the previous year, the number of new businesses that benefited from it increased by **27.3%**.

While the jobs created and maintained decreased for a second consecutive year, we suggest that this result is cyclical; account must be taken of a **$10 million portfolio** that contributes to the long-term employability in the region.

Jobs created and maintained in the community over the last five years



	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Jobs created	39	157	139	83	86
Jobs maintained	143	425	363	216	174
Total	**182**	**582**	**502**	**299**	**260**

A variety of products and services for the success of our entrepreneurs

Community Business Development Corporation
Corporation au bénéfice du développement communautaire

Business Management Skills Training

Tailored skills training in special areas such as market development, bookkeeping, feasibility studies, funding sources and business analysis.

Consulting Advisory Services

Assistance provided through an external counselling agent in various fields of expertise to improve business performance. A certain financial contribution is requested from client.

Business Counselling

Business counselling in the form of advice to new and established entrepreneurs.

Self-Employment Benefit Program

Allows participants to continue to receive their Employment Insurance Benefits while they are getting their business up and running. Also offers a weekly allowance for the business start-up if the person has received Employment Insurance Benefits over the past few years (according to the existing policy).

Clean Technology Initiative

Loan or advisory services ideas for a clean technology process, and products or services that reduce negative environmental impacts.

General Business Loan

Business is booming and you need funding for an expansion of your existing premises or have to construct a new building. Perhaps it's time to purchase new equipment and additional materials in order to fulfill increased customer demand for your product. This more flexible loan can even facilitate the acquisition of an existing business.

First-Time Entrepreneur Loan

Offers counselling services for individuals who wish to become a self-sufficient and profitable business owner. This is the perfect loan to put your plans into action.

Youth Loan

Provides start-up capital for youth between the ages of 18 to 34 who experience difficulty obtaining necessary financing.

Social Enterprise Loan

Tailored to social enterprises operating in rural communities where people are able to live, work and enjoy social activities in their region.

Innovation Loan

Helps promote the development of the knowledgebase economy and aids in the adoption or commercialization of new technologies.

Contact Us

For more information on the programs offered by your CBDC, contact us or visit the following link:

(506) 743-2422

www.cbdckent.ca

Atlantic Association of CBDCs / NB CBDC

CBDCAtlantic / NB CBDC

190 Irving Blvd., Bouctouche, NB E4S 3L7

CBDC KENT

ANNUAL FINANCIAL REPORT

Year ended March 31, 2018

Building a better working world

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Year ended March 31, 2018

Building a better working world

INDEPENDENT AUDITORS' REPORT

To the Directors of CBDC Kent

We have audited the accompanying financial statements of CBDC Kent, which comprise the statement of financial position as at March 31, 2018 and the statement of operations and changes in fund balances and the statement of cash flows for the year then ended, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 purpose 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

CBDC Kent initially records its long-term debt, which bears interest at a non-market rate, at the amount of cash consideration received. Canadian accounting standards for not-for-profit organizations require that long-term debt with a non-market rate of interest be initially measured at fair value on the statement of financial position. The effects of this departure from Canadian accounting standards for not-for-profit organizations have not been determined.

Furthermore, CBDC Kent has loans receivable on the statement of financial position. Canadian accounting standards for not-for-profit organizations require disclosure of maturity dates of accounts maturing beyond one year. CBDC Kent has not provided this disclosure. Further, Canadian accounting standards for not-for-profit organizations require that assets ordinarily realizable within one year from the date of the statement of financial position be classified as current assets on the statement of financial position. CBDC Kent has not classified the current portion of its loans receivable as at March 31, 2018 in current assets on the statement of financial position. The effects of these departures from Canadian accounting standards for not-for-profit organizations have not been determined.

A member firm of Ernst & Young Global Limited

Qualified opinion

In our opinion, except for the effects of the matters described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of CBDC Kent as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the Canada Corporations Act, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceeding year.

Ernst & Young LLP

Dieppe, Canada
May 22, 2018

Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION
March 31,

	Operating Fund	Investment Fund	2018 Total	2017 Total
ASSETS				
CURRENT ASSETS				
Cash (note 3)	$ 13,155	$ 483,489	$ 496,644	$ 336,619
Accounts receivable (note 4)	84,571	175,094	259,665	323,885
Prepaid expenses	11,303	-	11,303	11,044
	109,029	658,583	767,612	671,548
INVESTMENTS				
Loans (note 5)	-	9,954,692	9,954,692	10,136,987
Note - ACCBIF (note 6)	-	37,500	37,500	37,500
CAPITAL ASSETS (note 7)	220,671	-	220,671	234,566
TOTAL ASSETS	$ 329,700	$ 10,650,775	$ 10,980,475	$ 11,080,601
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	$ 23,851	$ -	$ 23,851	$ 24,927
Bank loans (note 8)	53,886	-	53,886	24,369
Accounts payable				
Trade	3,750	-	3,750	3,000
Accrued retirement allowance	69,969	-	69,969	62,768
Accrued interest and other	-	5,952	5,952	5,916
Deferred revenue	-	-	-	24,593
Current portion of long-term debt - ACCBIF (note 9)	-	541,654	541,654	534,694
	151,456	547,606	699,062	680,267
LONG-TERM DEBT - ACCBIF (note 9)	-	3,352,221	3,352,221	3,892,490
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (note 10)	-	-	-	277
TOTAL LIABILITIES	151,456	3,899,827	4,051,283	4,573,034
FUND BALANCES				
Invested in capital assets	220,671	-	220,671	234,289
Externally restricted (note 11)	-	5,736,980	5,736,980	5,249,006
Contributed surplus	-	1,013,968	1,013,968	1,013,968
Unrestricted fund balance	(42,427)	-	(42,427)	10,304
FUND BALANCES	178,244	6,750,948	6,929,192	6,507,567
	$ 329,700	$ 10,650,775	$ 10,980,475	$ 11,080,601

COMMITMENTS (note 12)

The accompanying notes are an integral part of the financial statements

ON BEHALF OF THE BOARD

...., Director ...., Director

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

For the year ended March 31,	Operating Fund	Investment Fund	2018 Total	2017 Total
REVENUES				
ACOA - Community Futures	$ 353,113	$ -	$ 353,113	$ 352,663
Project LEAN	32,295	-	32,295	159,500
Investment income - loan portfolio	-	762,323	762,323	748,920
Investment income - other interest	46	2,424	2,470	73
Province of New Brunswick Department of Post-secondary Education, Training and Labour - Self Employment Benefits	116,776	-	116,776	98,320
Administration fees	1,490	-	1,490	1,490
Service Canada - Youth Intern Program	3,510	-	3,510	3,565
Miscellaneous (note 13)	105,975	23,443	129,418	83,360
TOTAL REVENUES	613,205	788,190	1,401,395	1,447,891
EXPENSES				
Advertising	11,248	-	11,248	14,240
Amortization	13,618	-	13,618	14,913
Bank charges	1,959	1,631	3,590	3,931
Credit bureau reports	2,176	-	2,176	1,564
Equipment rental	9,929	-	9,929	5,032
HST provision	45,171	2,966	48,137	-
Insurance	29,642	-	29,642	26,267
Interest expense - ACCBIF	-	66,559	66,559	65,984
Loan loss provision	-	188,921	188,921	181,697
Miscellaneous	32,239	5,942	38,181	31,965
Office supplies	5,113	-	5,113	3,396
Professional fees - audit & accounting	15,263	973	16,236	17,222
Professional fees - legal	-	3,224	3,224	6,187
Project LEAN	31,486	-	31,486	134,237
Property taxes and utilities	21,602	-	21,602	19,592
Repairs and maintenance	16,682	-	16,682	19,634
Salaries and employee benefits	354,873	-	354,873	368,781
Pension plan contributions (defined contributions)	15,011	-	15,011	15,672
Telecommunications and postage	12,448	-	12,448	11,876
Training	58,496	-	58,496	52,662
Training - Self Employment Benefits	7,217	-	7,217	14,867
Travel	25,381	-	25,381	21,279
TOTAL EXPENSES	709,554	270,216	979,770	1,030,998
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	(96,349)	517,974	421,625	416,893
INTERFUND TRANSFER (note 14)	30,000	(30,000)	-	-
FUND BALANCES, BEGINNING OF YEAR	244,593	6,262,974	6,507,567	6,090,674
FUND BALANCES, END OF YEAR	$ 178,244	$ 6,750,948	$ 6,929,192	$ 6,507,567

The accompanying notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS
For the year ended March 31,

		Operating Fund		Investment Fund		2018 Total		2017 Total
OPERATING ACTIVITIES								
Excess of revenues over expenses (expenses over revenues)	$	(96,349)	$	517,974	$	421,625	$	416,893
Items not affecting cash :								
Amortization		13,618		-		13,618		14,913
Loan loss provision		-		188,921		188,921		181,697
HST provision		45,171		2,966		48,137		-
Changes in non-cash working capital :								
Accounts receivable		(5,867)		21,950		16,083		(53,005)
Accounts payable		7,951		36		7,987		7,773
Deferred revenue		(24,593)		-		(24,593)		(160,409)
Prepaid expenses		(259)		-		(259)		(643)
		(60,328)		731,847		671,519		407,219
INVESTING ACTIVITIES								
Purchase of capital assets		-		-		-		(10,663)
Loans to clients		-		(3,079,171)		(3,079,171)		(3,237,814)
Repayments from clients		-		3,067,290		3,067,290		2,481,395
Recovery of loans written off in previous periods		-		5,255		5,255		36,616
		-		(6,626)		(6,626)		(730,466)
FINANCING ACTIVITIES								
Changes in bank loans		29,517		-		29,517		14,463
Proceeds of long-term debt - ACCBIF		-		-		-		850,000
Repayment of long-term debt - ACCBIF		-		(533,309)		(533,309)		(534,340)
Interfund transfer		30,000		(30,000)		-		-
		59,517		(563,309)		(503,792)		330,123
CASH AND CASH EQUIVALENTS INCREASE (DECREASE)		(811)		161,912		161,101		6,876
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), BEGINNING OF YEAR		(9,885)		321,577		311,692		304,816
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), END OF YEAR	$	(10,696)	$	483,489	$	472,793	$	311,692

ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS (note 16)

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS
March 31, 2018

1. PURPOSE OF THE ORGANIZATION

The mission statement of CBDC Kent (the organization) is to create sustainable employment through promoting business development in our communities by providing capital and mentoring assistance.

The organization is a community-based and community-controlled corporation with a mandate to provide lending and other investments to small businesses in Kent County and the civil parish of Rogersville who have difficulty obtaining financing from traditional sources. The organization is incorporated under the Canada Corporations 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Part III of the Chartered Professional Accountants of Canada (CPA Canada) Accounting Handbook - Accounting Standards for Not-for-Profit Organizations, which sets out generally accepted accounting principles (GAAP) for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

Use of estimates

The presentation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of management's estimates include the allowance for doubtful loans. Actual results could differ from those estimates.

Fund accounting

The Operating Fund reports 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 the organization.

The Investment Fund reports all of the restricted activities of the organization's loan programs. The externally restricted fund balance is further described in note 11.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The organization follows the restricted fund method of accounting for contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the Operating Fund when initially received. Externally restricted contributions are recorded in the Investment Fund when initially received. Externally restricted contributions for which no corresponding fund exists are recorded as revenue in the Operating Fund in the year in which the related expenses are incurred.

Investment and other income is recorded on an accrual basis in the appropriate fund.

Financial instruments

With the exception of the long-term debt, financial instruments are initially recorded at fair value and subsequently at amortized cost. The long-term debt is initially recorded at the amount of cash consideration and subsequently at amortized cost.

Cash and cash equivalents

The organization's cash and cash equivalents include cash and the bank overdraft representing outstanding cheques.

Loans

Loans are recorded at their principal amount, net of anticipated losses. A loan is classified as doubtful when management has determined that there is a reasonable doubt as to the ultimate collectability of principal or interest. The allowance for doubtful loans is established on a loan-by-loan basis for specifically identified probable losses on loans receivable. In addition, a general allowance is provided against unidentified future losses. The general allowance rate is based on the historic losses of the porfolio.

The organization evaluates each borrower's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, by the organization upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

There is no further accrual of interest on loans when there is a doubt by management regarding the collectability of principal or interest. At that time, the reversal of any accrued and unpaid interest is reported as a reduction of current year's earnings. Subsequent collection of amounts due are reported as interest income only when management determines the collectibility of the loan is no longer in doubt.

Seed loans are those that were disbursed under ACOA's Seed Capital Program. Investment loans represent all other loans disbursed by the Investment Fund.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are accounted for at cost.

Amortization is based on their estimated useful life using the diminishing balance method at the following rates :

Land improvements	8%
Building	4%
Equipment	20%
Sign	20%
Computer equipment	30%

Impairment

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Recognition of deferred contributions related to capital assets

The funding provided by ACOA for the purchase of new equipment is being recorded as revenue at the same rates as the related capital assets.

3. CASH

	2018	2017
Operating Fund		
Petty cash	$ **200**	$ 200
Bank - Social fund	**3,228**	1,738
Bank - Contingencies	**5,831**	5,784
Bank - ACOA	**3,896**	7,320
	13,155	15,042
Investment Fund		
Petty cash	**100**	100
Bank - Investment	**483,289**	321,377
Bank - ACCBIF	**100**	100
	483,489	321,577
	$ **496,644**	$ 336,619

4. ACCOUNTS RECEIVABLE

	Operating Fund	Investment Fund	2018 Total	2017 Total
ACOA	$ **35,311**	$ **-**	$ **35,311**	$ 40,677
Sales tax receivable	**35,701**	**2,162**	**37,863**	75,327
Other	**13,559**	**17**	**13,576**	12,763
Loan interest receivable	**-**	**172,915**	**172,915**	195,118
	$ **84,571**	$ **175,094**	$ **259,665**	$ 323,885

5. LOANS

	2018			2017
	Investment	**Seed**	**Total**	Total
Loans to businesses	**$ 10,543,645**	**$ 27,005**	**$ 10,570,650**	$ 10,739,084
Less: allowances for doubtful loans	**(607,863)**	**(8,095)**	**(615,958)**	(602,097)
	$ 9,935,782	**$ 18,910**	**$ 9,954,692**	$ 10,136,987

The loans receivable balance is comprised of :

	2018			2017
	Investment	**Seed**	**Total**	Total
Gross balance, beginning of year	**$ 10,689,125**	**$ 49,959**	**$ 10,739,084**	$ 10,081,376
Loans advanced during the year	**3,079,171**	**-**	**3,079,171**	3,237,814
Loans repaid during the year	**(3,044,336)**	**(22,954)**	**(3,067,290)**	(2,481,395)
Loans written off during the year	**(180,315)**	**-**	**(180,315)**	(98,711)
Gross balance, end of year	**10,543,645**	**27,005**	**10,570,650**	10,739,084
Allowances for doubtful loans	**(607,863)**	**(8,095)**	**(615,958)**	(602,097)
Net balance, end of year	**$ 9,935,782**	**$ 18,910**	**$ 9,954,692**	$ 10,136,987

A total of 73 new loans representing $4,009,020 were approved during the year ended March 31, 2018, at which time 255 loans were being managed by the organization.

5. **LOANS** (continued)

The change in the allowances for doubtful loans is as follows :

	2018			2017
	Investment	**Seed**	**Total**	Total
Balance, beginning of year	$ **591,691**	$ **10,406**	$ **602,097**	$ 482,495
Loans written off during the year	**(180,315)**	**-**	**(180,315)**	(98,711)
Recovery of loans written off in previous periods	**3,440**	**1,815**	**5,255**	36,616
Current year's loan loss provision	**193,047**	**(4,126)**	**188,921**	181,697
Balance, end of year	$ **607,863**	$ **8,095**	$ **615,958**	$ 602,097

The allowances for doubtful loans include the following :

	2018			2017
	Investment	**Seed**	**Total**	Total
Specific allowances	$ **319,475**	$ **7,510**	$ **326,985**	$ 307,494
General allowance	**288,388**	**585**	**288,973**	294,603
	$ **607,863**	$ **8,095**	$ **615,958**	$ 602,097

Doubtful loans represented $1,881,394 at March 31, 2018 (2017 - $1,610,116).

6. NOTE - ACCBIF

Promissory note, without interest and without maturity, from the Atlantic Community Business Investment Fund (ACCBIF). Refer to note 9 for more details.

7. CAPITAL ASSETS

	2018			2017
	Cost	**Accumulated amortization**	**Net value**	Net value
Land	**$ 7,931**	**$ -**	**$ 7,931**	$ 7,931
Land improvements	**22,443**	**16,968**	**5,475**	5,952
Building	**338,420**	**151,583**	**186,837**	194,622
Equipment	**103,921**	**86,459**	**17,462**	21,827
Sign	**650**	**632**	**18**	23
Computer equipment	**101,064**	**98,116**	**2,948**	4,211
	$ 574,429	**$ 353,758**	**$ 220,671**	$ 234,566

8. BANK LOANS

The organization has an authorized line of credit of $200,000 for the Investment Fund, bearing interest at the prime rate plus 1%, payable monthly and renewable annually. This line of credit is secured by a general assignment of book debts for $200,000.

A line of credit of $66,000 is also authorized for the Operating Fund. It bears interest at the prime rate plus 1%, is payable monthly and is renewable annually. It is also secured by a general assignment of book debts.

9. LONG-TERM DEBT - ACCBIF

The ACCBIF lends money to CBDCs' Investment Funds throughout Atlantic Canada. To be a member, a CBDC must lend $37,500 to the ACCBIF (note 6). The loan from the ACCBIF carries an interest charge which is set every two years by the ACCBIF Board of Governance. At the last meeting, the rate was set at 1.6%. The loan is repayable in equal monthly instalments of principal and interest of $50,000 until January 2025 with a final payment of $14,311 in February 2025. The loan is guaranteed by a general security agreement and a promissory note.

	2018	2017
Balance of the loan	**$ 3,893,875**	$ 4,427,184
Current portion	**541,654**	534,694
	$ 3,352,221	$ 3,892,490

Future required principal repayments for the next five years are expected to be as follows :

2019 - $541,654
2020 - $550,384
2021 - $559,255
2022 - $568,269
2023 - $577,428

10. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

This account represents the unamortized portion of ACOA contributions towards the purchase of equipment, as follows :

		2018		2017
Balance, beginning of year	$	**277**	$	396
Amount amortized to income during the year		**277**		119
Balance, end of year	$	**-**	$	277

11. EXTERNALLY RESTRICTED FUNDS

Funds advanced to the organization in respect of its Operating Fund and the organization's Investment Fund capitalization costs shall be deposited and maintained in two separate accounts.

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 the ACCBIF.

Notwithstanding the previous paragraph, funds credited to the Investment Fund account may be transferred to the Operating Fund where the following conditions are met:

- the organization's annual budget submitted with the business plan projects a deficit and is accepted by ACOA;
- the deficit was in fact incurred as projected; and
- the organization provides to ACOA written confirmation of the transfer of the funds from the Investment Fund account to the Operating Fund account within 90 days of the end of each fiscal year.

12. COMMITMENTS

The organization has lease commitments until September 2022 for the rental of equipment. The balance of the commitments under these leases is $12,662. Minimum payments payable over the next five years are as follows :

2019 - $3,392
2020 - $3,392
2021 - $2,663
2022 - $2,143
2023 - $1,072

13. MISCELLANEOUS REVENUES

Miscellaneous revenues include various revenues arising from rental, training and coaching activities as well as various administrative revenues.

14. INTERFUND TRANSFER

A transfer of $30,000 (2017 - $33,479) was made from the Investment Fund to alleviate a cash shortfall in the Operating Fund. This transfer was approved by ACOA.

15. ECONOMIC DEPENDENCE

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

16. ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS

Cash and cash equivalents consist of the following items :

	2018			2017
	Operating Fund	**Investment Fund**	**Total**	Total
Cash	**$ 13,155**	**$ 483,489**	**$ 496,644**	$ 336,619
Bank overdraft	**(23,851)**	**-**	**(23,851)**	(24,927)
	$ (10,696)	**$ 483,489**	**$ 472,793**	$ 311,692

17. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, accounts receivable, investments, bank overdraft, bank loans, accounts payable and long-term debt - ACCBIF. Except as noted below, it is management's opinion that the organization is not exposed to any significant risks arising from financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Financial instruments that expose the organization to credit risk consist mainly of loans and interest receivable. Management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions. Although the organization's loan portfolio is diversified, a substantial portion of its borrowers' ability to honour the terms of their loans is dependent on business and economic conditions in New Brunswick. The organization is also exposed to credit risk with respect to credit commitments, which are disclosed below.

17. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The organization is exposed to interest rate risk with respect to its loans receivable and its long-term debt - ACCBIF because they bear interest at fixed rates of interest. It is also exposed to interest rate risk with respect to its bank loans because cash flows will fluctuate with the variable interest rate.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities.

The organization is exposed to liquidity risk with respect to its bank loans and its long-term debt - ACCBIF and when it has credit commitments. Credit commitments represent loans that the organization has approved but has not yet disbursed; these commitments amount to $833,475 at March 31, 2018 (2017 - $395,594).