NORTHERN OPPORTUNITIES

FOR BUSINESS LIMITED

CBDC-NOBL

Annual Report

March 31, 2013

Annual Report

Officers and Directors as at March 31, 2013

Chair.. Blanchard Atkinson

Vice-Chairs, Antigonish............................. Don Macdonald
Colchester............................. Flora Riyahi
Pictou.................................... Carl McCunn
Secretary... Don Macdonald
Treasurer... Carl McCunn
Other Directors Carl Chisholm
Jeanette Hermanson
Brian Jackman, Antigonish Chair
Lana MacDonald
Kaye MacPherson

Staff
Executive Director...Ron O'Brien
Administrator ....Cathy Curtis
SEB Coordinator and Business Analyst ....Shannon Bouchie
Business Analyst...Brian Patton
Business Analyst...Neil Pardy

Auditor
Kevin MacDonald and Associates Inc, CA

Solicitors
MacIntosh MacDonnell & MacDonald

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Executive Director and Chair Report

Operations

With the decreased operational funding coming from ACOA, we have entered a new era of operational deficits. This year we sustained what is likely to be the first of a long line of operational deficits, with this one being $25,153. That brings our corporation to date surplus down to $168,516. That amount is likely to be used up completely over the next few fiscal years as our operational support dwindles through the Community Futures of Tomorrow (CFoT) funding formula. It is important to note that funding from ACOA is based on performance and should not be viewed as operational funding only. Under the new funding model which started in 2011, we have a Risk Mitigation Fund (RMF) which supports a portion of some of the write-offs we incur. The net impact of all these changes on the Corporation could be quite positive. As of March 31, we have $1.86 million in RMF approvals.

Our Corporation maintains a high credibility and has a strong and positive reputation in the economic development community as well as the general communities in which we live.

Only one of our Investment Committees' memberships has changed in the past year. We said good-bye to Gert Ryan of our Colchester Committee after she had spent many long years in our service. When NOBL expanded to Colchester County in 1996, she was part of the Colchester Micro Enterprise Board which took on the responsibilities of our Investment Committee. In January, we welcomed to our Colchester team Carol Taggart, who has many year experience in business ownership and management, and Brennan Gillis, who has worked with CBDCs both as a Business Analyst and as the Executive Director of the Nova Scotia Association of CBDCs. We are greatly pleased to have their input to our decision-making.

At the Board level, we said good-bye to Carl McCunn who has, in various ways, been supportive of the Corporation since we opened in 1986. He had completed over ten years of service on the Board and a few extra at the Pictou Investment Committee level. His departure from the Board is in line with our new governance principles which require a means of gaining fresh perspectives at the Board level. No member can now sit for more than nine years in succession. Replacing him, effective April 1, 2013, is Jane Mullally whose accounting practice, like Carl's, has made her a significant player for NOBL. She is a past President of NOBL, having served for two years at the beginning of the millennium. She also shares the Chairing of the Pictou Investment Committee with Arlene MacGregor. In keeping with the smooth transition to the new governance principles, there will be three more changes at the Board level before March 31, 2014.

Our volunteers remain highly devoted to our cause as we work them harder than any other CBDC. During the last year we had 48 meetings (12 Board, 10 Investment Committee meetings in Antigonish, 11 in Colchester, and 15 in Pictou County) requiring their input. On top of that, we frequently call upon our volunteers (including former members) to provide us with technical input, or comment on various industries or businesses to help Staff with our work with and for clients.

Blanchard Atkinson continues to be an exceptional leader for NOBL. As if his dual roles as Chair of the NOBL Board and Chair of the Colchester Investment Committee didn't keep him busy enough, he also serves on the Nova Scotia Association of CBDCs Board and one of their sub-committees. He commands well-earned respect throughout the CBDC network.

In fiscal year 2012/13, our operating revenues, at $574,564, were almost $20,000 less than last year. This largely came from our SEB contract (down almost $34,000), SiB admin fees (down $37,500), offset by increases in NSACBDC contributions (up $46,000 - $18,000 through Consultant Advisory Services and $28,000 for client diagnostic training, both of which were mostly in and out), and Department of Labour cluster training programs (up $39,000, also mostly in and out). Other decreases were noted in life insurance premium commissions, Tech Fund interest, and sundry items.

Our expenses for the 2012/13 fiscal year were $30,000 more than in the previous year due in large part to the new expense items (Department of Labour and CAS as noted above) which added $59,000 to our expense side. As well, Salaries were up $7,400. Most other expenses were either very similar to or lower than last year.

On the Investing side, our revenues (interest) were up marginally ($9,000) while our expenses were down dramatically (Loan loss provision down by $256,000, while cost of borrowing was down $10,500). The net effect of all financial results was an increase in corporate value of over $0.5 million.

During the year we had some problems with our delivery of the SEB Program in Pictou County. With careful work with Employment Nova Scotia and a strong effort from Shannon Bouchie and Brian Patton, we were able to right the ship and sign a contract for an additional 14 months.

Investment Activity

Our investment activity sagged again this year. Where we had been annually averaging in excess of 110 businesses supported in the past, we were able to only provide financial assistance to 81 this year. Total dollars disbursed, at $2.75 million, were below our last eight years' average of $2.9 million. At 81, the number of clients we disbursed to is almost 10% below our three year average. We attribute this reduction to uncertainty in all three Counties, but predominantly Pictou County where activity has traditionally been the strongest. Many entrepreneurial people are packing their bags and heading for the Alberta/Saskatchewan economy where the risks for them are less, and the financial rewards more certain.

Partnerships

Last year, we were pleased to announce the forming of a new alliance with the Province of Nova Scotia, here in Pictou County. Through their Department of Labour and Advanced Education, we have acted as the focal point for a number of training series for business people. Covering 40 hours on specific business topics, our facilities have been used for as many as 12 businesses in the courses. As of this moment, plans are afoot to offer the training to the Antigonish business community, again through our offices.

During the year, the RDAs, who had been our biggest partners in economic development, were advised that ACOA would no longer be supportive of their work. The Province then commissioned a study into how best to ensure the activities of the RDAs could continue, but with fewer dollars. The recommended solution was Regional Economic Networks (RENs) which have yet to be fully established as issues such as borders and commonality of interests get worked out.

Our partnerships with ACOA, Employment Nova Scotia, and Labour and Advanced Education continue to be strong. We are members of all three Chambers (we are the sponsor for the Chamber's Ian Spencer Award of Excellence in Antigonish). We are pleased to continue to have a strong partnership with the Bergengren Credit Union.

Our partnerships with the Black Business Initiative (BBI) and the Centre for Entrepreneurship Education and Development (CEED) has developed quite well over the past year. Together with the Entrepreneurs with Disabilities Network, we have submitted a proposal to ACOA and the Province of Nova Scotia. That proposal is modelled on the Youth Succession Program proposal which NOBL authored and the NSACBDC submitted to the Province in 2005 and again in 2007. The additional parameters and details brought to the table by BBI and CEED have made the program more palatable to the senior levels of government and we are anticipating the launch of a Youth Succession Program no later than this fall, with NOBL's territory being the focal point for the pilot project.

Program Development

During the year, the Atlantic Association of CBDCs conducted a survey of its membership regarding the desire/need to expand our lending capacity. We have been limited to $150,000 per business for the past decade and many of us felt that there should be an increase to that limit so that larger businesses could make use of our services. The general consensus was that we should have a higher limit and to that end the AACBDC has applied to ACOA for an increase to $225,000. Approval of this, should it come, will be welcome news for many of our clients.

Our Future

At the Atlantic Association's AGM in May, 2012, ACOA Minister Valcourt gave a lengthy speech in which he praised CBDCs and the work we do at empowering rural Canadians. He displayed an awareness of CBDCs not found in previous Ministers. And finally, he indicated that CBDC funding is permanent.

At approximately the same time, there was a presentation from ACOA and other federally funded regional development agencies about the effectiveness of CBDCs across Canada. Using basic information (business numbers and postal codes), global information about our clients had been garnered and compared to those who are not our clients. In all areas compared (sales increases, wage increases, success rates, etc.), CBDC clients fared better than non-CBDC clients. This speaks miles to our business counselling as well as our willingness to be patient capital. We are truly a government program which works.

Northern Opportunities For Business Limited

Financial Statements

March 31, 2013

Kevin MacDonald
& Associates Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Northern Opportunities For Business Limited

We have audited the accompanying financial statements of Northern Opportunites For Business Limited, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations and changes in fund balances and statements of cash flows for the years ended March 31, 2013 and March 31, 2012, 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 generally accepted accounting principles, 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

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 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 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Basis for qualified opinion

Northern Opportunities For Business Limited 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 company 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. This basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles for not for profit organizations.

Qualified opinion

In our opinion, except for the effects of the matter described above, the financial statements present fairly, in all material respects, the financial position of Northern Opportunites For Business Limited as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

New Glasgow, Nova Scotia
June 25, 2013

Kevin MacDonald & Associates Inc.
Chartered Accountants

Kevin MacDonald
& Associates Inc.

NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2013

	Operating Fund	Restricted Funds: Investment Fund	Restricted Funds: SIB Fund	Total 2013	Total 2012
Revenues					
ACOA contribution - core funding	$ 390,000	$	$	$ **390,000**	$ 390,000
- equipment financing					475
Investment income - loan portfolio		781,930		**781,930**	772,907
SEB contributions	74,986			**74,986**	108,954
NSACBDC contributions	46,358		27,855	**74,213**	27,286
SIB fund admin fee	3,000			**3,000**	40,500
Technology fund interest	4,478			**4,478**	6,252
Sundry and fees income	6,840	5,496		**12,336**	12,377
Dept of Labour	46,087			**46,087**	7,174
Canada Life commissions	2,815			**2,815**	5,636
	574,564	787,426	27,855	**1,389,845**	1,371,560
Expenses					
Loans written off, net of recoveries		260,638		**260,638**	516,437
Change in bad debt allowance		(38,113)	(965)	**(39,078)**	(19,059)
Salaries and benefits	388,264			**388,264**	380,844
Labour, advanced education seminar	40,444			**40,444**	
Interest		40,356		**40,356**	50,843
Travel, conferences, and memberships	30,241			**30,241**	29,624
Client diagnostic training and software	27,920			**27,920**	26,728
Rent	24,141			**24,141**	25,582
Consulting and advisory services training	18,438			**18,438**	
Collection costs	12,638			**12,638**	14,376
Advertising and promotion	10,855			**10,855**	19,656
Professional fees	8,788			**8,788**	11,405
Telephone and internet	8,324			**8,324**	8,441
SEB training	6,856			**6,856**	11,448
Net HST expense	6,035			**6,035**	9,848
Repairs and maintenance	4,637			**4,637**	4,171
Supplies	2,422			**2,422**	3,021
Bank charges	2,032			**2,032**	2,388
Insurance	1,955			**1,955**	2,783
Partnership	1,695			**1,695**	2,203
Amortization	1,385			**1,385**	1,580
Postage	1,320			**1,320**	1,738
Credit checks	1,176			**1,176**	1,246
Taxes and insurance on repossessed properties	112			**112**	2,924
Training cost	39			**39**	6,117
Loss on disposal of computers					4,850
	599,717	262,881	(965)	**861,633**	1,119,193
Excess revenues (expenses)	(25,153)	524,545	28,820	**528,212**	252,367
Fund balances, beginning of year	193,669	8,152,402		**8,346,071**	8,093,704
Fund balances, end of year	$ 168,516	$ 8,676,947	$ 28,820	$ **8,874,283**	$ 8,346,071

NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2013

	Operating Fund	Restricted Funds: Investment Fund	Restricted Funds: SIB Fund	**March 31, 2013**	March 31, 2012	April 1, 2011
ASSETS						
Current assets						
Cash and equivalents	$ 186,557	$ 837,027	$ 16,840	**$ 1,040,424**	$ 620,381	$ 1,056,842
Accounts receivable						
SEB	18,109			**18,109**	14,768	19,187
NSACBDC	5,321			**5,321**	36,249	21,579
AACBDC	12,283			**12,283**	5,896	
PNS					38,696	
HST	2,539			**2,539**	307	3,383
Interfund		801		**801**	38,985	20,048
Prepaid expenses	869			**869**	33,473	28,624
	225,678	837,828	16,840	**1,080,346**	788,755	1,149,663
Capital assets (Note 5)	7,091			**7,091**	6,640	11,785
Investments						
Loan and equity investments (Note 6)		10,534,896	12,160	**10,547,056**	10,501,273	10,660,521
ACCBIF (Notes 7 and 8)		37,500		**37,500**	37,500	37,500
	$ 232,769	$ 11,410,224	$ 29,000	**$ 11,671,993**	$ 11,334,168	$ 11,859,469
LIABILITIES						
Current						
Payables						
Trade	$ 16,975	$ 2,978	$	**$ 19,953**	$ 15,171	$ 46,776
Interfund	621		180	**801**	38,985	20,048
AACBDC						26,060
ACOA						253,238
Funds held in trust		3,030		**3,030**		
Callable debt due in one year (Note 8)		863,892		**863,892**	856,942	844,613
Deferred revenue (Note 10)	46,657			**46,657**	66,216	26,843
	64,253	869,900	180	**934,333**	977,314	1,217,578
Callable debt due thereafter (Note 8)		1,863,377		**1,863,377**	2,010,784	3,261,486
	64,253	2,733,277	180	**2,797,710**	2,988,098	4,479,064
Long term loans						
AACBDC						256,150
NSACBDC						48,170
						304,320
	64,253	2,733,277	180	**2,797,710**	2,988,098	4,783,384
FUND BALANCES						
Invested in capital assets	7,091			**7,091**	6,640	11,785
Unrestricted fund balances	161,425			**161,425**	187,028	158,624
Externally restricted (Note 9)						
CEIC		1,950,000		**1,950,000**	1,950,000	1,950,000
ACOA		100,000		**100,000**	100,000	100,000
ACOA (Connexions)		1,094,373		**1,094,373**	1,094,373	1,094,373
CORDA		44,915		**44,915**	44,915	44,915
CSBLP		22,797		**22,797**	22,797	22,797
Recapitalization		1,017,619		**1,017,619**	1,017,619	
Surplus		4,447,243	28,820	**4,476,063**	3,922,698	3,693,591
	168,516	8,676,947	28,820	**8,874,283**	8,346,070	7,076,085
	$ 232,769	$ 11,410,224	$ 29,000	**$ 11,671,993**	$ 11,334,168	$ 11,859,469

ON BEHALF OF THE BOARD

_______________ Director

_______________ Director

NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2013

	Operating Fund	Restricted Funds: Investment Fund	Restricted Funds: SIB Fund	**2013 Total**	2012 Total
Cash derived from (applied to)					
Operations					
Excess of revenues over expenses	$ (25,153)	$ 524,545	$ 28,820	**$ 528,212**	$ 252,367
Amortization	1,385			**1,385**	1,580
Loss on disposal of capital assets					4,890
Loans written off, net of recoveries		260,638		**260,638**	516,437
Change in bad debt allowance		(38,113)	(965)	**(39,078)**	(19,059)
Changes in:					
Interfund balance	19,072	19,733	(38,805)		(4,635)
HST receivable	(2,232)			**(2,232)**	3,076
NSACBDC receivable	30,428		500	**30,928**	(14,670)
SEB receivable	(3,341)			**(3,341)**	4,419
Other receivables	32,309			**32,309**	(44,592)
Prepaid expenses	32,604			**32,604**	(4,849)
Payables	1,805	2,978		**4,783**	(27,011)
Net cash flows from operations	86,878	769,781	(10,450)	**846,208**	667,952
Financing					
Deferred revenue	(19,559)			**(19,559)**	39,373
ACCBIF - loans from		1,000,000		**1,000,000**	
- repayments to		(1,140,458)		**(1,140,458)**	(1,238,373)
NSACBDC - loans from					28,485
- repayments to					(48,170)
ACOA					(253,238)
Recapitalization funding					1,017,619
Net cash flows from financing	(19,559)	(140,458)		**(160,017)**	(454,304)
Investing					
Funds held in trust		3,030		**3,030**	
Purchase/disposal of capital assets	(1,837)			**(1,837)**	(1,285)
Loans to clients		(2,728,000)	(5,000)	**(2,733,000)**	(3,336,000)
Repayments from clients		2,434,263	31,395	**2,465,658**	2,687,176
Net cash flows from investing	(1,837)	(290,707)	26,395	**(266,149)**	(650,109)
Net change in cash and equivalents	65,482	338,616	15,945	**420,043**	(436,461)
Cash and equivalents, beginning of year	121,075	498,411	895	**620,381**	1,056,842
Cash and equivalents, end of year	$ 186,557	$ 837,027	$ 16,840	**$ 1,040,424**	$ 620,381

NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2013

1. Purpose of the organization

NOBL's mission statement is "To support business in our community."

NOBL is a community-based and community controlled corporation with a mandate to provide counselling, lending and other investments to small businesses in Northern Nova Scotia (Pictou, Antigonish and Colchester counties) who have had difficulty obtaining financing from conventional sources. NOBL is incorporated under the Nova Scotia Companies Act as a not-for-profit organization and as such is exempt from income tax by virtue of paragraph 149(1)(1) of the Income Tax Act.

2. First time adoption of accounting standards for not-for-profit organizations

During the year the Society adopted accounting standards for not-for-profit organizations. These financial statements are the first prepared in accordance with these standards, which have been applied retrospectively. The adoption of these standards had no impact on net assets or financial position as at April 1, 2011 or on operating surplus for the year ended March 31, 2012 as previously reported in accordance with pre-changeover accounting standards for not-for-profit organizations.

3. Departure from Accounting Standards for Not For Profit Organizations (ASNPO)

Northern Opportunites For Business Limited does not measure certain of the financial instruments consistent with the Accounting Standards for Not-for-Profit Organizations (ASNPO), and as a result, depart from the appropriate accounting standards in effect from April 1, 2011. No disclosure is included with these financial statements to describe the effect of not measuring certain of the financial instruments consistently with ASNPO.

The Atlantic Canada Opportunities Agency has confirmed, within the 2011 CF agreement to all Atlantic Community Business Development Centres (CBDC), it will accept qualified financial statements from CBDCs when not prepared in full compliance with Accounting Standards for Not-for-Profit Organizations - Financial Instruments - Recognition and Measurement.

4. Significant accounting policies

a) Fund accounting

NOBL follows the restricted fund method of accounting for contributions. The externally imposed restrictions are specifically described in Note 9.

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 ACOA, or other funding partners, and NOBL.

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

The Students in Business (SIB) fund reports all restricted resources that are to be used in the delivery of this program.

NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2013

4. Significant accounting policies (continued)

b) Capital assets

Capital assets are recorded at cost. Amortization is provided on a declining balance method, using annual rates of 20% - 30%. In the year of acquisition, net additions are amortized at one half the normal rates. Amortization expense is recorded in the Operating fund.

c) Investments

Investments are recorded at the lower of cost and market value. Provision for loan losses are reported in the applicable fund.

d) Recognition of deferred revenue

The funding provided by ACOA and Self Employment Benefit Program (SEB) for the purchase of new equipment is being recognized as revenue in the fiscal year received or receivable. In prior years, the revenue was recognized on the same basis as amortization of the equipment.

e) Revenue and expenses

Investment income is recorded on a cash basis. Expenses, as well as other revenues, are recorded on an accrual basis.

f) Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

g) Interfund balances

The interfund advances are non-interest bearing, with no set terms of repayment.

5. Capital assets

	2013			2012
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Equipment	**$ 23,064**	**$ 15,973**	**$ 7,091**	$ 6,640

6. Investments - Loans and equity investments

	2013			2012
	Investment	**SIB**	**Total**	Total
Loans to businesses	$ 11,076,595	$ 20,260	**$ 11,096,855**	$ 11,090,150
Less allowance for doubtful accounts	541,699	8,100	**549,799**	588,877
	$ 10,534,896	$ 12,160	**$ 10,547,056**	$ 10,501,273

Transactions in the loans and equity investments during the year:

	Investment Fund	SIB Fund	**Total**
Balance, beginning of year	$ 11,043,495	$ 46,655	**$ 11,090,150**
Loans advanced during the year	2,728,000	5,000	**2,733,000**
Loans repaid during the year	(2,434,263)	(31,395)	**(2,465,658)**
Recovery of loans written off during the year	103,420		**103,420**
Loans written off during the year	(364,057)		**(364,057)**
Balance before allowance for doubtful accounts	11,076,595	20,260	**11,096,855**
Less allowance for doubtful accounts	(541,699)	(8,100)	**(549,799)**
Balance, end of year	$ 10,534,896	$ 12,160	**$ 10,547,056**

Transactions in the allowance for doubtful accounts during the year:

	Investment Fund	SIB Fund	**Total**
Balance, beginning of year	$ 579,812	$ 9,065	**$ 588,877**
Current year change in bad debt allowance	(38,113)	(965)	**(39,078)**
Balance, end of year	$ 541,699	$ 8,100	**$ 549,799**

7. Investments - ACCBIF

By decision of ACOA, ACCBIF, and CBDCs on December 8, 2010, the investment in ACCBIF was agreed to be provided without a fixed date of repayment and without interest. In previous fiscal years, this investment was a promissory note from Atlantic Community Business Investment Fund (ACCBIF), without interest, due on or after the end of March of each fiscal year.

NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2013

8. Long term liability - ACCBIF

ACCBIF lends money to CBDC's Investment Funds throughout Atlantic Canada. To be a member, a CBDC must lend $37,500 to ACCBIF. The loans from ACCBIF carry an interest charge which is set every two years by the ACCBIF Board of Governance. Effective April 27, 2010, the rate was set at 1.5%. The loans from ACCBIF are repayable in equal monthly instalments of principal and interest of $75,000. NOBL has agreed to provide an assignment of loans and equity investments advanced to clients as security if requested.

	2013	2012
Loan outstanding	$ 2,727,269	$ 2,867,726
Less principal due within one year	863,892	856,942
	$ 1,863,377	$ 2,010,784

Future required principal repayments are due as follows:

2014: $863,892 2015: $872,247 2016: $885,200 2017: $105,930

9. Externally restricted funds

Investment fund

The Investment fund has externally imposed restrictions on net assets as well as the income earned from those net assets. The net assets of the Investment fund are restricted by ACOA and ACCBIF to use only for financial investment to business clients in the area served by NOBL.

In 2009, the Atlantic Association of CBDCs and ACOA agreed to examine all CBDCs from a capitalization perspective. Through consultations with all CBDCs, a new funding formula for operating contributions for all CBDCs, as well as considerations for recapitalizing some CBDCs, were agreed upon in December 2010, to take effect on April 1, 2011. resulting in a one-time contribution in the amount of $1,017,619 in fiscal period ending 2012.
Also part of the new funding formula for CBDCs was a collapsing of the Seed Capital – ConneXions Program which CBDCs had been administering for ACOA, funds being provisionally repayable. In NOBL's case, the amount transferred from provisionally repayable to Externally Restricted was $1,094,373.

All investment income earned by the organization from net assets of the Investment fund must be reinvested in the fund, and cannot be used to cover administrative expenses of the organization unless authorized in writing by ACOA.

Formed under the Canada Employment and Immigration Commission in 1986, NOBL received $1.95 million for investing over the nine years they supported the Program. In 1995, ACOA took over the Program and NOBL received an additional $100,000 before ACOA decided that CBDCs had enough money collectively and needed to find a way to pool their resources. This resulted in the Community Futures of Tomorrow model which was put in place in 2011 and NOBL received $1,017,619 in recapitalization funds as well as the $1,094,373 from the retirement of the Seed Capital - ConneXions Program. In 2001, NOBL participated in a provincial program which resulted in $22,797 received for lending to Community Services clients. In 2006/07, Colchester RDA retired its small business loans program, giving NOBL the remainder of the funds therein.

The surplus represents the accumulation of revenues over expenses within the Investment Fund.

NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2013

9. Externally restricted funds (continued)

Students in Business (SIB) fund

The SIB fund has externally imposed restrictions on net assets (there is no income earned on the assets as they are provided to clients interest free). The net assets of the SIB fund are restricted by ACOA and NSACBDC to use for helping students ages 15 to 34 find entrepreneurial alternatives for income. As of November 2008, costs incurred for administering the fund is provided by NSACBDC and recognized directly in the Operating fund. In prior years, a fee per loan written was recognized as revenue and expense before recognition in the Operating fund.

10. Deferred revenue

	NSACBDC diagnostic training 10/11	Nova Scotia Department of Labour	NSACBDC CAS Program	**Total 2013**	Total 2012
Balance, beginning of year	$ 66,216	$	$	**$ 66,216**	$ 26,843
Additions during year		55,944	38,931	**94,875**	68,731
Realized during year	(66,216)	(29,780)	(18,438)	**(114,434)**	(29,358)
Balance, end of year	$	$ 26,164	$ 20,493	**$ 46,657**	$ 66,216

11. Economic dependence

NOBL receives an annual operating contribution from ACOA to cover a portion of the operating expenses of the Operating fund and an administration fee for the Connexions fund. The continued operation of the organization currently depends on the receipt of the annual operating contribution.

12. Financial Instruments

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2013.

Credit risk
Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable.

Interest rate risk
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 company manages exposure through its normal operating and financing activities. The company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

13. Credit facility

NOBL has a credit facility available with a limit of $75,000 and an interest rate of prime plus 2.0% per annum. As of fiscal year end, the facility had a nil balance outstanding.

NORTHERN OPPORTUNITIES FOR BUSINESS LIMITED

SCHEDULE OF ALLOWANCE FOR LOAN IMPAIRMENT

MARCH 31, 2013

	2013 Category A	2013 Category B	2013 Category C	2013 Category D	**2013 Total**
Investment Fund	$ 8,369,139	$ 2,068,482	$ 594,150	$ 65,084	**$ 11,096,855**
Allowance for loan impairment		193,886	290,829	65,084	**549,799**
.	$ 8,369,139	$ 1,874,596	$ 303,321	$	**$ 10,547,056**
Allowance percentage					**5.0%**

The loans in the Investment Fund are classified by management in the categories above based on the credit risk and performance with Category A representing the accounts that are maintained in accordance with the terms established and Category D representing the accounts which collection is highly doubtful.

Notes to the Financial Statements

These notes are by way of explanation of some of the accounts in the audited financial statements. You will notice that the Auditor's Report again states that we are not using generally accepted accounting principles. This statement is made in reference to the rules from CICA which govern the way financial instruments are reported. ACOA has written twice to all CBDCs, and therefore their auditors, indicating that, as the major beneficiary of the financial statements, they do not require the implementation of the new rules, the cost of which would have been several thousand dollars per CBDC.

You will notice a change in the presentation format for this year's statements. New audit requirements for not for profits require an additional year of Balance Sheet information; therefore, there is an April 1, 2011 statement included.

Consolidated Statement of Operations and Changes in Fund Balances (Page 2):

1. ACOA's contribution remained the same as for YE2012. Under the Community Futures of Tomorrow model (CfoT) agreed to in December 2010, CBDCs are now funded by formula. That formula calculates funding amounts based on base funding ($150,000 for each CBDC), annual activity (maximum of $150,000), number and value of active loans (up to $75,000), bilingualism ($10,000), geography covered ($15,000) with reductions for liquidity (up to $75,000 for having too much money in the bank), and return on equity (up to $75,000 if you make too much money). We will be reduced a further $50,000 for 2013/14;

2. Investment Fund income (aka interest) was up by $9,000;

3. SEB contributions (we deliver in Pictou County only) were down substantially from the year before, as noted in last year's Notes to the Financial Statements. We had not run as many training seminars as we had hoped and indeed were in jeopardy of losing the contract in part because of that. Our levels continue to be low, but there are signs of increased activity going forward;

4. NSACBDC contributions are Client Advisory Services (CAS - for which NOBL earns 8% of the contracts' values) funds provided by ACOA for consulting contracts for small business ($18,438 for completed CAS projects, $27,920 in and out for Client diagnostic training and software - see expense of that name);

5. The Students in Business Program was delivered in-house again this year but with much less success than in previous years. The large number from last year reflects a late payment from the year before ($19,500). As of year end, ACOA was looking at the possibility of incorporating SiB in our CFoT model, thereby rendering them ineligible for case specific administrative funding;

6. Technology Fund interest continues to decrease as clients pay back their loans. That Program was retired with the advent of the CFoT model which replaced it with the Innovation program;

7. Sundry and fees income is $3,100 in applications fees ($100 for each new applicant), $625 in bank interest, GIC interest of $651, $2,465 in NSF fees charged out to clients;

8. Department of Labour is fees charged for our being a conduit for their business training programs. Under Expenses you will find the cost of these noted at $40,444. We are actively engaged with the Province on this matter, with many seminar series being planned for the 2013-14 fiscal year. Where we have been doing this in Pictou County alone to this point, there are plans to have us help deliver the product in Antigonish County as well;

9. Canada Life Commissions are 15% of the premiums for insuring our clients' loans. Our standard practice is to get a single premium up front so that the policy can't be cancelled (by either Party);

10. Loan Loss Provision (our net write-offs for the year which included $120,740 for recoveries from other years' write-offs) is a substantial improvement over the previous year;

11. Bad debt expense is the change in allowance based on the change in the value of loans outstanding;

12. Salaries and Benefits increased 1.9% (2.3% last year and 2.8% the year before). In part this limited increase was due to Shirley MacGillivray's departure on March 6;

13. Travel expenses for the year are substantial again as the Community Futures National Conference expenses were split between the two fiscal years;

14. The decrease in Rent for this year comes from our dropping one office in Pictou County in January, 2012 combined with a 3.0% increase in the rent for the offices maintained;

15. The non-cash item Amortization is down (see note 7 in the financials);

16. Collection costs are largely for Keltic Collections who do the majority of our collections ($2,772 were for legal fees);

17. Advertising is down substantially due to the one-time cost of $7,500 for our 25th anniversary publication incurred the year before. With the demise of our favoured advertising medium (Business First), we search for new means of getting our message out;

18. Professional fees (auditor) were down as the previous year had some one-time costs associated with new requirements in reporting to ACOA;

Consolidated Statement of Financial Position (Page 3):

19. Cash and Equivalents - back to the 2011 level. This is in large part due to our having a slower fourth quarter than usual;

20. Payables - trade payables include audit fees of $7,500, Bell Aliant ($586), Canada Life ($-1,146), CAS ($9,173), and the rest being amounts of less than $500;

21. Funds held in trust are money from a client who required a letter of credit to deliver programming to NSCC clients;

22. The increase in Unrestricted Fund Balances is, of course, our deficit for the year subtracted from our total surplus corporation to date March 31, 2012, and the difference in "Invested in capital assets";