

RAPPORT ANNUEL

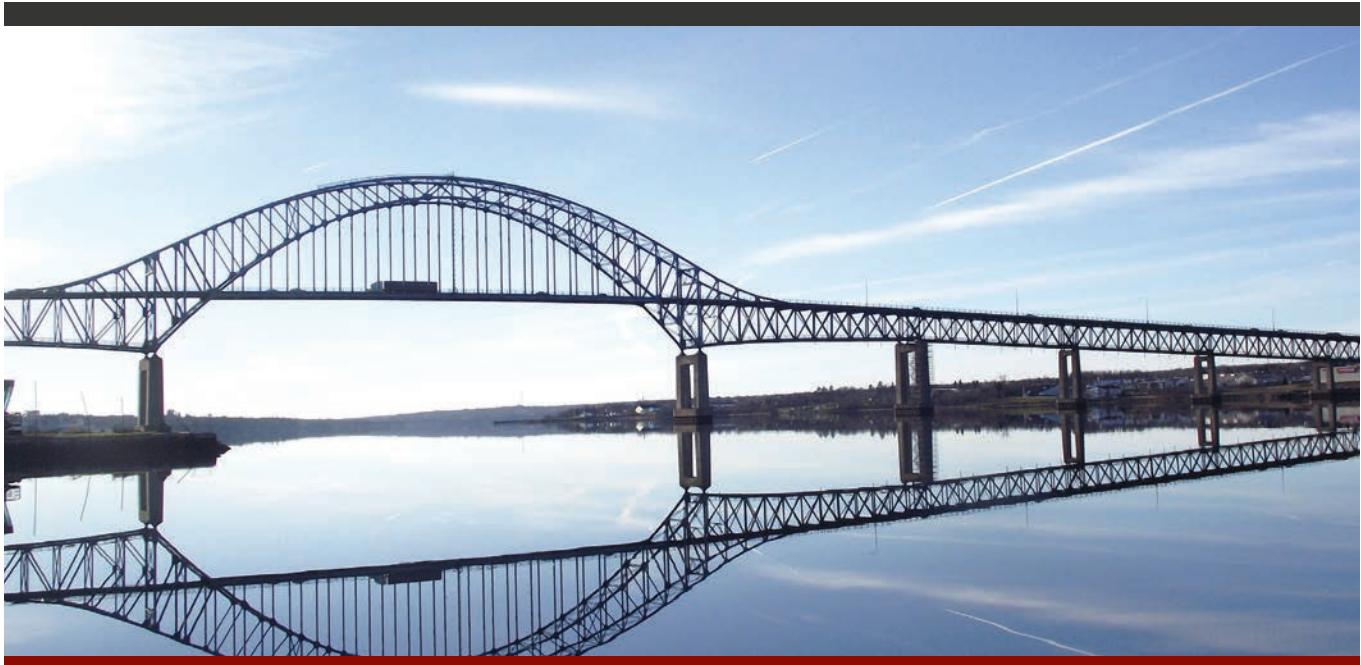
2017-2018

Nous investissons dans
l'esprit entrepreneurial



Community Business Development Corporation
Corporation au bénéfice du développement communautaire
Northumberland

CBDC Northumberland



La CBDC Northumberland inc. en est à sa trente-deuxième année d'exploitation. Afin de résumer notre travail du dernier exercice financier, nous allons vous présenter un aperçu des principales activités de la Corporation.

Au cours des douze (12) derniers mois, d'avril 2017 à mars 2018, la Corporation a reçu 447 demandes de clients s'adressant à la Corporation pour la première fois. L'aide offerte a entraîné la création et le maintien d'un minimum de 176 emplois. En ce qui concerne le nombre d'emplois créés, nous croyons qu'il est important de souligner que la CBDC Northumberland inc. n'a pas créé tous les emplois susmentionnés, mais que ces emplois ont plutôt été créés par les entrepreneurs que la Corporation a su aider grâce à ses services techniques ou financiers.

Dans le cadre des divers programmes que nous offrons au nom des gouvernements provincial et fédéral, 22 projets ont reçu un financement de 1 111 242 \$ directement du Fonds d'investissement

de la Corporation. Notre administration et prestation du programme d'Aide au travail indépendant (ATI) ont donné lieu à 28 approbations de projets additionnelles, se traduisant par une contribution financière d'un minimum de 490 000 \$. Chaque investissement a été réalisé en tenant compte du fait qu'il profiterait tant à l'entreprise qu'à la collectivité dans son ensemble.

Le dernier exercice financier s'est révélé satisfaisant de bien des façons et nous entreprenons le prochain exercice financier avec détermination et enthousiasme. Je crois que nous avons à notre portée tout ce qui est nécessaire pour assurer une réussite continue : un conseil d'administration expérimenté pour l'année à venir, de bonnes relations de travail avec les diverses agences publiques et privées à travers la région et, finalement, l'esprit d'entreprise qui est bien vivant dans la région de Miramichi de nos jours.

Greg McNulty
Directeur général



*Community Business Development Corporation
Corporation au bénéfice du développement communautaire
Northumberland*

La CBDC Northumberland exerce ses activités conformément à ses objectifs à l'intérieur des frontières du comté de Northumberland, à l'exception de la paroisse de Rogersville, mais incluant la partie

du comté de York comprise dans la circonscription électorale provinciale de Miramichi-Sud-Ouest-Baiedu-Vin.

Les investissements dans la région pour l'année 2017-2018

Les requêtes traitées

Demandes reçues	.....	43
Demandes approuvées	.....	19
Sommes investies	1 111 242 \$

Nombre de séances de consultation d'affaires

Nombre de clients	43
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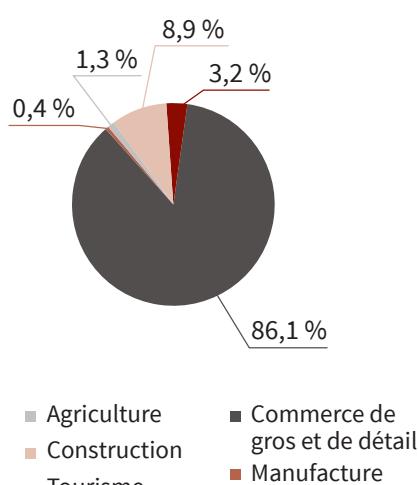
Impact sur les entreprises

Nouvelles entreprises	10
Entreprises existantes	12
Total	.....	22

Impact sur l'emploi

Emplois créés	.....	30
Emplois maintenus	.....	66
Total	.....	96

Prêts par secteurs d'activité



Sessions de formations

Nombre de sessions	.....	3
Montants accordés	.....	4 269 \$

Aide au travail indépendant

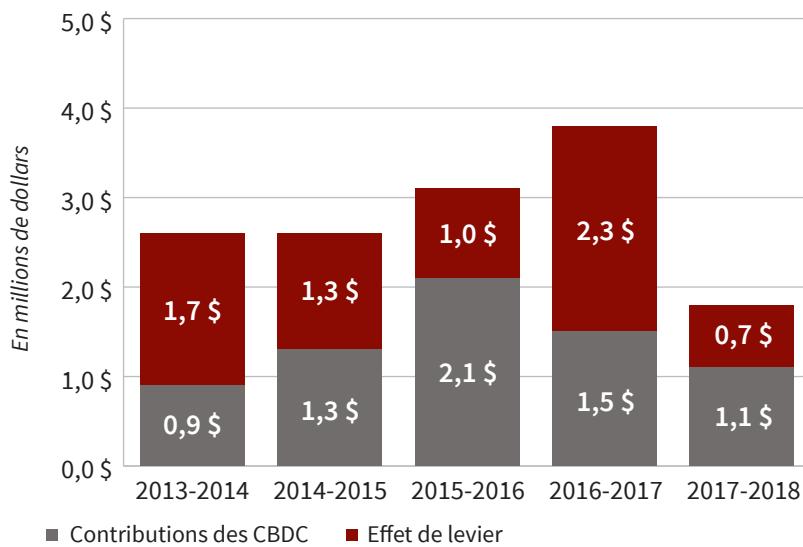
Demandes approuvées	.....	28
Aide financière	.....	490 000 \$

Programme de services-conseils aux entrepreneurs

Nombre de participants	.....	3
Investissements	.....	13 801 \$

Bâtir un levier entrepreneurial fort dans la région de Northumberland

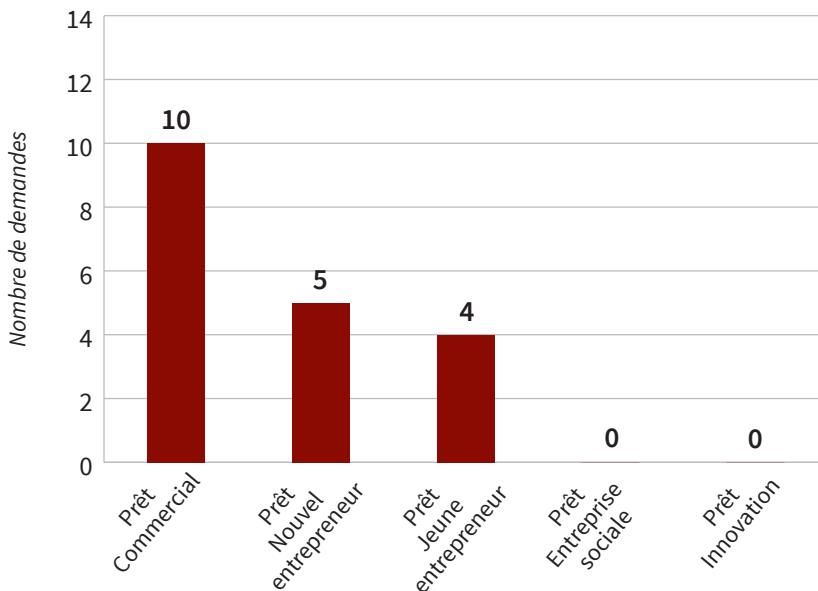
Les montants des contributions de la CBDC et de l'effet de levier depuis les cinq dernières années



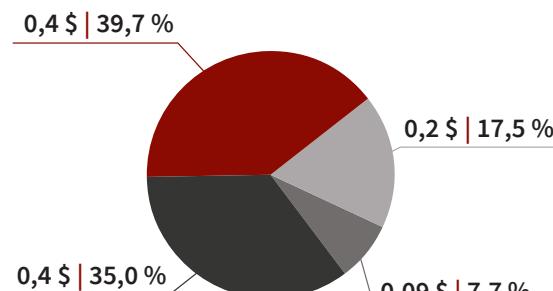
La diminution des prêts déboursés par rapport aux deux dernières années peut être le résultat d'un niveau d'activité élevé durant l'année 2015 - 2016. Cependant, la CBDC Northumberland maintient des investissements comparables à ceux de l'année 2014 - 2015.

Depuis sa création, la CBDC Northumberland a injecté **27,7 millions de dollars** dans la communauté.

Nombre de demandes approuvées selon les programmes de prêts de la CBDC

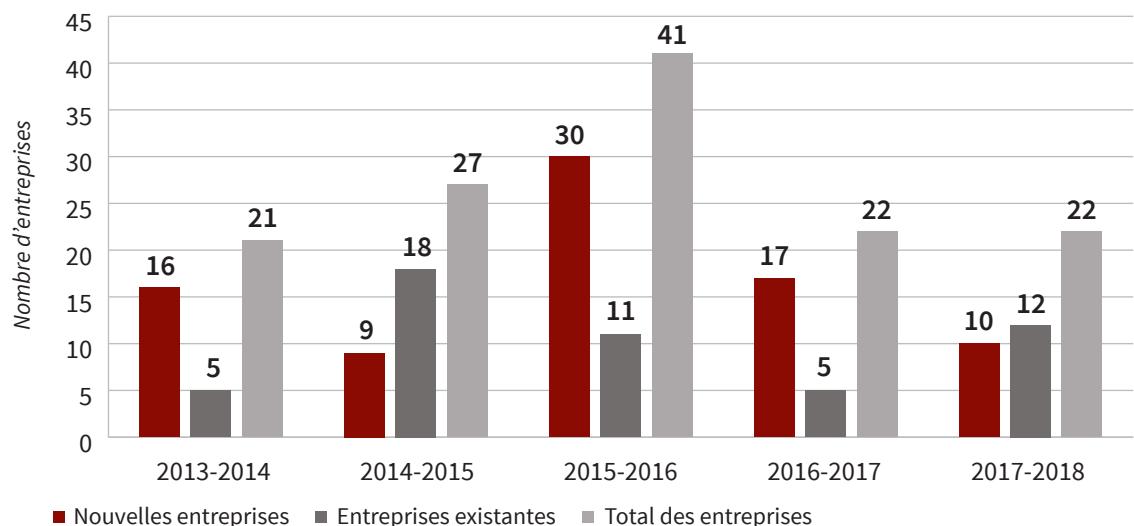


Répartition des montants déboursés selon le type de prêt (en millions de dollars)



- Prêt - Commercial
- Prêt - Nouvel entrepreneur
- Prêt - Jeune entrepreneur
- Prêt - Entreprise sociale

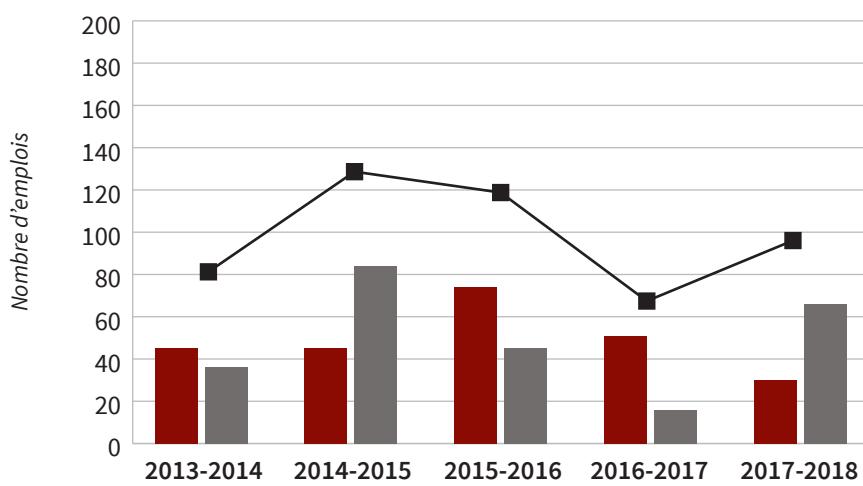
Le nombre d'entreprises qui ont bénéficié d'une aide financière depuis les cinq dernières années



Le nombre d'entreprises existantes qui ont reçu une aide financière a augmenté de **140 %** en comparaison avec l'année précédente.

Une augmentation de **43 %** des emplois créés et maintenus par rapport à l'année précédente.

La création et le maintien d'emplois dans la communauté depuis les cinq dernières années



	45	45	74	51	30
■ Crédit d'impôt pour l'emploi	45	45	74	51	30
■ Subvention pour l'emploi	36	84	45	16	66
- Total	81	129	119	67	96

Nous célébrons notre 32^e anniversaire

Depuis 1985, la CBDC Northumberland inc. aide les entrepreneurs potentiels et existants de la région à accéder à des capitaux et des ressources commerciales. Nous formons un organisme sans but lucratif dirigé par une équipe de 12 bénévoles de la communauté d'affaires locale qui croit fermement à améliorer la viabilité économique de la région en investissant dans les petites et moyennes entreprises. Les décisions d'investissement sont prises par notre conseil d'administration à l'écoute des besoins de

la région de Northumberland. Ces administrateurs sont des bénévoles du secteur des affaires dévoués à faire de la collectivité un meilleur endroit où vivre et travailler. Il ne fait pas de doute que la force de la CBDC Northumberland inc. réside dans son conseil de bénévoles ; ils ont une connaissance approfondie des marchés locaux, de l'environnement commercial et des personnes dans leurs collectivités.



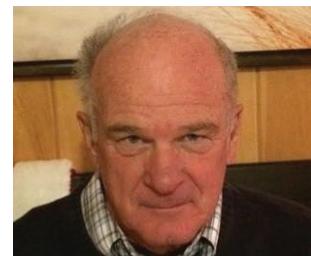
Alphonse Turbide
Président



Wayne Bushey
Vice-président



Therese Savoie
Secrétaire



Russell Vye
Trésorier



Sharon Deroche
Directrice



David Hamilton
Directeur



Andy Richardson
Directeur



Clarissa Harris LeBreton
Directrice



Les Saunders
Directeur



Marcel Muise
Directeur



Tara Ross-Robinson
Directrice



Lynn O'Neill
Directrice

À mesure que la CBDC Northumberland inc. progresse après trente-deux ans d'exploitation, nous continuerons de mettre l'accent sur la prestation d'un niveau de service optimal à la communauté d'affaires. Pour ce faire, nous offrirons une assistance fiable à nos clients, en préparant des montages financiers pertinents et créatifs, et en continuant d'améliorer nos relations avec les agences privées et publiques et, par conséquent, nous encouragerons les entrepreneurs locaux à profiter de nos services.

Les trente-deuxième dernières années ont été enrichissantes de bien des façons et nous entreprenons les prochaines années avec détermination et enthousiasme. Nous croyons que nous avons à notre portée tout ce qui est nécessaire pour assurer une réussite continue : un conseil d'administration expérimenté, de bonnes relations de travail avec les diverses agences publiques et privées à travers la région et, finalement, l'esprit d'entreprise qui est bien vivant dans la région de Miramichi de nos jours. La CBDC Northumberland inc. est une ressource précieuse

pour les gens d'affaires et de plus en plus d'entre eux mettent à profit notre expertise financière et technique pour aider à démarrer ou agrandir une entreprise. Par l'entremise de ce type d'assistance, nous réalisons notre mandat visant à aider à la création ou l'expansion des entreprises.

Notre conseil d'administration est composé de 12 membres spécialisés dans les domaines des finances, de la planification, du développement des petites entreprises, de l'assurance et du marketing.

Nous tenons à féliciter notre personnel : le Directeur général - Greg McNulty ; Analystes de projet - Pauline Tenass, Cheryl Daigle et Michel Arseneau ; et assistante administrative - Lucie Daigle, pour leur dévouement et leur travail remarquable. Nous tenons également à remercier sincèrement les nombreux clients de la CBDC ainsi que le public en général. Nous vous encourageons à profiter de nos services techniques et financiers et à nous appuyer dans notre poursuite du développement économique de la région.

L'équipe de la CBDC Northumberland



Greg McNulty
Directeur général



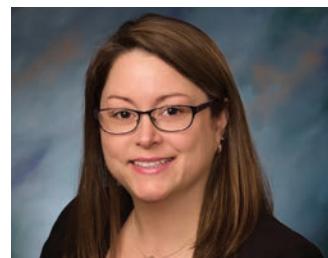
Pauline Tenass
Analyste de projet



Cheryl Daigle
Analyste de projet



Michel Arseneau
Analyste de projet



Lucie Daigle
Assistante administrative



Une variété de produits et services pour le succès de nos entrepreneurs



Community Business Development Corporation
Corporation au bénéfice du développement communautaire

Formation axée sur les compétences

Offre une formation adaptée dans des domaines particuliers tels que le développement du marché, la comptabilité, les études de faisabilité, les sources de financement et l'analyse opérationnelle.

Services-conseils aux entrepreneurs

Offre une aide par le biais d'un agent externe en matière de services-conseils dans des champs d'expertise variés pour accroître la performance de l'entreprise. Une certaine contribution financière est demandée de la part du client.

Conseils aux entreprises

Des conseils aux entreprises offerts aux nouveaux entrepreneurs et aux entrepreneurs déjà établis.

Programme Aide au travail indépendant

Permet aux participants de continuer de recevoir leurs prestations d'assurance-emploi pendant l'étape de démarrage de leur entreprise. Offre également une allocation hebdomadaire pour la mise sur pied de l'entreprise si la personne a reçu du chômage durant les dernières années (selon la politique en vigueur).

Initiative pour les technologies propres

Prêt et services-conseils pour des idées de processus en technologies propres, et des produits ou services qui atténuent les effets néfastes sur l'environnement.

Prêt - Commercial

Permet aux entreprises florissantes de poursuivre leur croissance avec de plus grands locaux, de l'équipement renouvelé, ou l'acquisition d'autres éléments afin de répondre à l'expansion de la clientèle. Un prêt plus souple qui peut même faciliter l'acquisition d'une entreprise existante.

Prêt - Nouvel entrepreneur

Offre des services de consultation pour aider quiconque aspire à devenir un chef d'entreprise autonome et prospère. Le prêt est idéal pour permettre à votre projet de prendre forme.

Prêt - Jeune entrepreneur

Offre pour les jeunes de 18 à 34 ans du capital de mise en exploitation pour démarrer une entreprise, alors qu'il peut être périlleux d'obtenir le financement nécessaire.

Prêt - Entreprise sociale

Cible des entreprises sociales qui exercent des activités au sein des collectivités rurales, où les gens peuvent vivre, travailler et profiter des activités sociales dans leur région.

Prêt - Innovation

Permet le développement de l'économie du savoir et facilite l'adoption des nouvelles technologies et la commercialisation.

Comment nous joindre ?

Pour des renseignements supplémentaires sur les programmes offerts par votre CBDC,appelez-nous ou consultez les liens suivants :

(506) 778-2121

www.northumberlandcbdc.ca

CBDC Northumberland Inc

CBDCAtlantic / NB CBDC

1773, rue Water, Miramichi, N.-B. E1N 1B2



Financial Statements

CBDC Northumberland Inc.

March 31, 2018

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Independent auditor's report

Grant Thornton LLP
135 Henry Street
Miramichi, NB
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T (506) 622-0637
F (506) 622-5174
www.GrantThornton.ca

To the Board of Directors of CBDC Northumberland Inc.

We have audited the accompanying financial statements of CBDC Northumberland Inc, which comprise the statement of financial position as at March 31, 2018 and the statements of revenue and expenditure and changes in fund balance and 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.

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

Basis for qualified opinion

Loans receivable have been written down to the estimated net realizable value in accordance with criteria outlined by the Government of Canada as explained in Note 3. Due to uncertainty of the loans and the related security we have not been able to determine if the loans are presented at net realizable value.

The CBDC Northumberland Inc. has not adopted CPA Canada Handbook section 3856 "Financial Instruments."

The impact of adjustments to revenues, expenses, assets and liabilities for the above departures from Accounting Standards for Not-for-Profit Organizations has not been determined and any adjustments, if necessary, could be material.

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 Northumberland Inc., as at March 31, 2018 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting standards for not-for profit organizations.

Miramichi, New Brunswick

June 14, 2018

A handwritten signature in black ink that reads "Grant Thornton LLP".

Chartered Professional Accountants

CBDC Northumberland Inc.

Statements of Revenue and Expenditure and Changes in Fund Balances

Year Ended March 31

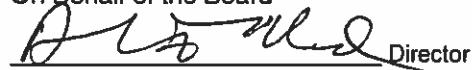
	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues				
ACOA operating grant	\$ 277,780	\$ -	277,780	\$ 255,460
Self-Employment Benefit Program	89,131	-	89,131	93,919
Interest income	16	512,791	512,807	527,622
Financial assistance	10,982	-	10,982	16,660
Other revenues	<u>2,115</u>	<u>2,550</u>	<u>4,665</u>	10,571
Total Revenues	380,024	515,341	895,365	904,232
Expenses				
Advertising	9,653	-	9,653	10,344
Amortization	3,119	-	3,119	5,582
Bank charges	2,775	4,527	7,302	8,064
Dues and fees	2,695	-	2,695	2,695
Equipment rental	7,608	-	7,608	9,047
Insurance	3,034	-	3,034	2,530
Interest expense – ACCBIF	-	27,440	27,440	23,199
Loan loss provision (Note 4)	-	108,401	108,401	155,920
Miscellaneous	5,957	-	5,957	7,921
Office supplies	9,096	-	9,096	11,661
Professional fees	9,630	-	9,630	13,303
Rent	35,906	-	35,906	35,193
Repairs and maintenance	12,617	-	12,617	12,482
Self-employment training	2,688	-	2,688	5,418
Telephone	11,105	-	11,105	14,269
Training	1,667	-	1,667	4,308
Travel and board meetings	23,606	-	23,606	16,397
Utilities	4,450	-	4,450	4,128
Wages and benefits	<u>338,072</u>	<u>-</u>	<u>338,072</u>	327,135
Total Expenses	483,678	140,368	624,046	669,594
Excess of revenue over expenditures (expenditures over revenue) before contribution	(103,654)	374,973	271,319	234,638
Contribution to operating from investment fund	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Excess of revenue over expenditures (expenditures over revenue)	<u>\$ (3,654)</u>	<u>\$ 274,973</u>	<u>\$ 271,319</u>	<u>\$ 234,638</u>
Fund balance, beginning of year	\$ (42,969)	\$ 1,507,110	\$ 1,464,141	\$ 1,229,503
Excess of revenue over expenditures (expenditures over revenue)	<u>(3,654)</u>	<u>274,973</u>	<u>271,319</u>	<u>234,638</u>
Fund balance, end of year	<u>\$ (46,623)</u>	<u>\$ 1,782,083</u>	<u>\$ 1,735,460</u>	<u>\$ 1,464,141</u>

See accompanying notes to the financial statements.

CBDC Northumberland Inc.
Statement of Financial Position
March 31

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>2018 Total</u>	<u>2017 Total</u>
Assets				
Current				
Cash and term deposits	\$ (54,723)	\$ 976,784	\$ 922,061	\$ 517,055
Receivables				
Interest & fees	-	58,097	58,097	49,180
Other receivables	40,052	-	40,052	64,173
Prepaid expenses	2,802	-	2,802	2,802
	(11,869)	1,034,881	1,023,012	633,210
Loans (Note 4)	-	6,439,428	6,439,428	6,412,693
Investments- ACCBIF (Note 5)	-	37,500	37,500	37,500
Capital assets (Note 6)	2,970	-	2,970	6,089
	\$ (8,899)	\$ 7,511,809	\$ 7,502,910	\$ 7,089,492
Liabilities				
Current				
Payable and accrual	\$ 37,724	\$ 1,808	\$ 39,532	\$ 44,872
Current portion of long term debt (Note 10)	-	458,331	458,331	460,706
	37,724	460,139	497,863	505,578
Long term debt (Note 10)	-	1,104,793	1,104,793	954,979
	37,724	1,564,932	1,602,656	1,460,557
Equity				
Fund balances				
Restricted (Note 7)				
Capital contributions	-	4,164,794	4,164,794	4,164,794
Surplus (deficit)	-	1,782,083	1,782,083	1,507,110
Unrestricted	(46,623)	-	(46,623)	(42,969)
	(46,623)	5,946,877	5,900,254	5,628,935
	\$ (8,899)	\$ 7,511,809	\$ 7,502,910	\$ 7,089,492
Commitments (Note 14)				

On Behalf of the Board

 Director



Director

See accompanying notes to the financial statements

CBDC Northumberland Inc.

Statement of Cash Flows

Year Ended March 31

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>2018 Total</u>	<u>2017 Total</u>
Cash derived from (applied to)				
Operating				
Excess of revenue over expenditures (revenue over expenditures)	\$ (3,654)	\$ 274,973	\$ 271,319	\$ 234,638
Depreciation	3,119	-	3,119	5,582
Loan loss provision	<u>-</u>	<u>108,401</u>	<u>108,401</u>	<u>155,920</u>
	(535)	383,374	382,839	396,140
Change in				
Receivables	24,121	(8,917)	(15,204)	(14,171)
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(228)</u>
Payables & accruals	<u>(5,340)</u>	<u>-</u>	<u>(5,340)</u>	<u>3,448</u>
	18,246	374,457	392,703	385,189
Investing				
Purchase of office equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,299)</u>
Investing in loans	<u>-</u>	<u>(1,111,242)</u>	<u>(1,111,242)</u>	<u>(1,521,000)</u>
Repayment of loans	<u>-</u>	<u>976,106</u>	<u>976,106</u>	<u>1,047,234</u>
	(135,136)	(135,136)	(135,136)	(477,065)
Financing				
Borrowings from ACCBIF	<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>500,000</u>
Repayment of ACCBIF	<u>-</u>	<u>(452,561)</u>	<u>(452,561)</u>	<u>(456,725)</u>
	- 147,439	147,439	147,439	43,275
Net increase (decrease) in cash	18,246	386,760	405,006	(48,601)
Cash and term deposits (indebtedness)				
Beginning of year	<u>(72,969)</u>	<u>590,024</u>	<u>517,055</u>	<u>565,656</u>
End of year	<u>\$ (54,723)</u>	<u>\$ 976,784</u>	<u>\$ 922,061</u>	<u>\$ 517,055</u>

See accompanying notes to the financial statements

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2018

1. Nature of operations

CBDC Northumberland Inc.'s mission statement is to "create sustainable employment through promoting business development in our communities by providing capital and mentoring assistance."

CBDC Northumberland Inc. is a community-based and community controlled corporation with a mandate to provide lending and other investment to small businesses in the Northumberland County of New Brunswick who have had difficulty obtaining financing from conventional sources. CBDC Northumberland Inc. is incorporated 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. Departure from Accounting Standards for not-for-profit organizations (ASNPO)

CBDC Northumberland Inc. Financial statements have not adopted the CPA Canada Handbook Section 3856- *Financial Instruments*, and as a result, depart from Canadian accounting standards for not-for-profit organizations . The effects of these sections have not been recorded or disclosed in these financial statements.

The Atlantic Canada Opportunities Agency has confirmed, within the 2018 CF agreement to all Atlantic CBDCs, it will accept qualified financial statements from CBDCs when not prepared in full compliance with the CPA Canada Handbook Section 3856-Financial Instruments.

3. Summary of significant accounting policies

Basis of accounting

The Company's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting

CBDC Northumberland Inc. follows the restricted fund method of accounting for the Investment and Operating Fund.

The Operating Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and operating contributions. Expenses of the Operating Fund are limited to those agreed upon in the contribution agreement between the Atlantic Canada Opportunities Agency (ACOA) and CBDC Northumberland Inc.

The Investment Fund reports all restricted resources of the Investment fund. The investment income resulting from investing activities is retained in the Investment Fund.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2018

3. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recorded at cost and depreciation on a straight line basis at the rates indicated in Note 6.

Revenue recognition

Interest income on loans is recorded on an accrual basis at the rate specified in the loan agreement when collection is reasonably assured. Accruals of interest income are not recorded on non-performing loans.

Government funding is recorded when received in the period to which the funding relates in accordance with the agreement with ACOA.

Provision for loan losses

Provision for loan losses are determined based on delinquent loans that are deemed doubtful by management, less estimated amounts recoverable from security, net of estimated costs associated with converting the security into cash.

Category "A" Accounts

Accounts which are entirely satisfactory as to credit risk and performance, i.e. proven or established earnings and management, and on which loan arrears, if any, would represent less than two months' instalments of principal and interest. It should be noted that all accounts are automatically classified as category "A" upon authorization.

Category "B" Accounts

Accounts in which it is expected that, in spite of undesirable developments, the difficulties will be overcome and the loan will in time be recovered, in full without the need to call the loan. Principal and/or interest are no more than 6 months in arrears.

Category "C" Accounts

Accounts in which serious adverse developments have occurred, difficulties are unlikely to be overcome, or there is little or no chance of the loan being repaid from earnings and one or more of the following conditions apply:

- operations have ceased and are unlikely to recommence under existing ownership;
- voluntary liquidation of assets has started with a view to winding up the business;
- other creditors, regardless of rank, may be expected to realize on their security;
- a proposal either formal or informal to secured creditors has been made, or is under preparation; and
- no principal payments have been made for a 6 month period.

Category "D" Accounts

- No recovery is anticipated and application for "Request to Waive Repayment" and loan write-off is in the process of being submitted or awaiting approval.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2018

3. Summary of significant accounting policies (continued)

Use of estimates

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Significant estimates are required in recording the provision for loan loss. Actual results could differ from these estimates.

4. Loans	<u>2018</u>	<u>2017</u>
Loans	\$ 6,821,826	\$ 6,884,465
Less provision for loan losses	<u>(382,398)</u>	<u>(471,772)</u>
	<u>\$ 6,439,428</u>	<u>\$ 6,412,693</u>

The loans are at varying interest rates and terms of repayment. Certain loans are in arrears and others are non-active.

Included in the loans receivable at March 31, 2018 are delinquent loans totalling \$740,037 (2017 – \$990,489) of which \$382,398 (2017 - \$471,772) has been allowed for. Management believes the balance of these loans will be collectable.

Loans and Mortgages Receivable	<u>2018</u>	<u>2017</u>
The loans receivable balance is comprised of:		
Balance, beginning of year	\$ 6,884,465	\$ 6,763,754
Loans advanced during the year	1,111,242	1,521,000
Loans repaid during the year	<u>(976,106)</u>	<u>(1,047,234)</u>
Loans written-off during the year	<u>(197,775)</u>	<u>(353,055)</u>
Balance, Principal	<u>6,821,826</u>	6,884,465
Allowance for doubtful accounts	<u>(382,398)</u>	<u>(471,772)</u>
Balance, end of year	<u>\$ 6,439,428</u>	<u>\$ 6,412,693</u>

The Activity in the Allowance for Doubtful Loans account is as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 471,772	\$ 668,907
Loans written-off during the year	<u>(197,775)</u>	<u>(353,055)</u>
Recovery of loans written-off in previous periods	<u>(16,301)</u>	<u>(62,299)</u>
Current year's loan loss provision	<u>124,702</u>	<u>218,219</u>
Balance, end of year	<u>\$ 382,398</u>	<u>\$ 471,772</u>

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2018

5. Investments - ACCBIF

The corporation has made an investment in the Atlantic Canada Community Business Investment Fund which has a duration of nine years. Having contributed to this fund, the corporation is now eligible to borrow from this fund to finance new investment loans in excess of its own cash resources.

				Accumulated Depreciation	2018 Net <u>Book Value</u>	2017 Net Book Value
Computer equipment	3 years	\$ 6,049	\$ 6,049	\$ -	\$ -	
Leasehold Improvements	10 years	55,819	55,819	-	2,790	
Office equipment	5 years	10,783	7,813	<u>2,970</u>	<u>3,299</u>	
Total		<u>\$ 72,651</u>	<u>\$ 69,681</u>	<u>\$ 2,970</u>	<u>\$ 6,089</u>	

7. 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.

	<u>Investment</u>
Restricted for investing in business	
Capital contributions from ACOA, beginning of year	\$ 4,164,794
Capital contribution received during the year	-
Accumulated surpluses	-
End of the year	<u>\$ 4,164,794</u>

9.1 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 or received from ACCBIF.

9.2 Notwithstanding (9.1), funds credited to the Investment Fund account may be transferred to the Eligible Costs account of the CBDC where the following conditions are met:

9.2.1 The CBDCs Annual Budget submitted with the Business Plan projects a deficit (the "Deficit") and is accepted by ACOA;

9.2.2 The Deficit was in fact incurred as projected; and,

9.2.3 The CBDC shall provide to ACOA written confirmation of the transfer of the funds from the Investment Fund account to the Eligible Costs account within 90 days of the end of each fiscal year.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2018

8. Economic dependence

The corporation 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 the annual operation contribution.

9. Surplus - operating fund

Certain expenditures from surplus are required to be approved, in advance, by ACOA.

10. Long-term debt – ACCBIF

ACCBIF lends money to CBDCs Investment Funds throughout Atlantic Canada. To be a member, a CBDC must lend \$37,500 to ACCBIF. Loans from ACCBIF carry an interest charge which is set every two years by the ACCBIF Board of Governance.

	<u>2018</u>	<u>2017</u>
Atlantic Canada Community Business Investment term loan, interest at 1.6% per annum, maturing in March 2019.		
Payable in equal monthly instalments of \$40,000 including interest. Promissory note provided as security.	1,563,124	1,415,685
Less: current portion	<u>458,331</u>	<u>460,706</u>
	<u>\$ 1,104,793</u>	<u>\$ 954,979</u>

Principal repayments for the next four years are expected as follows: 2019- \$458,331, 2020- \$465,718 2021- \$473,224; 2022 - \$166,515.

11. Bank indebtedness

The Company has an authorized line of credit of \$200,000 bearing interest at prime rate plus 1.55%. None was used at year end. The line of credit is secured by a general security agreement over all assets of the Company, except real estate.

The Company has a second authorized line of credit for \$25,000 bearing interest at prime rate plus 3%. The line of credit is unsecured. The Company was granted a temporary increase in the limit to \$75,000 at year end based on the amounts to be received from their government funding partners, ACOA and SEB. The amount utilized at year end was \$56,285.

	Operating Fund	Investment Fund	<u>2018</u>	2017
Cash & term deposits	\$ (54,723)	\$ 976,784	<u>\$ 922,061</u>	<u>\$ 517,055</u>

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2018

12. Payables and accruals

Included in payables and accruals are government remittances of \$6,787 (2017 - \$6,617).

13. Financial instruments

The types of risk inherent in the Organization's environment in which it operates include credit, liquidity and market rate risk:

Credit risk

Credit risk is the risk that the Organization will incur a loss because the receivables are not recovered. The Organization's financial instruments that are exposed to credit risk include receivables and loans.

The maximum credit risk exposure at March 31, 2018 is equal to the carrying value of the receivables and loans as at the balance sheet date.

Concentrations of credit risk

Concentrations of credit risk exist if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the CBDC's performance to developments affecting a particular segment of borrowers or geographic region. Geographic credit risk exists for the CBDC due to most of its activities being primarily provided in Northumberland County.

The exposure to credit risk associated with the non-performance of these borrowers can be directly impacted by a decline in economic conditions which would impair CBDC client's ability to satisfy their obligations to the CBDC. In order to reduce this economic risk, the CBDC has comprehensive credit procedures in place whereby analyses are performed to control the granting of credit to all borrowers. Additionally, CBDC is a member of a Risk Mitigation Fund whereby they will be entitled to receive up to 35% of specified loans losses.

Liquidity risk

Liquidity risk is the risk that the Organization may not have cash available to satisfy financial liabilities as they come due. To mitigate this risk, the Organization is internally monitoring this level of liquidity on a regular basis.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument, that is short-term investments, will fluctuate because of changes in market prices. For purposes of this disclosure, the Organization segregates market risk into two categories: fair value risk and interest rate risk. The Organization is exposed to interest rate risk.

Interest rate risk is the potential for loss arising from changes in interest rates. Financial instruments that potentially subject the Organization to interest rate risk are loans and long term debt. The Organization does not hedge interest rate risk.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2018

14. Commitments

The company is party to an agreement to lease office space for \$3,135 inclusive of HST per month (\$37,620 per year). The agreement is subject to an escalation clause of up to 3% per year for inflation until 2023.

During the last quarter of the year, all loans approved were advanced. There were no outstanding commitments as of March 31, 2018.

15. Investment loan portfolio

	<u>2018</u>	<u>2017</u>
Investment loans approved during the year	19	24
Total active investment loans under management	135	136

CBDC Northumberland Inc.

Schedule of Allowance for Loan Impairment

March 31, 2018

	<u>2018</u> Category A	<u>2018</u> Category B	<u>2018</u> Category C	<u>2018</u> Category D	<u>2018</u> Total
Investment Fund	\$ 5,185,911	\$ 603,939	\$ 137,652	\$ 350,498	\$ 6,277,999
Youth Fund	323,364	186,214	10,195	24,054	543,827
	\$ 5,509,275	\$ 790,152	\$ 147,847	\$ 374,552	\$ 6,821,826

Allowance for loan impairment

Investment Fund	\$ -	\$ -	\$ 87,652	\$ 260,497	\$ 348,149
Youth Fund	-	-	10,195	24,054	34,249
	\$ -	\$ -	\$ 97,847	\$ 284,551	\$ 382,398

Allowance Percentage 5.6%

	<u>2017</u> Category A	<u>2017</u> Category B	<u>2017</u> Category C	<u>2017</u> Category D	<u>2017</u> Total
Investment Fund	\$ 5,167,917	\$ 722,876	\$ 308,632	\$ 153,744	\$ 6,363,168
Youth Fund	391,463	91,219	16,868	31,746	514,427
	\$ 5,559,380	\$ 814,095	\$ 325,500	\$ 185,490	\$ 6,884,465

Allowance for loan impairment

Investment Fund	\$ -	\$ -	\$ 276,282	\$ 153,744	\$ 430,026
Youth Fund	-	-	10,000	31,746	41,746
	\$ -	\$ -	\$ 286,282	\$ 185,490	\$ 471,772

Allowance Percentage 6.9%