

**CBDC TRINITY CONCEPTION CORPORATION**

**Financial Statements**

**Year Ended March 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

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To the Board Members of CBDC Trinity Conception Corporation

### *Qualified Opinion*

I have audited the financial statements of CBDC Trinity Conception Corporation (the corporation), which comprise the statement of financial position as at March 31, 2023, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

### *Basis for Qualified Opinion*

CBDC Trinity Conception Corporation has not identified and classified all its financial instruments, and recorded its financial instruments at fair value. Rather, all financial instruments are recorded at historical cost. The Corporation 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.

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

### *Other Matter*

The financial statements for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 23, 2022.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

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

Those charged with governance are responsible for overseeing the corporation's financial reporting process.

(continues)

*Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

*Martin & Associates*

Mount Pearl, Newfoundland and Labrador  
July 13, 2023

Chartered Professional Accountant

CBDC Trinity Conception Corporation  
Statement of Revenue and Expenditure  
Year Ended March 31, 2023

	Operating Fund	Investment Fund	FRAM-ED Fund	2023 Total	2022 Total
<b>Revenues</b>					
- ACOA operating contribution	276,113	-	-	276,113	270,699
- AES CYC contract	105,000	-	-	105,000	105,000
- Interest	5,808	814,861	10,454	831,122	763,424
- Loan administration and application fees	29,440	-	-	29,440	37,695
- RRRF operating and administrative fees	-	-	-	-	10,000
- Loan forgiveness, RRRF, AACBDC, Note 4	-	10,000	-	10,000	26,250
- Miscellaneous	32,358	-	25	32,383	31,073
- AES - SEA	116,825	-	-	116,825	116,825
- Youth Ventures	17,300	-	-	17,300	17,100
<b>Total Revenues</b>	<b>582,844</b>	<b>824,861</b>	<b>10,479</b>	<b>1,418,183</b>	<b>1,378,066</b>
<b>Expenditures</b>					
ACCBIF interest	-	58,698	-	58,698	63,395
Advertising	4,368	-	-	4,368	1,614
AES CYC Contract	53,176	-	-	53,176	53,592
Bank charges	2,140	3,321	191	5,652	5,815
Fees, memberships and taxes	2,990	-	-	2,990	3,353
Insurance	3,848	-	-	3,848	4,649
Janitorial	3,817	-	-	3,817	4,160
Loan loss provision (recovery)	-	(67,808)	(494)	(68,302)	333,446
Miscellaneous	240	1,972	-	2,212	3,577
Postage and courier	267	-	-	267	366
Printing and communication	4,998	-	-	4,998	3,702
Professional Fees	11,916	10,255	-	22,171	20,898
RRRF loan forgiveness	-	10,000	-	10,000	26,250
Rent	63,571	-	-	63,571	63,906
Resource materials and supplies	3,953	-	-	3,953	1,488
Salaries and benefits	402,161	-	-	402,161	377,762
SEA - other expenses	41,835	-	-	41,835	39,762
Travel, meetings and conference	17,973	-	-	17,973	11,395
Youth Programs	7,658	-	-	7,658	7,250
<b>Total Expenses</b>	<b>624,911</b>	<b>16,438</b>	<b>- 303</b>	<b>641,046</b>	<b>1,026,360</b>
Excess (deficiency) of revenue over expenses	\$ (42,067)	\$ 808,423	\$ 10,781	\$ 777,137	\$ 351,686

See accompanying notes to the financial statements

**CBDC Trinity Conception Corporation**  
**Statement of Changes in Fund Balances**  
**Year Ended March 31, 2023**

	<b>Operating Fund</b>	<b>Investment Fund</b>	<b>FRAM E-D Fund</b>	<b>2023 Total</b>	<b>2022 Total</b>
<b>Net assets, beginning of year</b>	224,321	6,211,079	326,039	<b>6,761,439</b>	\$ 6,409,753
Excess (deficiency) of revenue over expenses	(42,067)	808,423	10,781	<b>777,137</b>	351,686
<b>Net assets, end of year</b>	<b>\$ 182,254</b>	<b>\$ 7,019,502</b>	<b>\$ 336,820</b>	<b>\$ 7,538,576</b>	<b>\$ 6,761,439</b>

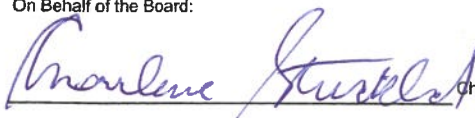
See accompanying notes to the financial statements

CBDC Trinity Conception Corporation  
Statement of Financial Position  
Year Ended March 31, 2023

	Operating Fund	Investment Fund	FRAM-ED FUND	2023 Total	2022 Total
<b>Assets</b>					
<b>Current</b>					
Cash	\$ 241,820	-	-	\$ 241,820	\$ 313,378
Cash reserved for investment purposes	-	1,172,874	6,024	1,178,898	525,032
Receivables HST	-	-	-	-	8,829
Other	28,550	-	-	28,550	24,676
Interfund receivable	-	-	211,578	211,578	190,501
Prepaid expenses	2,692	-	-	2,692	2,472
	273,062	1,172,874	217,602	1,663,538	1,064,888
Investment - ACCBIF, Note 5	-	37,500	-	37,500	37,500
RRRF loans receivable, Note 4	-	1,212,825	-	1,212,825	1,243,125
Investments - Loan Advances, Note 3	-	9,485,574	119,219	9,604,793	9,479,111
	\$ 273,062	\$ 11,908,773	\$ 336,821	\$ 12,518,656	\$ 11,824,624
<b>Liabilities</b>					
<b>Current</b>					
Payables and accruals	\$ 44,946	\$ 6,300	-	\$ 51,246	\$ 47,308
Deferred revenue, Note 13	-	-	-	-	30,655
Current portion payable to NLACBDC	-	14,307	-	14,307	18,973
Current portion of ACCBIF loan, Note 10	-	415,287	-	415,287	543,251
Interfund payable	45,862	165,715	-	211,577	190,501
	90,808	601,609	-	692,417	830,688
<b>Long Term</b>					
Payable to NLACBDC	-	32,724	-	32,724	42,224
RRRF loans due to AACBDC, Note 9	-	1,220,625	-	1,220,625	1,243,125
ACCBIF loan, Note 10	-	3,034,313	-	3,034,313	2,947,148
	-	4,287,662	-	4,287,662	4,232,497
<b>FUND BALANCES</b>					
Surplus - Restricted, Note 7	-	7,019,502	336,820	7,356,322	6,537,118
Surplus - Unrestricted	182,254	-	-	182,254	224,321
	182,254	7,019,502	336,820	7,538,576	6,761,439
	\$ 273,062	\$ 11,908,773	\$ 336,820	\$ 12,518,656	\$ 11,824,624

Commitments (Note 12)

On Behalf of the Board:

 Chairperson

See accompanying notes to the financial statements

CBDC Trinity Conception Corporation  
Statement of Cash Flow  
Year Ended March 31, 2023

	Operating Fund	Investment Fund	FRAM-ED Fund	2023	Total	2022 Total
<b>Operating activities</b>						
Excess (deficiency) of revenue over expenses	(42,067)	808,423	10,781		777,137	351,686
Loan loss provision (recovery)	-	(67,808)	(494)		(68,302)	333,446
Changes in:						
Receivables						
HST	8,829	-	-		8,829	-
Other	(7,241)	3,367	-		(3,874)	(6,270)
RRRF loans receivable	-	30,300	-		30,300	(63,750)
Inter fund receivable	-	-	(21,077)		(21,077)	(18,577)
Prepaid expense	(220)	-	-		(220)	(53)
Payables and accruals	2,856	(13,083)	-		(10,227)	1,930
Deferred revenue	(30,655)	-	-		(30,655)	6,950
RRRF loans due to AACBDC	-	(22,500)	-		(22,500)	53,750
Inter fund payable	(3,060)	24,137	-		21,077	18,577
	(71,558)	762,836	(10,790)		680,488	677,689
<b>Financing activities</b>						
ACCBIF loan proceeds	-	500,000	-		500,000	1,000,000
ACCBIF loan repayments	-	(540,800)	-		(540,800)	(1,036,838)
	-	(40,800)	-		(40,800)	(36,838)
<b>Investing activities</b>						
Investment advances	-	(1,643,205)	-		(1,643,205)	(2,402,444)
Investment repayments	-	1,575,026	10,799		1,585,825	2,057,477
	-	(68,179)	10,799		(57,380)	(344,967)
<b>Increase in cash and cash equivalents</b>	(71,558)	653,857	9		582,308	295,884
<b>Cash and cash equivalents, beginning of period</b>	313,378	519,017	6,015		838,410	542,526
<b>Cash and cash equivalents, end of period</b>	\$ 241,820	\$ 1,172,874	\$ 6,024		\$ 1,420,718	\$ 838,410
<b>Consists of:</b>						
Cash	241,820	-	-		241,820	313,378
Cash reserved for investment purposes	-	1,172,874	6,024		1,178,898	525,032
	241,820	1,172,874	6,024		1,420,718	838,410

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



## **1. NATURE OF OPERATIONS**

CBDC Trinity Conception Corporation's (CBDC TC) mission statement is to provide entrepreneurs with financial assistance, business counselling and development. It is governed by a volunteer Board of Directors comprised of business leaders from Baccalieu Trail. The Corporation provides business support in the areas of start-up, expansion and modernization.

CBDC Trinity Conception Corporation's (CBDC TC) is a community-based and community-controlled Corporation with a mandate to provide lending and other investment to small businesses in the Trinity Conception area who have had difficulty obtaining financing from conventional sources. CBDC TC is incorporated under the Newfoundland Companies Act as a not-for-profit Corporation and as such, is exempt from income tax by virtue of Paragraph 149(1)(1) of the Income Tax Act.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of accounting**

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

### **Fund Accounting**

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

The Operating Fund accounts for the Corporation's program delivery and administrative activities. This fund reports unrestricted resources and operating contributions.

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 one year or less. Bank borrowings are considered to be financing activities.

### **Tangible Capital Assets**

Contributed capital assets are recorded at fair value at the date of contribution. All capital assets are purchased from government assistance and are considered an expenditure in the year of acquisition.

### **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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Use of estimates**

The preparation of the Corporation's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CBDC TRINITY CONCEPTION CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2023**

**3. LOANS**

	<u>2023</u>	<u>2022</u>
Loans - Investment Fund (excluding RRRF)	\$9,981,646	\$9,946,588
Less allowance for doubtful loans	<u>(496,072)</u>	<u>(597,000)</u>
	<u>\$9,485,574</u>	<u>\$9,349,588</u>
Loans - Fram-Ed Fund	\$125,183	\$135,981
Less allowance for doubtful loans	<u>(5,964)</u>	<u>(6,458)</u>
	<u>\$119,219</u>	<u>\$129,523</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, 2023 are 22 (2022 - 14) delinquent loans totaling \$ 1,327,577 (2022 - \$838,097) of which \$173,043 (2022 - \$163,885) has been allowed for. Management believes the balance of these loans will be collectible.

The principal repayments due over the next year on existing loans receivable totals \$1,394,207 (2022 - \$1,761,099). The current portion is made up of \$ 119,276 (2022 - \$10,621) from the Fram-Ed fund and \$1,274,931 (2022 - \$1,750,478) from the Investment fund.

**LOANS RECEIVABLE**

The loans receivable balance is comprised of:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$10,082,569	\$9,924,216
Loans advanced during the year	1,643,205	2,402,444
Loans repaid during the year	<u>(1,585,825)</u>	<u>(2,057,477)</u>
Recovery of loans written-off	113,015	157,449
Loans written-off during the year	<u>(146,135)</u>	<u>(344,063)</u>
Balance, Principal	10,106,829	10,082,569
Allowance for doubtful accounts	<u>(502,036)</u>	<u>(603,458)</u>
Balance, end of year	<u>\$ 9,604,793</u>	<u>\$ 9,479,111</u>

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$603,458	\$456,626
Loans written-off during the year	<u>(146,135)</u>	<u>(344,063)</u>
Recovery of loans written-off in previous periods	113,015	157,449
Current year's loan loss provision	<u>(68,302)</u>	<u>333,446</u>
Balance, end of year	<u>\$ 502,036</u>	<u>\$ 603,458</u>

**CBDC TRINITY CONCEPTION CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2023**

**3. LOANS (continued)**

**Loan loss provision and bad debt expense:**

	<u>2023</u>	<u>2022</u>
Allowance for doubtful loans at end of year	\$ 502,036	\$ 603,458
Allowance for doubtful loans at beginning of year	603,458	456,626
Change in allowance	<u>(101,422)</u>	<u>146,832</u>
Add: Loans written-off during the year	146,135	344,063
Less: Recovery of loans written-off	113,015	157,449
Net loans written off	<u>33,120</u>	<u>186,614</u>
Total loan loss provision and bad debt expense	<u>\$ (68,302)</u>	<u>\$ 333,446</u>

**4. COVID-19 Relief Loans**

The Corporation along with the other members of the Atlantic Association of CBDC's (AACBDC) were contracted by the Federal government to deliver COVID-19 relief loans to qualifying businesses, the Regional Relief Recovery Fund ("RRRF").

	<u>2023 Total</u>	<u>2022 Total</u>
Balance, beginning of year	\$ 1,691,250	\$ 1,595,000
Loans advanced during the year	-	175,000
Loans repaid during the year	<u>(56,550)</u>	<u>(78,750)</u>
Balance, Principal	1,634,700	1,691,250
Allowance for doubtful loans	<u>(82,625)</u>	<u>(82,625)</u>
Loan forgiveness	<u>(339,250)</u>	<u>(365,500)</u>
Balance, end of year	<u>\$ 1,212,825</u>	<u>1,243,125</u>

During the year, the Corporation recognized an expense of \$10,000 (2022 - \$26,250) for loan forgiveness on the RRRF loans administered. This represents the portion of each loan advanced that qualifies for forgiveness based on the parameters set by the Federal government, up to a maximum of \$10,000 on the original RRRF loan program, further extended to a maximum of \$20,000 if the loanee qualified for the RRRF expansion. The amount recognized as loan forgiveness is offset by guaranteed matching funds from the AACBDC's, which results in no financial impact on the Corporation. The loans are government guaranteed.

**5. INVESTMENT - ACCBIF**

The Corporation advanced \$37,500 as a subscription loan to Atlantic Canada Community Business Investment Fund (ACCBIF) in the form of a promissory note. The note is non-interest bearing and has not set terms of repayment.

**6. CAPITAL ASSETS**

Contributed capital assets are recorded at fair value at the date of contribution. All capital assets are purchased from government assistance and are considered an expenditure in the year of acquisition. The cost of capital assets acquired by the Corporation to date totals \$215,402, with a net cost of \$NIL after government assistance.

Using an amortization policy of five years straight line would result in the following amortization and carry values:

	<b>COST</b>	<b>Accumulated Depreciation</b>	<b>NBV 2023</b>	<b>NBV 2022</b>
Furniture and equipment	\$215,402	\$215,402	\$NIL	\$NIL

**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.

	<b>Investment</b>
Restricted for investing in business:	
Capital contributions received, beginning of year	\$ 6,211,079
Surplus (deficit)	\$ 808,423
End of the year	\$ 7,019,502

**Article of agreement:**

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.

**8. ECONOMIC DEPENDENCE**

The CBDC TC receives an annual contribution from the Atlantic Canada Opportunities Agency to cover operating expenses of the Operating Fund. Although the Corporation is working toward achieving self-sufficiency, the continued operation of the Corporation depends on the receipt of the annual operating contribution.

**9. LONG TERM DEBT - COVID-19 RELIEF LOANS**

	<b>2023</b>	<b>2022</b>
Atlantic Association of CBDC's, non-interest bearing term loan, repayable in monthly instalments equal to the principal repayments received from RRRF loanees.	\$ 1,220,625	\$ 1,243,125

The RRRF debt from the Atlantic Association of CBDC's is reported net of loan forgiveness of \$339,250 (2022 - \$365,500) which is equal to the loan forgiveness granted to recipients of these loans. Given that the principal repayments are contingent upon repayments received on the corresponding loans, no current portion has been recorded as the amount is not determinable.

**CBDC TRINITY CONCEPTION CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2023**

**10. LONG TERM DEBT - ACCBIF**

ACCBIF lends money to CBDCs Investment Funds throughout Atlantic Canada. To be a member 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>2023</u>	<u>2022</u>
Atlantic Canada Community Business Investment fund loan repayable in monthly instalments of \$50,000 including interest at 1.6%. Matures April 1, 2029. Secured by a general service agreement in favour of ACCBIF and a promissory note.	<b>\$ 3,449,600</b>	<b>\$ 3,490,399</b>
Less: current portion	<b>415,287</b>	<b>543,251</b>
	<b><u>\$3,034,313</u></b>	<b><u>\$2,947,148</u></b>

Principal repayments over each of the next five years are as follows: 2024 - \$415,287; 2025 - \$555,513; 2026 - \$564,467; 2027 - \$573,565; and 2028 - \$582,809.

**11. FINANCIAL INSTRUMENTS**

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

**Credit risk**

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

The maximum credit risk exposure at March 31, 2023 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 the Trinity Conception area of Newfoundland and Labrador.

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 Corporation may not have cash available to satisfy financial liabilities as they come due. To mitigate this risk, the Corporation 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 Corporation segregates market risk into two categories: fair value risk and interest rate risk. The Corporation is exposed to interest rate risk.

**11. FINANCIAL INSTRUMENTS (continued)**

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

**12. COMMITMENTS**

On April 1, 2020, the Corporation entered into a lease for premises rental at the rate of \$4,583 per month plus HST. The lease expires on March 31, 2029 pending funding and to be renegotiated on April 1, 2023 and April 1, 2026.

**13. DEFERRED REVENUE**

The balance in deferred revenue from March 31, 2022 was related to AES Linkages funding. This balance has been recognized into income during the March 31, 2023 year.

**CBDC TRINITY CONCEPTION CORPORATION**  
**Schedule 1 ALLOWANCE FOR LOAN IMPAIRMENT**  
**March 31, 2023**

	<u>2023</u> Category A	<u>2023</u> Category B	<u>2023</u> Category C	<u>2023</u> Category D	<u>2023</u> Total
<b><u>Investment Fund</u></b>	\$ 6,369,671	\$ 1,607,386	\$ 657,963	\$ 274,397	\$ 8,909,417
<b><u>Youth Fund</u></b>	827,927	159,682	80,481	-	1,068,090
	<u>\$ 7,197,598</u>	<u>\$ 1,767,068</u>	<u>\$ 738,444</u>	<u>\$ 274,397</u>	<u>\$ 9,977,507</u>
<b>Allowance for loan impairment</b>					
<b>Investment Fund</b>	\$ 231,741	\$ 87,121	\$ 26,445	\$ 128,168	\$ 473,475
<b>Youth Fund</b>	20,577	7,984	-	-	28,561
	<u>\$ 252,318</u>	<u>\$ 95,105</u>	<u>\$ 26,445</u>	<u>\$ 128,168</u>	<u>\$ 502,036</u>
<b>Allowance Percentage</b>					5.0%
	<u>2022</u> Category A	<u>2022</u> Category B	<u>2022</u> Category C	<u>2022</u> Category D	<u>2022</u> Total
<b><u>Investment Fund</u></b>	\$ 7,410,865	\$ 1,253,870	\$ 175,958	\$ 219,809	\$ 9,060,502
<b><u>Youth Fund</u></b>	806,511	215,556	-	-	1,022,067
	<u>\$ 8,217,376</u>	<u>\$ 1,469,426</u>	<u>\$ 175,958</u>	<u>\$ 219,809</u>	<u>\$ 10,082,569</u>
<b>Allowance for loan impairment</b>					
<b>Investment Fund</b>	\$ 326,009	\$ 106,039	\$ 8,798	\$ 108,734	\$ 549,580
<b>Youth Fund</b>	35,224	18,654	-	-	53,878
	<u>\$ 361,233</u>	<u>\$ 124,693</u>	<u>\$ 8,798</u>	<u>\$ 108,734</u>	<u>\$ 603,458</u>
<b>Allowance Percentage</b>					6.0%



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**CBDC TRINITY CONCEPTION CORPORATION****Schedule 2 NUMBER OF LOANS APPROVED / UNDER MANAGEMENT**March 31, 2023

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<b>Investment fund</b>	<b>#</b>	<b>2023</b>	<b>#</b>	<b>2022</b>
Total number of investment loans approved	32	<u>\$ 1,898,295</u>	26	<u>\$ 2,402,444</u>
Total number of investment loans under management	157	<u>\$ 10,022,506</u>	140	<u>\$ 9,941,111</u>

**Total Number of Investment Loans Approved:**

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

Newfoundland and Labrador: include FRAM-ED.

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

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

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

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

Excluded for the total are:

Community Development Fund (CDF) loans

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

**Total Number of Active Investment Loans under Management:**

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

Newfoundland and Labrador: include FRAM-ED.

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

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

Excluded from the total are:

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

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**CBDC TRINITY CONCEPTION CORPORATION****Schedule 3 REVENUE AND EXPENSES - SEA PROJECT****March 31, 2023**

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	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Self-employment benefit program	<u>116,825</u>	<u>116,825</u>
<b>Expenses</b>		
Advertising	9,954	8,193
Bank Charges	1,196	1,239
Capital assets purchased from revenue	1,600	1,665
Equipment rental	2,587	-
Insurance	1,732	1,673
Office supplies	7,634	5,772
Professional fees	9,104	15,097
Rent	3,000	3,000
Telephone	4,031	4,188
Travel	3,430	1,240
Wages and benefits	75,825	76,838
<b>Total Expenses</b>	<u>120,093</u>	<u>118,905</u>
<b>Excess (deficiency) of revenue over expenses</b>	<u>(3,268)</u>	<u>(2,080)</u>