

ANNUAL REPORT

2010-2011

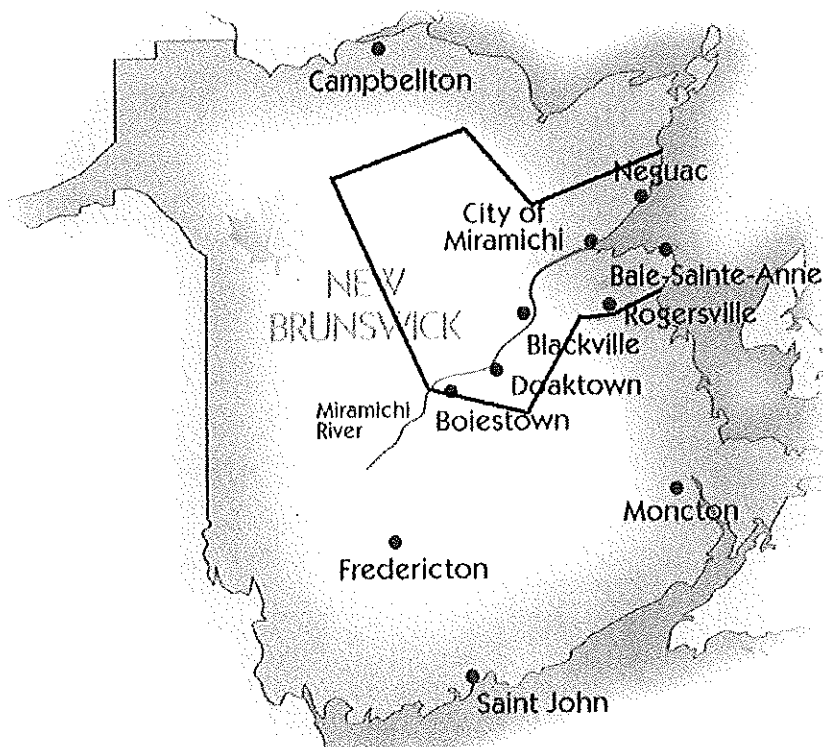


TABLE OF CONTENTS

<i>INTRODUCTION</i>	<i>1</i>
<i>BOARD OF DIRECTORS</i>	<i>2</i>
<i>STAFF</i>	<i>3</i>
<i>CHAIRPERSON'S MESSAGE</i>	<i>4</i>
<i>TECHNICAL ASSISTANCE</i>	<i>7</i>
<i>FINANCIAL ASSISTANCE</i>	<i>9</i>
<i>SELF EMPLOYMENT BENEFIT</i>	<i>12</i>
<i>PERFORMANCE TO DATE</i>	<i>15</i>
<i>ACKNOWLEDGEMENTS</i>	<i>21</i>
<i>AUDITOR'S REPORT</i>	<i>22</i>

INTRODUCTION

CBDC Northumberland Inc. was incorporated on November 25, 1985 to provide financial, managerial and technical assistance to existing and prospective entrepreneurs within the region.

The geographic area in which the Corporation serves consists of Northumberland County excluding the parish of Rogersville, but including that portion of York County that is included in the Upper Miramichi Local Service District.

The Corporation is an independent body, with a full-time staff, and is governed by a board of 10 directors. Control and ownership of the Corporation is vested in its membership.

The Corporation is funded and administered by Atlantic Canada Opportunities Agency, through the **COMMUNITY FUTURES DEVELOPMENT CORPORATION AGREEMENT**.

The Annual Report highlights the major activities of CBDC Northumberland Inc., during its twenty-five years of operation. The report also provides a financial status report on the Corporation, and the nature and scope of its corporate investment to date.

BOARD OF DIRECTORS

The Corporation is governed by a local Board of Directors, who is experienced in business and serves on a volunteer basis. These Directors provide the knowledge and representation necessary to meet the aims and objectives of the Corporation. The Board interacts with all entities both private and public, which can assist in the creation and maintenance of employment. It would not be possible for the Corporation to function within the community without the voluntary efforts of the Board of Directors.

CBDC Northumberland's Board of Directors consists of ten (10) members from throughout Northumberland County.

John Strong	Miramichi	Sector #1
Russel Vye	Miramichi	Sector #1
Ronald Morrison	Miramichi	Sector #2
Alphonse Turbide	Baie Sainte Anne	Sector #2
Jason Hamilton	Lower Derby	Sector #3
Ruby Spencer	Hayesville	Sector #3
Sharon DeRoches	Oak Point	Sector #4
Jeannita Sonier	Neguac	Sector #4
Jason Harris	Miramichi	City of Miramichi
Jamie Best	Miramichi	NBCC Miramichi

STAFF

The staff of CBDC Northumberland Inc. consists of five full-time employees.

J.G. (Greg) McNulty	General Manager
Pauline Tenass	Project Analyst
Jaime Doucet	Project Analyst
Pierre Breau	Project Analyst
Suzie Despres	Administrative Assistant

The Corporation's office is located on Water Street, Miramichi, N.B. The business hours during the months of September 01 to May 31 are from 8:30 a.m. to 4:30 p.m., and during the summer months of June 01 to August 31 are from 8:00 a.m. to 4:00 p.m., Monday to Friday.

Our mailing address is 1773 Water Street, Miramichi, New Brunswick, E1N 1B2. The telephone number is 778-2121, collect calls are accepted. The facsimile number is 778-2224. Our web site is www.cbdcnorthumberland.ca.

CHAIRPERSON'S MESSAGE

CBDC Northumberland Inc. has now completed twenty-five years of operation. In an attempt to summarize our work during the past fiscal year, I will provide an overview of the Corporation's major activities.

During the past twelve (12) month period from April, 2010 to March, 2011, the Corporation received 150 service requests from clients approaching the Corporation for the first time. The assistance thus provided, resulted in the creation/maintenance of a minimum of 139.18 employment positions. As for the number of jobs that were created, I think that it is important to note that CBDC Northumberland Inc. did not create all the above mentioned jobs, but rather these jobs were created by the business people that the Corporation assisted with its' technical and/or financial services.

Under the various programs, we deliver on behalf of the Federal and Provincial governments; there were 24 projects that received direct funding from the Corporation's Investment Fund in the amount of \$1,684,177.00. Under the SEED Capital Program (SEED), there were 18 projects that received funding from the Corporation in the amount of \$268,550.00. Our administration and delivery of the Self Employment Benefit Program (SEB) has resulted in an additional 31 project approvals, resulting in financial assistance of a minimum of \$387,500.00. Each investment was made with the understanding that it would benefit both the business and the community in it's entirety.

As we enter our twenty-six (26th) fiscal year of operation, our focus will continue to be on servicing the business community at an optimal level. This will be accomplished by offering reliable assistance to our clients; adequately and creatively arranging financial packages; and by continuing to improve our relationships with private and public agencies; and thus encourage the local entrepreneur to take advantage of our services.

The last fiscal year has been satisfying in many ways, and we are undertaking the next fiscal year with determination and enthusiasm. I feel we have within our reach all that is required for continued success: an excellent Board of Directors for the coming year, a good working relationship with the different public and private agencies throughout the region, and finally.... the entrepreneurial spirit that is definitely alive on the Miramichi today.

CBDC Northumberland Inc. is a valuable resource for business people and more are utilizing our financial and technical expertise to help start or expand a business. We, through this type of assistance are fulfilling our mandate to help establish and/or expand businesses.

Effective April 01, 1995 the administration of CBDC Northumberland Inc. was transferred to the Atlantic Canada Opportunities Agency (ACOA). This year marks the completion of sixteen full years of operation under ACOA. Their guidance and assistance is greatly appreciated and our endeavors during the past sixteen years have been made easier thanks to their support.

Your Board of Directors consisting of 10 members are knowledgeable in

finance, planning, small business development, vocational training and marketing. The Board is not subject to political influence, and the Board members are selected in such a way as to prevent political factions from gaining undue influence over the policies and programs of the Corporation.

The Board congratulates our staff, General Manager, Greg McNulty, our Project Analysts, Pauline Tenass, Jaime Doucet and Pierre Breau and our Administrative Assistant, Suzie Despres, for their dedication and hard work.

The Board wishes to express its' sincere thanks and appreciation to these key people.

My personal thanks to the Board of Directors for their loyalty over the past year and particularly for choosing me as the Chairperson for the Corporation.

To the Corporation's many clients and the public in general, we urge you to take advantage of our technical and financial services and to support the Corporation in its' quest for the economic development of the region.

Sharon DeRoche,
Chairperson

TECHNICAL ASSISTANCE

INTRODUCTION

The Corporation's technical assistance program may consist of studies, analysis, research, or any other procedure or method that will facilitate the expansion of an existing business, encourage the establishment of a new enterprise or stabilize and protect existing businesses.

We are designed to complement other businesses and economic development programs and services whether they be municipal, provincial, federal, or private sector financial institutions.

OBJECTIVE

The technical assistance provided is based on maximizing the job creation/maintenance potential through counseling to small and medium sized businesses.

TYPES OF ASSISTANCE

We are available to discuss your ideas and will help you to determine the viability of your business venture.

We will assist you in getting your operation underway in an appropriate

manner that will allow you to anticipate future opportunities and avoid foreseeable problems.

We provide information on the various sources of government and non-government financing available to small businesses.

Loan application packages are organized for presentation to the CBDC Board of Directors.

We sponsor seminars that can help you to manage and operate your business more efficiently. These include such topics as: bookkeeping, cash flow management, market and competitor analysis, etc...

We can assist you in reviewing your performance, and in determining how your company measures up in respect to your business plans and forecasts.

We encourage the development of small business in the area, and in some cases may introduce new or existing business opportunities to selected entrepreneurs and investment groups.

FINANCIAL ASSISTANCE

INTRODUCTION

The financial assistance program of CBDC Northumberland Inc. is structured to meet the needs of the community, as perceived by the CBDC Northumberland Inc. Board of Directors, and at the same time to respond to the national objectives of the program.

By definition, the mandate of CBDC Northumberland Inc., is to deal with enterprises which were not able to gain access to the traditional sources of funding. The national requirements preclude competition with financial institutions or the provisions of grants, and require that assisted enterprises have exhausted all available sources of funding such as the Business Development Bank.

OBJECTIVES

The financial assistance provided is based on attaining these principal objectives:

Maximizing the job creation/maintenance potential from each investment; and maximizing the leverage possible from each investment.

TYPE OF ASSISTANCE

The Corporation has available three (3) basic types of funding mechanisms, which can be applied in assisting community enterprises: loans, loan guarantees, and equity capital. These three (3) types of funding mechanisms have been designed in such a way that they offer many advantages to the business community.

CLIENT ELIGIBILITY AND CRITERIA FOR ASSISTANCE

- ✓ Proposed projects must be competently managed with good prospects for viability.
- ✓ The client should have a well-developed business plan.
- ✓ There should be some possibility of maintaining and/or creating jobs within the designated region.
- ✓ The jobs created should primarily benefit Northumberland - Miramichi residents.
- ✓ The business assisted or established must be within the defined geographic area.
- ✓ There should be some degree of third-party financial involvement (another financial institution such as a bank, credit union, Business Development Bank, government program, or general community support.)
- ✓ There must be evidence of reasonable investment by the owner(s).

- ✓ Assistance provided by CBDC Northumberland Inc. must be necessary for the success of the project.

AMOUNT OF ASSISTANCE AVAILABLE

Financial assistance to a maximum of \$150,000.00 per business owner at any one time, is available through the CBDC Northumberland Inc. loan program.



SELF EMPLOYMENT BENEFIT

WHAT IS IT?

The Self Employment Benefit Component of the Workforce Expansion Program is a tool that will help individuals to create jobs for themselves through self-employment, by providing them with various types of support during the period when they start up a business. Assistance can include coaching, ongoing technical advice and financial support. Coaching will be tailored to your needs and can include subjects such as business plan development, accounting, and marketing.

WHO CAN APPLY?

To be eligible for Self Employment, you must meet the following conditions:

- 1) Have an established Employment Insurance (EI) Benefits claim, or one that has ended within the last 3 years, or have received maternity or parental benefits within the last 5 years after which you remained out of the labour market, to care for a child and are now seeking to re-enter the labour force;
- 2) Attend an orientation session with the coordinator in the area and provide him/her with a completed Personal Information Sheet;
- 3) Agree to provide a business plan within a reasonable period of time;
- 4) Agree to work full-time at the business (at least 35 hours per week).

ELIGIBILITY CRITERIA

Business started under the Self Employment Benefit Component must meet the following general criteria:

- 1) Applicants must be unemployed, eligible to work in Canada, and not a full time student;
- 2) Businesses deemed to be in undue competition with existing ventures will not be eligible for funding;
- 3) The business must be established in New Brunswick and begin operation within 10 weeks of signing a Self Employment Benefit contract;
- 4) The applicant and/or family members cannot own any similar business of which the new venture might be considered a natural extension;
- 5) In order to qualify, you must have a large measure of independent control over your business operation. For example, commissioned salespersons, pyramid-type selling, franchises in excess of \$50,000.00, and 1-900 numbers do not qualify;
- 6) Seasonal operations do not qualify.
- 7) Applicants must provide additional capitalization to the business at a minimum of 20% of the business start-up costs. In-kind contributions can be considered for equity purposes;
- 8) The business must be suitable for public funding and not exploit sex, religion or politics;

- 9) Applicants that have previously received funding under the Entrepreneur Program or the Self Employment Benefit Program in the last 5 years are ineligible for funding;
- 10) Credit review must be acceptable to Department of Post-Secondary Education, Training, and Labour representative.

WHAT FINANCIAL ASSISTANCE WILL YOU RECEIVE?

Under the Self Employment Benefit, if you are receiving or are eligible for Employment Insurance Benefits (EI), you will continue to receive these benefits until your claim ends. At that time, you will receive support at a rate provincially determined for the duration of time you are on Self Employment Benefits.

If you are eligible for Self Employment Benefits but not receiving EI Benefits, you will receive a provincially established rate. A Post-Secondary Education, Training and Labour official or the coordinator in your area can provide you with additional information on what support may be available to you.

SELF
EMPLOYMENT
**SELF-
EMPLOYMENT**

PERFORMANCE TO DATE

Since our inception, CBDC Northumberland Inc. has proven to be a very beneficial factor in the entrepreneurial development of Northumberland County.

We are confident that the promotion of our Corporation under our new acronym of "CBDC Northumberland Inc.", as one of the 41 Community Business Development Corporations located throughout Atlantic Canada, coupled with our new office location on Water Street, has result in a higher public profile for us, as is reflected by the increased demand for the programs we deliver to the general public.

The following tables provide an overview of our assistance provided in the form of jobs created, maintained and dollars invested in the County. Table "C" details investment fund results since inception (October, 1986 to March 31, 2011). Table "B" details investment fund results for the past 12 months (April, 2010 to March, 2011).

Table "C" provides a complete recap of CBDC Northumberland Inc. statistics since inception. As well, as Table "B" provides the statistical results for the past twelve months ending March 31, 2011. Table "A" outlines the many jobs created/ maintained through our investment fund, SEED program, and SEB program, as well as providing a recap of both investment and operating funds received from government.

CBDC's service area being Northumberland County has a population base of 49,000 residents. We believe this population base is sufficient to enable us to obtain our goal of \$1.6 to 1.9 million in new loans each year.

A review of Table " A " shows that since inception in October, 1986 CBDC Northumberland Inc. has disbursed *\$18,334,246.00* in loans into Northumberland County and levered an additional *\$19,144,748.00* for a combined investment of *\$37,478,994.00*. This investment resulted in the creation/maintenance of *1,749.19* jobs resulting in CBDC's cost per job of *\$10,481.56*.

Since inception in October 1986 to March 31, 2011, the Corporation has received *\$2,167,301.00* in investment funds from the federal government, from which we have approved loans totaling *\$18,334,246.00*. Our bad debts for the same period totaled *\$2,893,066.00* for a write off percentage of *16%*.

All CBDC loans granted are in the form of term loans with various length of amortization. Our interest rates are adjusted on an annual base, on the anniversary date of each loan.

Our interest rate is established based on the Business Development Bank's one year base rate +2%. However our lowest interest rate is set at a *10%* minimum. We believe our interest rate policy allows us to maximize our return on our investment fund, while still offering our loan clients a fair interest rate based on the prevailing loan rates at any given point in time.

TABLE " A "

CBDC LOAN PORTFOLIO			
	YEAR 1 to 24 Years	YEAR ENDING 31/03/11	TOTAL 1 to 25 Years
Loan Approved	506	25	531
# Loans Disbursed	411	24	435
Amount Disbursed	16,650,069	1,684,177	18,334,246
Funds Leveraged	17,423,042	1,093,000	18,516,042
Jobs Created/Maintained	1,601.18	139.18	1,740.36
Loans Outstanding	5,527,088	6,553,009	6,553,009
Funds Available	814,537	(148,437)	(148,437)
Total Investment Fund	6,341,625	6,404,572	6,404,572
Loans Written Off	2,822,485	70,581	2,893,066
Interest Revenue	4,471,262	519,158	4,990,420
Principal Repaid	8,484,683	587,114	9,071,797
Average Interest Rate	10%	10%	

SEB PROGRAM			
	YEAR 1 to 24 Years	YEAR ENDING 31/03/11	TOTAL 1 to 25 Years
Reviewed	1,138	44	1,182
Approved	807	31	838
Jobs Created/Maintained	387.5	53.46	440.96
Amount Disbursed	4,106,250	387,500	4,493,750

TABLE " A "

SEED CAPITAL			
	YEAR 1 to 24 Years	YEAR ENDING 31/03/11	TOTAL 1 to 25 Years
Loan Approved	213	16	229
# Loans Disbursed	182	18	200
Amount Disbursed	2,718,300	268,550	2,986,850
Funds Leveraged	4,462,677	316,000	4,778,677
Jobs Created/Maintained	283.60	26.66	310.26
Interest Revenue	301,206	61,940	363,146
Loans Outstanding	1,196,787	1,211,442	1,211,442
Funds Available	122,656	127,571	127,571
Total Investment Fund	1,319,443	1,339,013	1,339,013

TABLE B
FINANCIAL ASSISTANCE
SECTOR BREAKDOWN - LOANS DISBURSED
DISBURSED – 12 MONTHS ENDED MARCH 31, 2011

INVESTMENT					
SECTOR	CBDC	CLIENT	FINANCIAL INSTITUTION	GOVERNMENT	TOTAL
Agriculture	\$50,000.00	\$0	\$0	\$580,000.00	\$630,000.00
Aquaculture	\$0	\$0	\$0	\$0	\$0
Health Care	\$225,898.00	\$20,000.00	\$6,500.00	\$12,500.00	\$264,898.00
Contracting	\$80,000.00	\$0	\$0	\$12,500.00	\$92,500.00
Transportation	\$43,948.00	\$0	\$0	\$0	\$43,948.00
Manufacturing	\$150,000.00	\$0	\$0	\$0	\$150,000.00
Service	\$628,500.00	\$25,000.00	\$0	\$62,500.00	\$716,000.00
Retail	\$221,000.00	\$29,000.00	\$0	\$0	\$250,000.00
Food Service/Tourism	\$284,831.00	\$45,000.00	\$300,000.00	\$0	\$629,831.00
Knowledge Based	\$0	\$0	\$0	\$0	\$0
Total	\$1,684,177.00	\$119,000.00	\$306,500.00	\$667,500.00	\$2,777,177.00

TABLE B
FINANCIAL ASSISTANCE
SECTOR BREAKDOWN – JOB CREATION/MAINTENANCE
DISBURSED – 12 MONTHS ENDED MARCH 31, 2011

SECTOR	JOB CREATION			JOB MAINTENANCE			TOTAL
	FULL TIME	PART TIME	SEASONAL	FULL TIME	PART TIME	SEASONAL	
Agriculture	0	0	0	0	0	32.5	32.5
Health Care	3	0	0	1.5	0	0	4.5
Forestry	0	0	0	0	0	0	0
Transportation	0	0	0	0	0	0	0
Manufacturing	0	0	0	7	0	0	7
Service	43	0	0	15.5	0	0	58.5
Wholesale / Retail	0	0	0	4	0	0	4
Food Service/Tourism	6.5	0	0	22.5	0	0	29
Contracting	3.68	0	0	0	0	0	3.68
Knowledge Based	0	0	0	0	0	0	0
Total	56.18	0	0	50.5	0	32.5	139.18

TABLE C
FINANCIAL ASSISTANCE
SECTOR BREAKDOWN - LOANS DISBURSED
OCTOBER, 1986 TO MARCH 31, 2011

INVESTMENT

SECTOR	CBDC	CLIENT	FINANCIAL INSTITUTION	GOVERNMENT	TOTAL
Agriculture	\$140,020	\$0	\$300,000	\$580,000	\$1,020,020
Aquaculture	\$191,000	\$55,395	\$0	\$430,466	\$676,861
Health Care	\$1,471,367	\$118,250	\$766,500	\$239,300	\$2,595,417
Forestry	\$281,000	\$57,693	\$289,850	\$179,697	\$808,240
Transportation	\$175,948	\$60,000	\$322,000	\$0	\$557,948
Knowledge Based	\$201,500	\$26,000	\$33,000	\$425,000	\$685,500
Manufacturing	\$1,390,380	\$550,671	\$780,000	\$752,109	\$3,473,160
Contracting	\$570,500	\$118,420	\$0	\$45,000	\$733,920
Service	\$7,559,030	\$2,121,676	\$2,441,516	\$976,885	\$13,099,107
Retail	\$3,569,679	\$996,933	\$1,036,014	\$307,000	\$5,909,626
Food Service/Tourism	\$2,783,822	\$2,093,923	\$2,282,013	\$759,437	\$7,919,195
Total	\$18,334,246	\$6,198,961	\$8,250,893	\$4,694,894	\$37,478,994

TABLE C
FINANCIAL ASSISTANCE
SECTOR BREAKDOWN – JOB CREATION/MAINTENANCE
OCTOBER, 1986 TO MARCH 31, 2011

INVESTMENT

SECTOR	FULL TIME	PART TIME	SEASONAL	TOTAL
Agriculture	0	0	32.5	32.5
Aquaculture	6.5	0.5	3.67	10.67
Health Care	91	2	0	93
Forestry	6	0	124	130
Transportation	7.5	0	0	7.5
Knowledge Based	78	0	0	78
Manufacturing	118.5	7.5	130	256
Contracting	15.69	0	6	21.69
Service	513.5	89.5	37	640
Retail	207.83	45.5	6	259.33
Food Service/Tourism	152.5	38.5	29.5	220.5
Total	1,197.02	183.5	368.67	1,749.19

ACKNOWLEDGEMENTS

The Board of Directors and staff of CBDC Northumberland Inc. wish to offer "Special Thanks" to the following people and organizations that have greatly contributed to our Corporation's success.

- ❑ Atlantic Canada Opportunities Agency
- ❑ Business Associations
- ❑ Business Development Bank
- ❑ Chambers of Commerce
- ❑ Community Business Development Corporations (CBDC's)
- ❑ Enterprise Miramichi
- ❑ Membership of the Corporation
- ❑ Other Financial Institutions
- ❑ Our Professional Advisors
- ❑ Service Canada
- ❑ Various Federal and Provincial Government Agencies



Financial Statements

CBDC Northumberland Inc.

March 31, 2011

Contents

	Page
Independent Auditors' Report	1
Statements of Revenue and Expenditure (Operating Fund)	3
Statements of Revenue and Expenditure (Investment and SEED Funds)	4
Statements of Surplus	5
Balance Sheet	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-13

Independent auditor's report

Grant Thornton LLP
135 Henry Street
Miramichi, NB
E1V 2N5
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 balance sheet as at March 31, 2011, and the statement of revenue and expense and surplus 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 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 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 2. 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.

Financial reporting for financial instruments – recognition and measurement has not been adopted. No election has been made by management on how to report the financial assets and liabilities of the company.

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, 2011, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

City of Miramichi, New Brunswick

June 23, 2011

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

Chartered Accountants

CBDC Northumberland Inc.
Statements of Revenue and Expenditure
Operating Fund

Year Ended March 31	2011 Budget	2011 Actual	2010 Actual
Revenues			
ACOA operating grant	\$ 226,400	\$ 226,400	\$ 226,400
Self Employment			
Assistance grant	131,660	110,541	110,092
Interest income	-	9	187
Financial assistance	-	16,842	6,307
Y.E.D.I. Program	-	-	(18,332)
Entrepreneurship Program	-	-	-
Other revenues	1,400	1,255	6,613
	<u>359,460</u>	<u>355,047</u>	<u>331,267</u>
Expenditures			
Advertising	14,400	9,282	17,964
Bank charges	1,380	2,784	1,399
Depreciation	-	5,582	6,511
Dues and fees	3,000	2,695	3,161
Employee training	2,000	-	-
Equipment rental	5,545	4,788	5,766
Insurance	4,505	4,538	4,203
Miscellaneous	9,192	8,129	8,517
Office supplies	5,600	5,854	5,955
Professional fees	17,500	13,034	12,567
Rent	33,180	33,409	33,701
Repairs and maintenance	12,696	12,524	12,460
Self-employment training	26,152	8,439	9,341
Telephone	14,280	15,245	15,776
Travel and board meetings	21,600	15,421	22,416
Utilities	3,840	4,056	4,564
Wages and benefits	277,831	272,970	273,786
	<u>452,701</u>	<u>418,750</u>	<u>438,087</u>
Excess revenues over expenditures (expenditures over revenues)	\$ (93,241)	\$ (63,703)	\$ (106,820)

See accompanying notes to the financial statements.

CBDC Northumberland Inc.
Statements of Revenue and Expenditure
Investment and SEED Funds

Year Ended March 31	Investment Fund		SEED Fund	
	2011	2010	2011	2010
Revenues				
Interest income	\$ 535,223	\$ 498,589	\$ 64,050	\$ 58,563
Provision from ACOA				
For loan losses	-	-	-	42,858
	<u>535,223</u>	<u>498,589</u>	<u>64,050</u>	<u>101,421</u>
Expenses				
Bank charges	3,635	2,830	1,817	1,938
Interest (ACCBIF)	35,039	41,056	-	-
Repayment to ACOA	-	-	16,049	-
Loan loss provision (Note 7)	<u>220,564</u>	<u>284,219</u>	<u>112,174</u>	<u>42,858</u>
	<u>259,238</u>	<u>328,105</u>	<u>130,040</u>	<u>44,796</u>
Excess revenues over expenditures				
(expenditures over revenues)	\$ <u>275,985</u>	\$ <u>170,484</u>	\$ <u>(65,990)</u>	\$ <u>56,625</u>

See accompanying notes to the financial statements.

CBDC Northumberland Inc. Statements of Surplus

Year Ended March 31

Operating Fund

	<u>2011</u>	<u>2010</u>
Surplus, beginning of year	\$ 12,398	\$ 119,218
Excess of expenditure over revenues (expenditures over revenues) (Page 3)	<u>(63,703)</u>	<u>(106,820)</u>
Surplus (deficit), end of year	<u>\$ (51,305)</u>	<u>\$ 12,398</u>

Investment Fund

	<u>2011</u>	<u>2010</u>
Surplus, beginning of year	\$ 1,452,604	\$ 1,282,120
Excess of revenues over expenditures (Page 4)	<u>275,985</u>	<u>170,484</u>
Surplus, end of year	<u>\$ 1,728,589</u>	<u>\$ 1,452,604</u>

SEED Fund

	<u>2011</u>	<u>2010</u>
Surplus, beginning of year	\$ 230,929	\$ 174,304
Adjustment for loan losses	(663,968)	-
Excess of revenues over expenditures (expenditures over revenues) (Page 4)	<u>(65,990)</u>	<u>56,625</u>
Surplus (deficit), end of year	<u>\$ (499,029)</u>	<u>\$ 230,929</u>

See accompanying notes to the financial statements.

CBDC Northumberland Inc. Balance Sheet

March 31	Operating Fund	Investment Fund	SEED Fund	2011 Total	2010 Total
Assets					
Current					
Cash and					
term deposits	\$ (5,565)	\$ (148,437)	\$ 127,571	\$ (26,431)	\$ 893,697
Receivables					
Interest & fees	-	93,936	19,381	113,317	89,455
Government grant	27,802	-	-	27,802	27,683
Other	6,689	-	-	6,689	7,514
Inter-fund receivable	-	100,000	11,247	111,247	11,247
Prepaid expenses	2,734	-	-	2,734	2,674
	<u>31,660</u>	<u>45,499</u>	<u>158,199</u>	<u>235,358</u>	<u>1,032,270</u>
ACOA receivable					
Loan losses	-	-	-	-	663,968
Loans (Note 3)	-	6,104,911	977,995	7,082,906	6,267,626
Other investments (Note 4)	-	37,500	-	37,500	37,500
Capital assets (Note 5)	<u>36,282</u>	<u>-</u>	<u>-</u>	<u>36,282</u>	<u>41,864</u>
	<u>\$ 67,942</u>	<u>\$ 6,187,910</u>	<u>\$ 1,136,194</u>	<u>\$ 7,392,046</u>	<u>\$ 8,043,228</u>
Liabilities					
Current					
Payable and accrual	\$ 8,000	\$ 2,861	\$ 16,049	\$ 26,910	\$ 15,761
Inter-fund payable	111,247	-	-	111,247	11,247
Current portion of long					
term debt (Note 10)	-	448,739	-	448,739	445,044
	<u>119,247</u>	<u>451,600</u>	<u>16,049</u>	<u>586,896</u>	<u>472,052</u>
Long term debt (Note 10)	-	1,840,420	-	1,840,420	2,088,770
	<u>119,247</u>	<u>2,292,020</u>	<u>16,049</u>	<u>2,427,316</u>	<u>2,560,822</u>
Equity					
Fund balances					
Restricted (Note 6)					
Capital contributions	-	2,167,301	1,619,174	3,786,475	3,786,475
Surplus (deficit)	-	1,728,589	(499,029)	1,229,560	1,683,533
Unrestricted (Page 5)	<u>(51,305)</u>	<u>-</u>	<u>-</u>	<u>(51,305)</u>	<u>12,398</u>
	<u>(51,305)</u>	<u>3,895,890</u>	<u>1,120,145</u>	<u>4,964,730</u>	<u>5,482,406</u>
	<u>\$ 67,942</u>	<u>\$ 6,187,910</u>	<u>\$ 1,136,194</u>	<u>\$ 7,392,046</u>	<u>\$ 8,043,228</u>

Commitments (Note 13)

See accompanying notes to the financial statements.

On Behalf of the Board

_____ Director

_____ Director

CBDC Northumberland Inc.

Statement of Cash Flows

Year Ended March 31

2011

2010

Cash derived from (applied to)

Operating

Combined excess of revenues over expenditures	\$ 146,292	\$ 120,289
Depreciation	5,582	6,511
Loan loss provisions	<u>332,738</u>	<u>327,077</u>
	484,612	453,877
Change in		
Receivables	(20,306)	23,673
Provision from ACOA	-	(42,858)
Prepaid expenses	(60)	(303)
Payables and accruals	<u>11,149</u>	<u>(2,678)</u>
	<u>475,395</u>	<u>431,711</u>

Investing

Investment in loans	(1,952,727)	(1,536,588)
Repayment of loans	<u>801,859</u>	<u>1,159,968</u>
	<u>(1,150,868)</u>	<u>(376,620)</u>

Financing

Borrowings from ACCBIF	200,000	600,000
Repayment of ACCBIF	(444,655)	(436,186)
Restricted fund contribution	-	88,326
	<u>(244,655)</u>	<u>252,140</u>

Net increase (decrease) in cash (920,128) 307,231

Cash and term deposits

Beginning of year	<u>893,697</u>	<u>586,466</u>
End of year	<u>\$ (26,431)</u>	<u>\$ 893,697</u>

See accompanying notes to the financial statements.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2011

1. Nature of operations

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. Summary of significant accounting policies

Fund accounting

CBDC Northumberland Inc. follows the restricted fund method of accounting for the Investment and SEED Funds.

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 and SEED Funds report all restricted resources of the Investment and SEED funds. The investment income resulting from investing activities is retained in both the Investment Fund and the SEED 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.

Capital assets

Purchased capital assets are recorded at cost. Depreciation is provided on a straight line basis at the rates indicated in Note 5.

Revenue and expenditure recognition

Revenue and expenditures are recognized on an accrual basis. Accruals of interest income are not recorded on non-performing loans.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2011

2. Summary of significant accounting policies (continued)

Provision for loan losses

Provision for loan losses in both the Investment and SEED portfolios is determined based on criteria outlined by the Government of Canada.

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.

100% allowance for doubtful debt should be in place for all category "C" and "D" loan accounts.

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.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2011

2. Summary of significant accounting policies (continued)

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.

3. Loans

	<u>2011</u>		<u>2010</u>	
	<u>Investment</u>	<u>SEED</u>	<u>Investment</u>	<u>SEED</u>
Loans	\$ 6,553,010	\$ 1,211,442	\$ 5,527,088	\$ 1,196,787
Less provision for loan losses	<u>(448,099)</u>	<u>(233,447)</u>	<u>(298,117)</u>	<u>(158,132)</u>
	<u>\$ 6,104,911</u>	<u>\$ 977,995</u>	<u>\$ 5,228,971</u>	<u>\$ 1,038,655</u>

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

Investment

Included in the loans receivable at March 31, 2011 are delinquent loans totalling \$1,552,221 (2010 - \$727,824) of which \$448,099 (2010 - \$298,117) has been allowed for. Management believes the balance of these loans will be collectable.

SEED

Included in the loans receivable at March 31, 2011 are delinquent loans totalling \$314,793 (2010 - \$176,694) of which \$233,447 (2010 - \$158,132) has been allowed for. Management believes the balance of these loans will be collectable.

4. Other investments

The corporation has made an investment in the Atlantic Canada Community Business Investment Fund. The investment is non interest bearing and has a duration of ten 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.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2011

5. Capital assets				<u>2011</u>	<u>2010</u>
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated</u>	<u>Net</u>	<u>Net</u>
			<u>Depreciation</u>	<u>Book Value</u>	<u>Book Value</u>
Computer equipment	3 years	6,049	6,049	-	-
Leasehold					
Improvements	10 years	55,819	19,537	36,282	41,864
Office equipment	5 years	<u>7,484</u>	<u>7,484</u>	-	-
		<u>\$ 69,352</u>	<u>\$ 33,070</u>	<u>\$ 36,282</u>	<u>\$ 41,864</u>

6. Externally restricted funds

Investment and SEED Funds

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

	<u>Investment</u>	<u>SEED</u>
Restricted for investing in business		
Capital contributions from ACOA	\$ 2,167,301	\$ 1,619,174
Adjustment for loan losses	-	(663,968)
Accumulated surpluses	<u>1,728,589</u>	<u>164,939</u>
End of the year	<u>\$ 3,895,890</u>	<u>\$ 1,120,145</u>

The net assets of the Investment and SEED Funds are restricted by the ACOA to use only for financial investment to business clients in the area served by CBDC Northumberland Inc. All investment income earned by the organization from net assets of the Investment Fund and the SEED fund must be reinvested in the fund, unless authorized in writing by ACOA and cannot be used to cover administrative expenses of the organization.

The requirement that all capital contributions from ACOA to CBDC Northumberland Inc. for the SEED program be repayable upon expiration of the program has been rescinded as of March 31, 2011. The calculations associated with this SEED capital repayment have been replaced. Under the current arrangement, SEED debt is to be taken into equity and the new repayment calculation is based on the SEED cash balance as at February 28, 2011, less the average quarterly loan disbursements over the past 12 quarters. The estimated balance owing to ACOA at March 31, 2011 is \$16,049.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2011

7. Loan loss provision	<u>2011</u>		<u>2010</u>	
	<u>Investment</u>	<u>Seed</u>	<u>Investment</u>	<u>Seed</u>
Loans written off in current year	\$ 71,141	\$ 38,734	\$ 378,720	\$ 44,787
Amount of these loans included in provision for loan losses in prior year	<u>(70,000)</u>	<u>(19,609)</u>	<u>(303,171)</u>	<u>(24,825)</u>
Loan losses not previously allowed for	1,141	19,125	75,549	19,962
Adjustment to bring provision for loan losses to an estimated amount required for current year (including loan recoveries)	<u>219,423</u>	<u>93,049</u>	<u>208,670</u>	<u>22,896</u>
	<u>\$ 220,564</u>	<u>\$ 112,174</u>	<u>\$ 284,219</u>	<u>\$ 42,858</u>

8. Economic dependence

The corporation receives an annual operating contribution from ACOA.

9. Surplus - operating fund

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

10. Long-term debt	<u>2011</u>	<u>2010</u>
Atlantic Canada Community Business Investment term loan, interest at 1.5% per annum, maturing in 2016. Payable in equal monthly instalments of \$40,000 including interest. Promissory note provided as security.	\$ 2,289,159	\$ 2,533,814
Less: current portion	<u>448,739</u>	<u>445,044</u>
	<u>\$ 1,840,420</u>	<u>\$ 2,088,770</u>

Principal repayments for the next five years are expected as follows: 2012 - \$448,739, 2013 - \$455,516, 2014 - \$462,396, 2015 - \$469,380, 2016 - \$453,125.

CBDC Northumberland Inc.

Notes to the Financial Statements

March 31, 2011

11. Bank indebtedness

The Company has an authorized line of credit of \$200,000 bearing interest at prime rate plus 0.9%. 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 of \$25,000 bearing interest at prime rate plus 3%. None was used at year end. The line of credit is unsecured.

12. Financial instruments

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair value of the Company's cash, term deposits, current receivables, current payables, accrued interest on loans and accrued liabilities is approximate to their carrying amounts because of their short term to maturity.

The fair values of loans have not been calculated as it is not practicable within constraints of timeliness or cost to determine the amounts with sufficient reliability. In determining fair market value of the loan portfolio, one must factor in price, credit, liquidity, and cash flow risk. In order to properly determine credit risk (Note 2), one would have to review each loan individually and determine the risks associated with that particular loan file at the year end date. The credit risk is then calculated by the difference between the current interest rate on that loan and the going market rate of loan with similar characteristics. In management's opinion, the difference between fair values and book values of the loan portfolio would not be significant.

13. Commitments

The company is party to an agreement to lease office space for \$2,726 plus HST per month (\$32,712 per year). The agreement is subject to an escalation clause of up to 3% per year for inflation until 2018.

During the year, the company committed to disburse \$190,000 of loans for which conditions of disbursements were not met by the borrower as of March 31, 2011.
