



Community Business Development Corporation
Corporation au bénéfice du développement communautaire
Charlotte/Kings

2010-2011

Annual Report



Investing in the
Entrepreneurial Spirit

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Vision Statement

To encourage, stimulate and facilitate entrepreneurial development in Charlotte, Kings and rural Saint John Counties.

The Mission

To be a partner in job creation and financing, counselling and skill development to assist the small to medium business/owners enterprises located in Charlotte, Kings and rural St. John Counties.



Our Services

BUSINESS LOANS

Introductions

By Definition, the CBDC's mandate is to finance businesses that were not to have access to traditional sources of funding and that meet the Corporation's criteria for loan assistance. The national requirements of the program preclude competition with financial institutions. Loans can be made up to the maximum of \$150,000.00/business.

Objectives

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

- 1) Creating or maintaining jobs in Charlotte, Kings and St. John counties.
- 2) Providing income from the Corporation to enable it to assist clients financially.
- 3) Maximizing the leverage possible from each investment

Criteria for Loan Assistance

- 1) The business must show reasonable chances of viability, and must demonstrate that an acceptable market exists for its products or services.
- 2) The applicants must have acceptable business knowledge and an acceptable credit history.
- 3) The client must have a reasonable personal equity in the project.
- 4) The applicant must provide acceptable security for the loan, based on the Corporation's criteria and investment strategy.
- 5) The client must have an acceptable business plan.
- 6) There must be a job creation or job maintenance element to the project.

- 7) The project should encourage some degree of third-party financial involvement, another financial institution such as a bank, credit union, Business Development Bank of Canada, or other government programs.
- 8) The project must be in our service area.

Self Employment Benefits Program

The CBDC coordinates the SEB Program in Charlotte and Kings Counties for the New Brunswick Department of Post-Secondary Education, Training and Labour. The program provides financial assistance to several eligible participants per year, through the E.I. System.

SEED Capital ConneXion

The SEED Capital ConneXion Program, established in April 1997 by ACOA, offers higher- risk loans, up to a maximum of \$20,000.00 to young entrepreneurs under 35 years of age for start-ups/expansions/modernizations to any entrepreneur over the age of 35 for new start-ups only. This Program has been replaced as of April 1, 2011.

Technical Services

DEFINITION

The corporation's technical services offer assistance in the planning of new or already existing businesses.

The following is a list of some types of services provided:

- General information on how to start a business.
- Business Counseling/Advisory services.
- Business Seminars and information sessions.

The Corporation currently receives approximately 400 general inquires per year for assistance or requests for general information.

Background

The Charlotte County Development Corporation has been in operation since 1987. The Corporation is a federal government funded organization, which is currently sponsored by the Atlantic Canada Opportunities Agency. The organization is non-profit with the goal of creating and maintaining small business in its service area.

The Corporation is an independent body consisting of a full time staff, governed by a board of directors. The board is elected by the membership and represents all areas of the service region.

In the early years, the corporation serviced only Charlotte County. However, in 1998, with the guidance and financing of ACOA, Kings and St. John counties were included to ensure all rural areas were serviced. In addition to the main office, a branch office is located in Hampton to better serve the area west of Saint John.

Over the past 24 years the Corporation has helped create and maintain several hundred jobs and provided approximately **\$23.5 million** in loans, as well as delivering other programs and providing information to the small-business community.



Message from President

On behalf of the Board of Directors it is my pleasure to present you with the Annual Report for 2010 - 2011.

The “Corporation” through its board and staff continue to work hard to assist residents in rural Charlotte, Kings and St John counties to open and expand small businesses throughout these areas.

In 2010 - 2011 our CBDC saw a slight decrease in loan activity over the previous year. In the past year, we approved 33 loan requests totaling \$1,936,267 through our investment fund.



We also approved assistance to 19 clients through the SEED Capital to the tune of an additional \$232,000. In addition, 25 clients were approved for the Self Employment Benefit Program. The total number of jobs impacted through these three programs amounted to 138 FT created and 101.5 FT maintained. This shows the tremendous impact we continue to have in the Counties we service. In addition to direct financial support we assisted many people with advice and information for their businesses. In this regard, the Corporation sponsored 9 training/information workshops, which had more than 92 attendees.

The Corporation thanks its partners, the Atlantic Canada Opportunities Agency, the Department of Post Secondary Education, Training and Labour and the area Community Economic Development Agencies, for their continued support.

In conclusion I wish to thank my fellow directors and the staff for their cooperation and a job well done in the past year and look forward to a continuation of our efforts to foster economic development in the coming year.

Kevin Stuart
President

Message from the Executive Director

Executive Director's Report 2010-2011

This has been a year of change for the CBDC network. Under the guidance of the Atlantic Association of CBDC's and ACOA, the CBDC network was consulted on, challenged and ultimately approved the most far reaching changes since our inception twenty-five years ago. These changes, known collectively as Community Futures of Tomorrow (CFoT) were brought on by the new reality of how CBDC's had to conduct business both externally with clients and internally with regards to how they managed their own shop. To augment this, a formula was developed that looked at numerous aspects of a CBDC's operation and that formula determined the amount of eligible operational funding a CBDC was entitled to receive. Busier offices received more. I am happy to say that we were designated one of those offices and we have seen a dramatic increase in the operational dollars that we can access, if required, in the coming year.

The CFoT model was ultimately adopted in December, 2010. Under the model, five new loan programs were rolled out as of April 1, 2011. While these products were essentially modifications of what we had previously offered, they nonetheless more thoroughly addressed access to capital concerns of a variety of rural based entrepreneurs.



Our SEED Program, which had been in place since 1997, was, as of March 31, 2011, replaced by both a Youth Loan Product and a New Entrepreneur Loan Product. In addition to these loan products, the CBDC's now offer a General Loan Fund, an Innovation Loan Fund and a more user friendly Social Enterprise Loan Fund.

Internally, this year saw our Corporation take on a review of our own operations. In October we hosted a one day session for the Board and staff which looked at our strategic plan, Board practices and risk and financial statement analysis. This session prompted a review of our by-laws which will govern our Corporation on a going forward basis. To complement this, staff prepared an Internal Operating Procedure Guidelines to deal with the day to day operations of the Corporation. Finally, going into the new fiscal year, staff revised and updated our Operational 3 year Business Plan to guide our investment and operational practices through 2014.

I want to thank ACOA and PSETL for their ongoing support and assistance in delivering our Programs. These relationships continue to be very important to us and we are very fortunate to have such strong supporters. I want to thank our other partners, in particular with the CEDA network and the Business Development Bank for partnering opportunities. I also want to thank the Board of Directors and the Executive for their continuing support and dedication to achieving the goals and objectives of our mandate. As we do every year, we are losing several Board members. These members – John Jenkins, Glenn Hooper, and Scott Brown – will be greatly missed and we wish them well in their future endeavours and hope that each one of them would consider sitting on the Board again at some point in the future. Finally I want to thank the staff

Our Volunteers

A volunteer board of directors elected by the membership governs the Corporation. The board consists of up to 23 directors from the various communities throughout our service area, and brings a wide variety of business experience to the decision making process. The directors make the decisions on all loan approvals and oversee the operation of the operational budget.

The following were the directors for 2010 - 2011 (please note that their current term is the first date, followed by the actual date they can stay on the Board should they, and the Board, so choose).

Name	Town	Term
Mary Craig	St. George	2013 (2016)
Jim Balcomb	Grand Bay-Westfield	2010 (2016)
Kris Amos	St. Stephen	2012 (2015)
Glenn Hooper	Chamcook	2011 (2011)
Cathy Justason	Beaver Harbour	2011 (2017)
Scott Brown	Campobello	2011 (2011)
Jody Cline	Deer Island	2013 (2019)
Neil Lingley	Grand Bay-Westfield	2012
Kevin Stuart	St. Stephen	2012 (2012)
Andrew Lively	St. Andrews	2012 (2015)
Gerry Brown	St. Martins	2012 (2018)
Tony Bell	Sussex	2012 (2018)
John Jenkins	Sussex	2011 (2017)
Bruce Huttges	St. Martins	2011 (2017)
David Bishop	Rothesay	2013 (2019)
Cindy Millican	Rothesay	2011 (2014)
Mike Bishop	Rothesay	2012 (2018)
Bart Plaggenborg	Sussex	2012 (2015)
Paula Kredl	Hampton	2012 (2018)

Charlotte Board Members



Back Row (Left - Right) Andrew Lively, Jim Balcomb, Kris Amos and Kevin Stuart
Front Row (Left - Right) Glenn Hooper, Cathy Justason, Neil Lingley, Jody Cline and Scott Brown

Kings Board Members



Back Row (Left - Right) Bart Plaggenborg, Tony Bell, Cindy Millican, Mike Bishop and Bruce Huttges
Front Row (Left - Right) John Jenkins, David Bishop, Gerry Brown and Paula Kredl

Mary Craig Absent from Picture

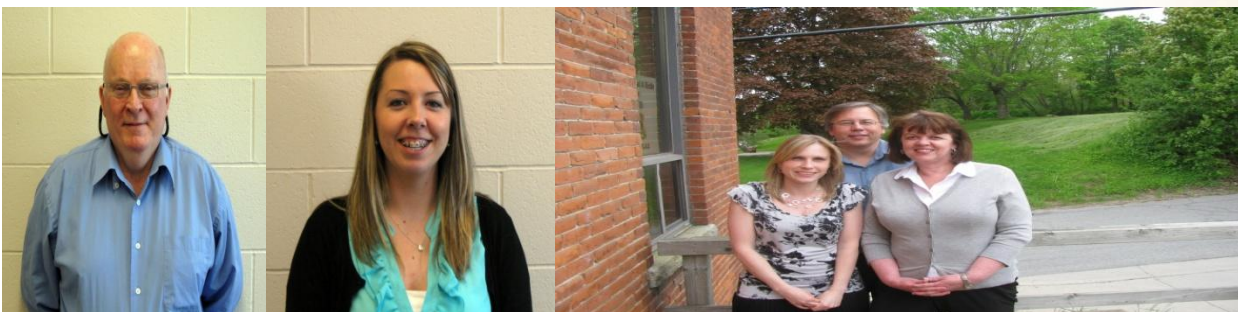
The Staff

The Corporation operates with a staff of seven, operating two offices serving three counties. The staff members are:

Name	Position	Years of Service
Geoff Knight	Executive Director	10
Peggy Justason	Program Coordinator (Charlotte)	19
Jaime Cleghorn	Office Administrator	6
Paul Beals	Senior Loans Officer	14
Jill Ganong	Program Coordinator (Kings)	3
Joanne Mills	Office Administrator (Temp.)	1
Karl Augustin	Youth Intern	1

Kings Staff

Charlotte Staff



Paul Beals
Senior Loan Officer

Jill Ganong
Program Coordinator

(Back Row) Geoff Knight Executive Director
(Left – Right) Jaime Cleghorn Admin. Assistant
Peggy Justason Program Coordinator

Statistics

YEAR ENDING MARCH 31, 2011

Investment Fund

	<u>2010</u>	<u>2011</u>
<i>Applications Reviewed</i>	45	35
<i>Applications Approved</i>	37	27
<i>Amount Approved</i>	\$2,113,692	\$1,936,267
<i>Loans Disbursed</i>	31	30
<i>Amount Disbursed</i>	\$1,816,500	\$1,547,994
<i>New Businesses Started</i>	10	10
<i>Business Expanded/Maintained</i>	21	20
<i>Funds leveraged from other sources</i>	\$1,373,100	\$1,878,786
<i>Jobs Created</i>	60.5	68.5
<i>Jobs Maintained</i>	89.5	77.5
<i>Gross Investment Revenue</i>	\$509,099	\$527,537
<i>Investment Principal & Interest Repaid (clients)</i>	\$1,536,167	\$1,665,319
<i>Total Value Investment Outstanding</i>	\$6,802,024	\$6,752,183
<i>Clients Who Have Become Bankable</i>	17	20
<i>Number Investments Managed</i>	234	231
<i># of loans Approved Since Inception</i>	588	618
<i>Value of Loans Disbursed Since Inception</i>	\$21,108,788	\$22,646,412

Technical & Other Services

	<u>2010</u>	<u>2011</u>
<i>Number of Clients Receiving Business Counseling</i>	11	64
<i>Number of SEED Capital Loans Disbursed</i>	34	22
<i>Amount Disbursed - SEED</i>	\$440,930	\$284,451
<i>Number of Self Employment Benefits Approved</i>	13	25

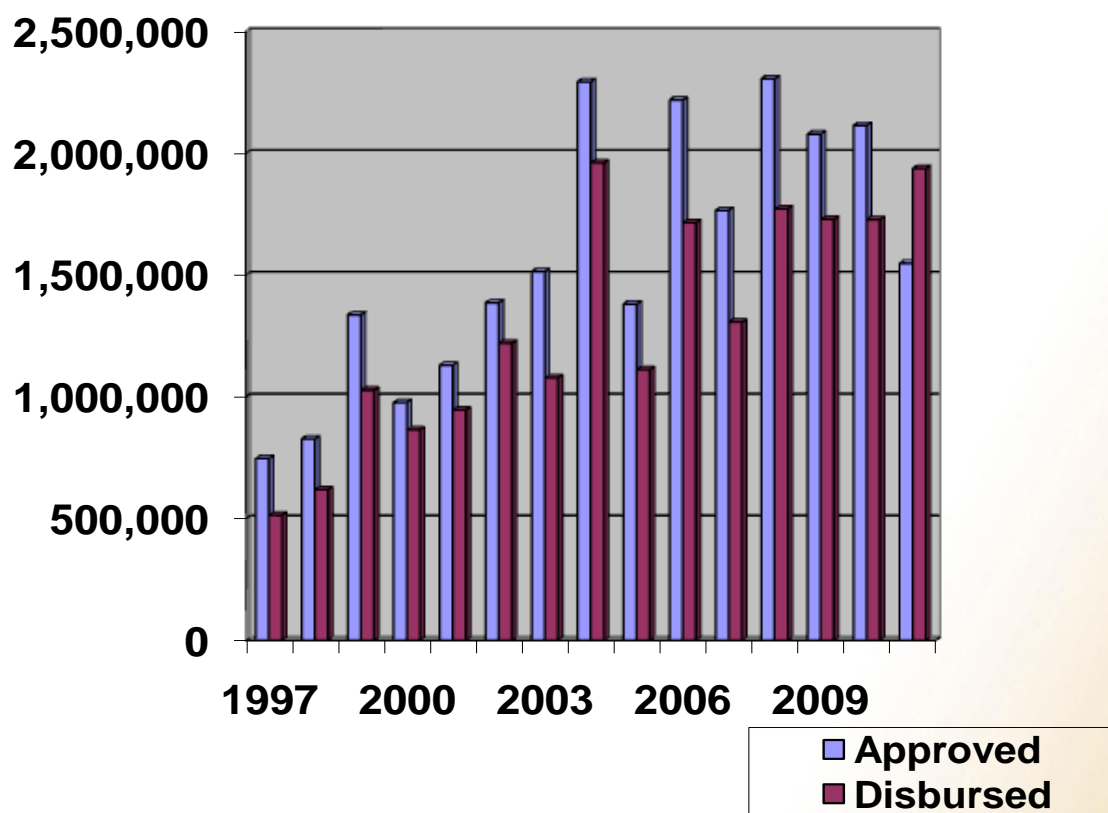
History

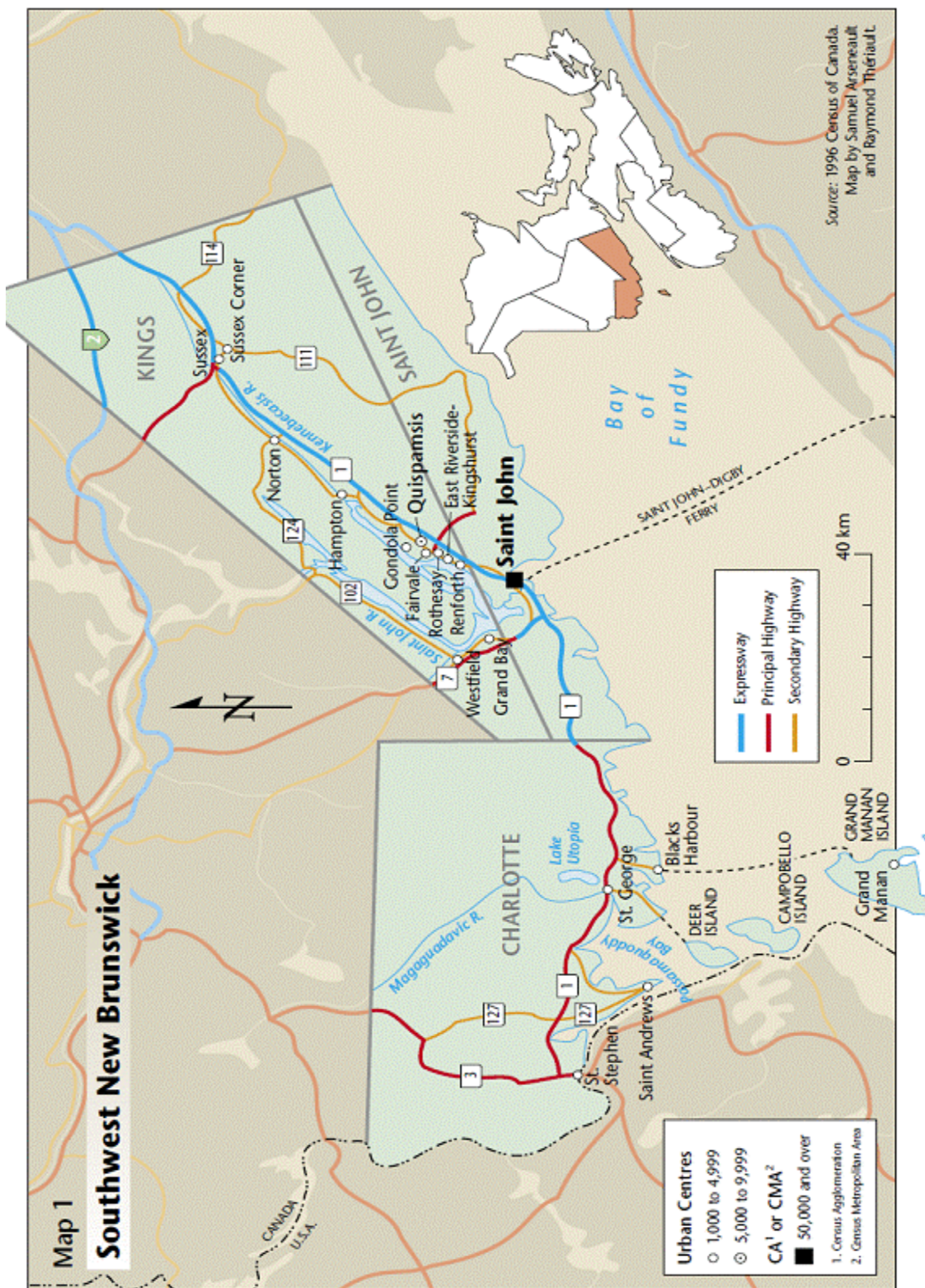
INVESTMENT LOANS APPROVED/DISBURSED (\$)

Year (Ending March 31)	Approved	Disbursed
1997.....	746,350.....	513,090
1998.....	826,200.....	619,050
1999.....	1,335,793.....	1,027,027
2000.....	976,300.....	863,550
2001.....	1,129,904.....	945,889
2002.....	1,385,440.....	1,219,829
2003.....	1,513,271.....	1,077,461
2004.....	2,293,014.....	1,959,694
2005.....	1,380,750.....	1,111,500
2006.....	2,218,012.....	1,714,475
2007.....	1,764,850.....	1,306,587
2008.....	2,305,400.....	1,771,700
2009.....	2,078,316.....	1,728,046

2010.....	2,113,692.....	1,727,500
2011.....	1,936,267.....	1,547,994

LOANS APPROVED DISBURSED (1997-2011)





Audited Financial Statements of

**CHARLOTTE COUNTY DEVELOPMENT
CORPORATION INC**

March 31, 2011

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A Member Firm of The AC Group of Independent Accounting Firms Limited

Chartered Accountants &
Business Advisors
53 King Street, Suite 301
Saint John, NB
E2L 1G5
Tel: 506.632.9020
Fax: 506.632.9030
www.beersneal.ca

Auditors' Report

To the Board of Directors of Charlotte County Development Corporation Inc.

We have audited the accompanying financial statements of Charlotte County Development Corporation Inc., which comprise the statement of financial position as at March 31, 2011, and the statements of operations, statement of changes in net assets and statement of cash flow for the year 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 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 the 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

Charlotte County Development Corporation Inc. has not identified and classified all its financial instruments at fair value. Rather, all financial instruments are recorded at historic cost. The Corporation has not specifically disclosed information that enable users to 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.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Charlotte County Development Corporation Inc. as at March 31, 2011, and statement of financial position, statements of operations, statement of changes in net assets and statement of cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Chartered Accountants

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CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.
Statement of Financial Position
as at March 31, 2011

	Operational and Capital Fund	Investment Fund	Seed Trust Fund	Capital Fund	2011	2010
CURRENT ASSETS						
Cash	\$ 103,697	\$ 693,899	\$ 372	\$ -	\$ 797,968	\$ 623,093
Short term investments	10,676	-	91,532	-	102,208	96,980
Receivables (Note 4)	17,999	173,316	100	-	191,415	362,148
Interfund receivables	-	1,110	-	-	1,110	5,719
Prepays	4,957	-	-	-	4,957	6,490
	137,329	868,325	92,004	-	1,097,658	1,094,430
INVESTMENTS (Note 5)	-	6,887,138	-	-	6,887,138	6,858,805
INVESTMENT ACCBIF (Note 6)	-	37,500	-	-	37,500	37,500
CAPITAL ASSETS (Note 7)	27,770	-	-	-	27,770	23,094
	\$ 165,099	\$ 7,792,963	\$ 92,004	\$ -	\$ 8,050,066	\$ 8,013,829
CURRENT LIABILITIES						
Payables	\$ 21,082	\$ 2,203	\$ -	\$ -	\$ 23,285	\$ 19,903
Interfund payables	1,110	-	-	-	1,110	5,719
Current portion of long- term debt ACCBIF (Note 8)	-	260,000	-	-	260,000	180,000
Current portion of long- term debt AACBDC (Note 9)	-	154,768	-	-	154,768	204,648
	22,192	416,971	-	-	439,163	410,270
SEED CAPITAL FUNDING LONG-TERM	-	-	-	-	-	1,093,730
DEBT ACCBIF (Note 8)	-	520,000	-	-	520,000	420,000
LONG-TERM DEBT AACBDC (Note 9)	-	224,026	-	-	224,026	278,004
	22,192	1,160,997	-	-	1,183,189	2,202,004
FUND BALANCES	142,907	6,631,966	92,004	-	6,866,877	5,811,825
	\$ 165,099	\$ 7,792,963	\$ 92,004	\$ -	\$ 8,050,066	\$ 8,013,829

Notes 11 and 12

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.

Statement of Changes in Net Assets
year ended March 31, 2011

	<u>Restricted</u>		<u>Unrestricted</u>		
	<u>Invested In Capital Assets</u>	<u>Investment</u>	<u>Trust</u>	<u>Seed</u>	
			<u>Operational</u>	<u>2010</u>	
Balance, beginning of year	\$ 23,094	\$ 5,428,314	\$ 87,443	\$ 133,150	\$ 5,811,825
Excess (deficiency) of revenues over expenditures	(6,477)				\$ 5,442,412
Invested in capital assets	11,153	219,641	4,561	39,573	243,764
Contributed surplus from forgiveness of SEED capital funding	-	-	-	-	-
Transfer of equity on the completion of SEED	-	984,011	-	(984,011)	-
Balance, end of year	\$ 27,770	\$ 6,631,966	\$ 92,004	\$ -	\$ 6,866,877
			\$ 115,137	\$ 6,866,877	\$ 5,811,825

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CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.
Statement of Operations
year ended March 31, 2011

	Operational and Capital Fund	Investment Fund	Trust Fund	Seed Capital Fund	2011	2010
Revenues						
Contribution funding	\$ 293,800	\$ -	\$ -	\$ -	\$ 293,800	\$ 293,800
Fees for service	-	-	2,800	-	2,800	2,900
Notes and investment certificates	-	493,025	-	40,172	533,197	544,973
Loan loss recovery guarantee	-	-	-	103,102	103,102	49,161
Self employment benefit funding	141,260	-	-	-	141,260	147,940
Temporary investments	-	-	1,761	-	1,761	1,489
Training and counselling	-	-	-	503	503	12,600
Youth internship program	26,306	-	-	-	26,306	21,584
Sundry	20,471	-	-	-	20,471	24,749
	481,837	493,025	4,561	143,777	1,123,200	1,099,196
Expenditures						
Advertising	16,241	-	-	-	16,241	15,467
Amortization of capital assets	6,477	-	-	-	6,477	6,512
Bank charges and interest	1,066	13,340	-	599	14,805	8,913
Insurance	3,967	-	-	-	3,967	3,968
Loan loss provision	-	20,225	-	103,102	363,330	226,389
Office and miscellaneous	10,411	-	-	-	10,432	9,148
Professional fees	10,102	-	-	-	10,102	11,399
Rent	15,831	-	-	-	15,831	18,500
Repairs and maintenance	19,232	-	-	-	19,232	19,364
Salaries and benefits	189,577	-	-	-	189,577	189,123
Self-employment program	143,167	-	-	-	143,167	140,885
Telephone	7,598	-	-	-	7,598	7,736
Training and publications	17,978	-	-	503	18,481	22,015
Youth internship program	26,306	-	-	-	26,306	21,406
Travel	33,890	-	-	-	33,890	28,958
	501,848	273,384	-	104,204	879,436	729,783
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	\$ (20,011)	\$ 219,641	\$ 4,561	\$ 39,573	\$ 243,764	\$ 369,413
Deficiency of revenues over expenditures						
Operational Fund	\$ (13,534)					
Invested in Capital Assets	(6,477)					
	\$ (20,011)					

CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.Statement of Cash Flows
year ended March 31, 2011

	Operational and Capital Investment Fund	Trust Fund	Seed Capital Fund	2011	2010	
CASH INFLOWS (OUTFLOWS)						
OPERATING						
Excess (deficiency) of revenues over expenditures \$	(20,011)	\$ 219,641	\$ 4,561	\$ 39,573	\$ 243,764	\$ 369,413
Amortization of capital assets	6,477	-	-	-	6,477	6,512
Provision for doubtful notes	-	260,228	-	103,102	363,330	226,389
Changes in non-cash working capital						
Receivables	(2,992)	(22,681)	700	195,706	170,733	17,557
Prepays	1,533	-	-	-	1,533	1,527
Payables and accruals	4,203	1,439	-	(2,260)	3,382	4,363
Transfer of equity	-	172,723	-	(172,723)	-	-
Contributed surplus from loan forgiveness	-	811,288	-	-	811,288	-
	(10,790)	1,442,638	5,261	163,398	1,600,507	625,761
FINANCING						
Proceeds from long-term debt	-	400,000	-	-	400,000	514,000
Repayment of long-term debt	-	(323,858)	-	-	(323,858)	(101,323)
Interfund advance (repayment)	2,919	(5,200)	-	2,285	-	-
Receipt (forgiveness) of Seed capital funding	-	-	-	(1,093,730)	(1,093,730)	70,029
Transfer of loans	-	(939,039)	-	939,039	-	-
	2,919	(868,101)	-	(152,406)	(1,017,588)	482,706
INVESTING						
Advance of notes receivable	-	(1,527,052)	-	(284,950)	(1,812,002)	(2,269,567)
Purchase of capital assets	(11,153)	-	-	-	(11,153)	(5,162)
Purchase of short term investments	(181)	-	(5,047)	-	(5,228)	(10,768)
Proceeds from repayment of notes receivable	-	1,226,315	-	194,024	1,420,339	1,229,320
	(11,334)	(300,737)	(5,047)	(90,926)	(408,044)	(1,056,177)
NET CASH INFLOW (OUTFLOW)	(19,205)	273,800	214	(79,934)	174,875	52,290
CASH POSITION, BEGINNING OF YEAR	122,902	420,099	158	79,934	623,093	570,803
CASH POSITION, END OF YEAR	\$ 103,697	\$ 693,899	\$ 372	\$ -	\$ 797,968	\$ 623,093

CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.
Notes to the Financial Statements
year ended March 31, 2011

1. DESCRIPTION OF BUSINESS

The Charlotte County Development Corporation Inc. (the "Corporation") mission statement is to "Create sustainable employment through promoting business development in our communities by providing capital and mentoring assistance."

The Corporation is a community-based and community controlled corporation with a mandate to provide lending and other investments to small businesses in Charlotte County, Kings County and Saint John County who have difficulty obtaining financing from conventional sources. The Corporation is incorporated as a non-profit organization and as such is exempt from income tax by virtue of paragraph 149(1)(l) of the *Income Tax Act*.

2. DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

The Corporations financial statements have not adopted the new CICA Handbook Section 3855 - *Financial Instruments - Recognition and measurement* and Section 3861 - *Financial Instruments - Disclosure and Presentation*, and as a result, depart from Canadian generally accepted accounting principles. The effects of these sections have not been recorded or disclosed in these financial statements.

The Atlantic Canada Opportunities Agency has confirmed within the 2011 Community Futures agreement to all Atlantic CBDCs, it will accept qualified financial statements from CBDCs when not prepared in full compliance with the new CICA Handbook Section 3855 - *Financial Instruments - Recognition and Measurement* and Section 3861 - *Financial Instruments - Disclosure and Presentation* inclusively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The Corporation follows the restricted fund method of accounting.

The Operational Fund accounts for the Corporation's program delivery and administration activities. This fund reports unrestricted, restricted resources, capital items and operating contributions. Expenses of the Operational Fund are limited to those agreed upon in the contribution agreements between Atlantic Canada Opportunities Agency (ACOA) and the Corporation and between the Department of Training and Employment Development and the Corporation.

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

The Trust Fund represents resources restricted for future use by the Corporation. The specific purposes of future use is to be authorized by the Board of Directors.

The Seed Capital Fund represents resources received as part of Seed Capital Fund agreements with ACOA. ACOA provides capital funding, for investment purposes, to be loaned to entrepreneurs to start, expand or modernize a business. The program ended on March 31, 2011 and the amount of the Seed Capital Funding advance less the allowance for doubtful loans has been reported as a contributed surplus. The equity of SEED has been transferred to the Investment Fund.

CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.
Notes to the Financial Statements
year ended March 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are recorded at lower of cost or market value. Provision for loan losses and collection costs related thereto are reported in the Investment Fund. The Seed Capital Fund represents all restricted notes receivables received as part of agreements with ACOA for delivery of the Seed Capital Program. The Seed Capital Program provides unsecured investment funding to entrepreneurs to a maximum of \$20,000 per loan.

Revenue and expenses

Investment income is recorded on an accrual basis. Expenses and other revenues are recorded on an accrual basis.

Interfund receivables and payables

Interfund receivables and payables are non-interest bearing with no set terms of repayment.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures during the reporting period. Estimates are used for, but not limited to, determination of fair values and amortization. Actual results could differ from those estimates.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value as of the date of contribution. The cost of assets are being amortized by the declining balance method over the estimated lives of the assets at the following annual rates:

Furniture and equipment	20%
Leasehold improvements	20%
Data processing equipment	30%

In the year of addition one-half of the above rates is used. No provision for amortization is made in the year of asset disposal. Upon disposal, the asset cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is included in income.

Allowance for doubtful loans

The allowance for doubtful loans is determined by assessing the fair value of the loan portfolio considering each loan's repayment history, security pledged and other circumstances. The allowance at year end will equal the estimated uncollectible balance of all loans considered doubtful. The allowance for doubtful loans is disclosed on the balance sheet as a reduction of loans outstanding. The current year's increase or decrease in the required allowance is disclosed in Note 5.

CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.
Notes to the Financial Statements
year ended March 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of cash flows

For the purpose of the statement of cash flows the Corporation considers cash on hand to be balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents. Bank borrowings are considered to be financing activities.

4. RECEIVABLES

	<u>2011</u>	<u>2010</u>
Operational Fund		
Commodity taxes	\$ 10,277	\$ 8,883
Self employment benefit program	-	2,149
Other	7,722	4,142
	<u>\$ 17,999</u>	<u>\$ 15,174</u>
Investment		
Commodity taxes	\$ 333	\$ 616
Interest	138,121	136,225
Other	34,862	13,794
	<u>\$ 173,316</u>	<u>\$ 150,635</u>
Trust Fund		
Loan application fees	\$ 100	\$ 800
Seed Capital Fund		
ACOA - Training and service fees	\$ -	\$ 3,453
- Loan loss guarantee	-	179,340
Interest	-	12,418
Commodity taxes	-	494
	<u>\$ -</u>	<u>\$ 195,705</u>

CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.
Notes to the Financial Statements
year ended March 31, 2011

5. INVESTMENTS - LOANS RECEIVABLES

	2011	2010
Loans may be repaid at any time at the borrower's option without penalty.		
Investment Fund		
Term loans with interest rates ranging from fixed rates of 10% to 11% and variable rates of prime plus 1% to 2.5%.	\$ 7,885,920	\$ 6,800,195
Allowance for doubtful accounts	(998,782)	(892,605)
	\$ 6,887,138	\$ 5,907,590
Seed Capital Fund		
Term loans with interest rates of 0% in year 1 and prime plus 2% in subsequent years.	\$ -	\$ 1,130,555
Allowance for doubtful accounts	-	(179,340)
	\$ -	\$ 951,215
The loans receivable balance is comprised of:		
Investment Fund		
Balance, beginning of year	\$ 6,800,195	\$ 6,420,929
Loans advanced during the year	1,527,052	1,827,610
Loans repaid during the year	(1,226,315)	(1,052,098)
Recovery of loans written-off	6,093	-
Loans written-off during the year	(354,842)	(396,246)
Transferred from the Seed Capital Fund	1,133,737	-
Balance, principal	7,885,920	6,800,195
Allowance for doubtful accounts	(998,782)	(892,605)
Balance, end of year	\$ 6,887,138	\$ 5,907,590
Seed Capital Fund		
Balance, beginning of year	\$ 1,130,555	\$ 947,471
Loans advanced during the year	284,950	441,957
Loans repaid during the year	(194,024)	(177,223)
Recovery of loans written-off	-	-
Loans written-off during the year	(87,744)	(81,650)
Transferred to the Investment Fund	(1,133,737)	-
Balance, principal	-	1,130,555
Allowance for doubtful accounts	-	(179,340)
Balance, end of year	\$ -	\$ 951,215

CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.
Notes to the Financial Statements
year ended March 31, 2011

5. INVESTMENTS - LOANS RECEIVABLES (continued)

	<u>2011</u>	<u>2010</u>
The activity in the allowance for doubtful loans account is as follows:		
Investment Fund		
Balance, beginning of year	\$ 892,605	\$ 1,111,623
Loans written off during the year	(354,842)	(396,246)
Recovery of loans written off in previous years	6,093	-
Current year's loan loss provision	260,228	177,228
Transferred from the Seed Capital Fund	194,698	-
Balance, end of year	\$ 998,782	\$ 892,605
Seed Capital Fund		
Balance, beginning of year	\$ 179,340	\$ 211,830
Loans written off during the year	(87,744)	(81,651)
Current year's loan loss provision	103,102	49,161
Transferred to the Investment Fund	(194,698)	-
Balance, end of year	\$ -	\$ 179,340

6. INVESTMENT - ACCBIF

Promissory note, without interest, and due on or after March 2011, from Atlantic Community Business Investment Fund (ACCBIF).

7. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 63,923	\$ 47,818	\$ 16,105	\$ 8,147
Leasehold improvements	18,231	14,086	4,145	4,618
Data processing equipment	84,246	76,726	7,520	10,329
	\$ 166,400	\$ 138,630	\$ 27,770	\$ 23,094

CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.
Notes to the Financial Statements
year ended March 31, 2011

8. LONG-TERM DEBT ACCBIF

	<u>2011</u>	<u>2010</u>
ACCBIF loan, bearing interest at 1.5% maturing in December 2014, payable in annual instalments of principal of \$120,000.	\$ 480,000	\$ 400,000
ACCBIF loan, bearing interest at 1.5%, maturing in February 2012, payable in annual instalments of principal of \$100,000.	100,000	200,000
ACCBIF loan, bearing interest at 1.5%, maturing in October 2015, payable in annual instalments of principal of \$40,000.	200,000	-
	<u>780,000</u>	<u>600,000</u>
Less current portion	<u>260,000</u>	<u>180,000</u>
	<u>\$ 520,000</u>	<u>\$ 420,000</u>

ACCBIF lends monthly to CBDC 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. At the sitting in 2009, the rate was set at 1.5%. Charlotte County Development Corporation Inc. has agreed to provide an assignment of book debts as security if requested.

Annual principal repayments for the next five years are as follows:

2012	260,000
2013	20,000
2014	160,000
2015	160,000
2016	40,000

CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.
Notes to the Financial Statements
year ended March 31, 2011

9. LONG-TERM DEBT AACBDC

	<u>2011</u>	<u>2010</u>
Technology Development Fund, non-interest bearing, maturing in November 2013, payable in variable principal instalments.	\$ 100,000	\$ 100,000
Technology Development Fund, non-interest bearing, maturing in September 2013, payable in variable principal instalments.	75,000	75,000
Technology Development Fund.	-	99,731
Technology Development Fund, non-interest bearing, maturing in October 2015, payable in variable principal instalments.	44,000	44,000
Technology Development Fund, non-interest bearing, maturing in May 2014, payable in variable principal instalments.	65,873	70,000
Technology Development Fund, non-interest bearing, maturing in September 2012, payable in variable principal instalments.	93,921	93,921
	<u>378,794</u>	<u>482,652</u>
Less current portion	<u>154,768</u>	<u>204,648</u>
	<u>\$ 224,026</u>	<u>\$ 278,004</u>

The Corporation has entered into an agreement with Atlantic Association of Community Business Development Corporations (AACBDC) giving access to the Technology Development Fund (TDF). Under the terms of the Corporation's agreement with AACBDC for the TDF, all interest and any return on equity under the TDF shall be retained by the Corporation. The Corporation shall pay the AACBDC, on or before March 31, of each year, the full amount of all repayments on the account of principal on any outstanding TDF financing made by way of loans, and such amounts as may have been agreed upon by the AACBDC and the Corporation against losses on loans under the TDF.

Annual principal repayments for the next four years are as follows:

	\$
2012	154,768
2013	134,595
2014	78,756
2015	7,905

CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.
Notes to the Financial Statements
year ended March 31, 2011

9. LONG-TERM DEBT AACBDC

	<u>2011</u>	<u>2010</u>
Technology Development Fund, non-interest bearing, maturing in November 2013, payable in variable principal instalments.	\$ 100,000	\$ 100,000
Technology Development Fund, non-interest bearing, maturing in September 2013, payable in variable principal instalments.	75,000	75,000
Technology Development Fund.	-	99,731
Technology Development Fund, non-interest bearing, maturing in October 2015, payable in variable principal instalments.	44,000	44,000
Technology Development Fund, non-interest bearing, maturing in May 2014, payable in variable principal instalments.	65,873	70,000
Technology Development Fund, non-interest bearing, maturing in September 2012, payable in variable principal instalments.	93,921	93,921
	<u>378,794</u>	<u>482,652</u>
Less current portion	<u>154,768</u>	<u>204,648</u>
	<u>\$ 224,026</u>	<u>\$ 278,004</u>

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Annual principal repayments for the next four years are as follows:

	\$
2012	154,768
2013	134,595
2014	78,756
2015	7,905

CHARLOTTE COUNTY DEVELOPMENT CORPORATION INC.
Notes to the Financial Statements
year ended March 31, 2011

11. CONTINGENCIES

Government contributions and grants received under the Community Business Development Centre contribution agreements and Investment Fund agreements are subject to repayment if the Corporation fails to comply with the terms and conditions of the agreements.

12. COMMITMENTS

The Corporation leases office equipment under a leases expiring in March 2012 and October 2014. Future minimum lease payments will aggregate \$11,688 including the following payments over the next four years:

	\$
2012	6,030
2013	2,190
2014	2,190
2015	1,278

13. ECONOMIC DEPENDENCE

The Corporation is economically dependent as it receives an annual operating contribution from ACOA that covers all operating expenses of the Operating Fund that are not designated under specific programs. During the year, the Corporation received \$293,800 (2010 - \$293,800) in operating grants.

14. PRIOR YEAR FIGURES

Certain prior year figures have been reclassified to conform to the presentation format adopted for the current year.

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Corporation au bénéfice du développement communautaire
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