

**BLUE WATER BUSINESS DEVELOPMENT
CORPORATION LIMITED**

FINANCIAL STATEMENTS

MARCH 31, 2021

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
INDEX
MARCH 31, 2021

	Page
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF OPERATIONS	4
STATEMENT OF CHANGES IN NET ASSETS	5
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 17
SCHEDULE 1 - SCHEDULE OF ALLOWANCE FOR LOAN IMPAIRMENT	18
SCHEDULE 2 - SCHEDULE OF OPERATIONS	19
SCHEDULE 3 - SCHEDULE OF SUNDRY REVENUE	20



Baker Tilly Nova Scotia Inc.
Suite 201, 130 Eileen Stubbs Ave
Dartmouth, NS
Canada B3B 2C4

D: +1 902.404.4000
F: +1 902.404.3099

halifax@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITORS' REPORT

To the Directors of:
Blue Water Business Development Corporation Limited

Opinion

We have audited the financial statements of **Blue Water Business Development Corporation Limited** ("the Corporation"), which comprise the statement of financial position as at March 31, 2021 and the statements of operations, 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 supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2021, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of Blue Water Business Development Corporation Limited for the year ended March 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on June 30, 2020.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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.

We 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 we identify during our audit.

Dartmouth, Nova Scotia
September 21, 2021

Baker Tilly Nova Scotia Inc

Chartered Professional Accountants

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 4
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2021

	Operating Fund \$	Investment Fund \$	2021 \$	2020 \$
REVENUES				
ACOA contribution (Note 10)	331,119	-	331,119	327,485
Interest income	-	520,869	520,869	552,797
Sundry revenue (Schedule 3)	328,018	15,805	343,823	249,261
RRRF loan recovery	-	750,866	750,866	-
	<u>659,137</u>	<u>1,287,540</u>	<u>1,946,677</u>	<u>1,129,543</u>
EXPENSES				
Advertising	9,015	-	9,015	7,013
Amortization	7,885	-	7,885	4,129
Bank charges	906	1,841	2,747	3,113
Board	5,751	-	5,751	13,642
Co-op	52,959	-	52,959	48,405
Credit checking	-	3,907	3,907	5,233
Equipment rental	3,863	-	3,863	4,836
Insurance	4,237	-	4,237	3,976
Interest	-	15,116	15,116	10,858
Loan write-offs	-	175,656	175,656	326,902
Memberships, dues and fees	7,141	-	7,141	6,084
Office supplies	4,906	-	4,906	5,299
Postage and courier	449	-	449	236
Professional fees - audit and accounting	15,900	-	15,900	19,700
Professional fees - legal and consulting	4,585	172	4,757	11,687
RRRF loan forgiveness	-	553,091	553,091	-
Rent and utilities	49,626	-	49,626	49,520
Repairs and maintenance	7,939	-	7,939	6,171
Salaries, wages and benefits	424,796	-	424,796	391,913
Self-employment benefit	62,759	-	62,759	61,197
Telecommunications	8,662	-	8,662	9,101
Training and development	18,976	9,000	27,976	29,170
Travel	11,144	-	11,144	35,420
	<u>701,499</u>	<u>758,783</u>	<u>1,460,282</u>	<u>1,053,605</u>
Excess (deficiency) of revenues over expenses	<u>(42,362)</u>	<u>528,757</u>	<u>486,395</u>	<u>75,938</u>

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED
STATEMENT OF CHANGES IN NET ASSETS
AS AT MARCH 31, 2021


	Unrestricted	Internally Restricted	Externally Restricted	2021	2020
	\$	\$	\$	\$	\$
Net asset - beginning of year	18,632	200,000	8,403,831	8,622,463	8,546,525
Excess (deficiency) of revenues over expenses	(42,362)	-	528,757	486,395	75,938
ACOA approved operational transfer	235,907	-	(235,907)	-	-
Other interfund transfers (Note 9)	(<u>193,545</u>)	<u>-</u>	<u>193,545</u>	<u>-</u>	<u>-</u>
Net asset - end of year	<u>18,632</u>	<u>200,000</u>	<u>8,890,226</u>	<u>9,108,858</u>	<u>8,622,463</u>

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 6
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

ASSETS				
	Operating Fund	Investment Fund	2021	2020
	\$	\$	\$	\$
CURRENT				
Cash and cash equivalents	471,257	2,501,878	2,973,135	2,195,734
Accounts receivable (Note 3)	177	99,201	99,378	152,299
HST receivable	4,751	2,307	7,058	5,402
Prepays	<u>4,831</u>	<u>176</u>	<u>5,007</u>	<u>4,687</u>
	481,016	2,603,562	3,084,578	2,358,122
INVESTMENT				
	-	40,000	40,000	40,000
DUE FROM OPERATING FUND				
(Note 4)	-	128,171	128,171	70,533
LOANS RECEIVABLE (Note 5)				
	-	8,682,856	8,682,856	7,020,609
CAPITAL ASSETS (Note 6)				
	<u>5,317</u>	<u>-</u>	<u>5,317</u>	<u>12,281</u>
	<u>486,333</u>	<u>11,454,589</u>	<u>11,940,922</u>	<u>9,501,545</u>
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	25,935	3,606	29,541	27,910
Deferred revenue	113,595	-	113,595	19,720
Fund held in trust (Note 7)	-	4,725	4,725	1,200
Current portion of related party loans	-	283,905	283,905	289,973
Due to investment fund (Note 4)	<u>128,171</u>	<u>-</u>	<u>128,171</u>	<u>70,533</u>
	267,701	292,236	559,937	409,336
RELATED PARTY LOANS (Note 8)				
	<u>-</u>	<u>2,272,127</u>	<u>2,272,127</u>	<u>469,746</u>
	<u>267,701</u>	<u>2,564,363</u>	<u>2,832,064</u>	<u>879,082</u>
NET ASSETS				
EXTERNALLY RESTRICTED				
	-	8,890,226	8,890,226	8,403,831
INTERNALLY RESTRICTED				
	200,000	-	200,000	200,000
UNRESTRICTED				
	<u>18,632</u>	<u>-</u>	<u>18,632</u>	<u>18,632</u>
	<u>218,632</u>	<u>8,890,226</u>	<u>9,108,858</u>	<u>8,622,463</u>
	<u>486,333</u>	<u>11,454,589</u>	<u>11,940,922</u>	<u>9,501,545</u>

COMMITMENT (Note 13), CONTINGENCY (Note 14), SIGNIFICANT EVENT (Note 15)

Approved by the Board


Director
Mike Hatter
Director

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 7
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

	Operating Fund	Investment Fund	2021	2020
	\$	\$	\$	\$
CASH PROVIDED BY (USED FOR):				
OPERATING				
Excess (deficiency) of revenue over expenses	(42,362)	528,757	486,395	75,938
Items not involving cash				
Amortization	7,885	-	7,885	4,129
Loan write-off (recovery)	<u>-</u>	<u>(22,119)</u>	<u>(22,119)</u>	<u>326,902</u>
	(34,477)	506,638	472,161	406,969
Changes in non-cash working capital				
Accounts receivable	1,729	51,192	52,921	(11,729)
HST receivable	(232)	(1,424)	(1,656)	(88)
Prepays	(992)	672	(320)	(2,371)
Accounts payable and accrued liabilities	3,696	(2,065)	1,631	4,268
Deferred revenue	<u>93,875</u>	<u>-</u>	<u>93,875</u>	<u>778</u>
	<u>63,599</u>	<u>555,013</u>	<u>618,612</u>	<u>397,827</u>
FINANCING				
Advances from related party	-	2,757,500	2,757,500	1,000,000
Repayments to related party	-	(210,321)	(210,321)	(240,281)
Funds held in trust	-	3,525	3,525	600
Interfund transfers	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
	<u>100,000</u>	<u>2,450,704</u>	<u>2,550,704</u>	<u>760,319</u>
INVESTING				
Acquisition of capital assets	(921)	-	(921)	(1,194)
Purchase of investments	-	-	-	(40,000)
Repayment of loans	-	1,280,000	1,280,000	1,820,064
Disbursement of loans	<u>-</u>	<u>(3,670,994)</u>	<u>(3,670,994)</u>	<u>(2,767,463)</u>
	<u>(921)</u>	<u>(2,390,994)</u>	<u>(2,391,915)</u>	<u>(988,593)</u>
CHANGE IN CASH	162,678	614,723	777,401	169,553
CASH - beginning of year	<u>308,579</u>	<u>1,887,155</u>	<u>2,195,734</u>	<u>2,026,181</u>
CASH - end of year	<u>471,257</u>	<u>2,501,878</u>	<u>2,973,135</u>	<u>2,195,734</u>

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 8
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

1. NATURE OF OPERATIONS

Blue Water Business Development Corporation Limited (the "Corporation") was incorporated January 20, 1989 under the Companies Act of the Province of Nova Scotia. The Corporation is a community Business Development Corporation, a not-for-profit community based and community controlled corporation, working in co-operation with all levels of government and the private sector. It covers the area between Ecum Secum and Hubbards, but excludes the urban areas of Halifax, Bedford and Dartmouth. Some of the communities served include Timberlea, Sackville, Beaverbank, Eastern Passage, Preston, Porters Lake, Sheet Harbour and Middle Musquodoboit.

The Corporation is a non-profit organization under paragraph 149.1 (1) of the Income Tax Act and, as such, is not subject to federal or provincial income taxes.

Any accumulated net assets are not to be used in promoting the Corporation's objectives and at no time will any dividends be paid. Should the Corporation be dissolved, the remaining assets would be transferred to another Community Business Development Corporation or to some other organization serving the community with similar objectives.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The significant accounting policies are as follows:

Fund accounting

Operating Fund

The Corporation has established an Operating Fund for the Corporation's program delivery and administrative activities. The Operating fund reports unrestricted resources and operating contributions. Expenses of the Operating Fund are limited to those agreed upon in the contribution agreement with Atlantic Canada Opportunities Agency ("ACOA") under the Community Futures dated April 13, 2014 and extensions thereto. The most recent contract dated May 21, 2021, Contract #214588, provides for the period April 1, 2020 to March 31, 2025. Funding for 2020-2021 fiscal year is \$331,119.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 9
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Fund

The Corporation has established an Investment Fund to hold and administer the loan portfolio of the Corporation. These funds are restricted to investments meeting the mandate of the Corporation and all investments are approved and monitored by the Board of Directors. All investment income earned must be reinvested in the fund. These funds cannot be used to cover administrative expenses unless authorized in writing by ACOA, except where the conditions as outlined in the Statement of Work of the Community Futures/Corporation agreement are met.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances held with financial institutions and cashable guaranteed investment certificates.

Investment

The Corporation holds an investment in an entity in which the extent of investment is sufficient to provide the Corporation with significant influence. The Corporation accounts for this investment using the cost method.

Loans receivable

Loans receivable are recorded at the lower of cost and estimated realizable value. Provision for loan impairment and collection costs related thereto are reported in the Investment Fund.

Allowance for loan impairment

Loans receivable are classified for loan impairment into four categories. Category 'A' loans are loans which are deemed satisfactory as to credit risk and performance. An amount equal to 2% of the balance of these loans is used as an allowance. Category 'B' loans are loans that are experiencing undesirable developments that are expected to be temporary in nature. The allowance for these loans is 20% or as determined on a loan by loan basis. Category 'C' loans are loans where serious adverse developments have occurred and are unlikely to be overcome, or there is little or no chance of the loan being repaid from earnings. The allowance for these loans is determined on a loan by loan basis. Category 'D' loans are loans where the owners of the business have lost control due to bankruptcy, appointment of a receiver or bailiff, judgment pursuant to a mortgage bond held by another secured mortgagee, seizure of any assets or where assets have been abandoned or deemed missing. The allowance for these loans is determined on a loan by loan basis.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 10
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are recorded at cost. Amortization is provided for using the following rates and method over their estimated useful lives as follows:

Computer	3 years	Straight-line
Furniture and equipment	5 years	Straight-line
Leaseholds	Term of lease	Straight-line

Revenue recognition

The Corporation applies the restricted fund method for accounting for contributions. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The principal sources of revenue are interest income and ACOA contribution.

Interest income is recorded on the accrual basis using the effective interest method and the ACOA contribution is recorded as revenue when received each quarter.

Internally restricted net assets

The board of directors has restricted an amount to serve as a contingency for the Corporation. The intention is to restrict funds until it accumulates to an amount equivalent to three months operations plus windup costs. The amount cannot be used without prior approval of the Board of Directors.

Financial instruments

Measurement of financial instruments

The Corporation initially measures its financial assets and financial liabilities at fair value, except for transactions with related parties which are recorded at the exchange amount established and agreed upon by the related parties.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost, except for related party transactions, which are measured at their carrying value.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, investment in equity instruments measured at cost less any reduction for impairment and loans receivable.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 11
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Measurement of financial instruments (Continued)

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and funds held in trust.

Financial liabilities measured at their carrying value include amounts due from related party.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in excess (deficiency) of revenues over expenses. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in excess (deficiency) of revenues over expenses.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts 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.

Changes in accounting estimates are recorded in the period in which the estimate reversed.

The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include measurements of fair value of financial instruments, allowance for impaired loans receivable including the continued economic impact COVID-19 has on the active loans and certain accrued liabilities.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 12
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

3. ACCOUNTS RECEIVABLE

	Operating Fund \$	Investment Fund \$	2021 \$	2020 \$
NSACBDC's - program recoveries	177	-	177	1,706
AACBDC's - Entrepreneurial Training Fund	-	1,283	1,283	4,489
Investment fees	-	17,059	17,059	20,080
Accrued interest on loans	-	80,859	80,859	126,024
	<u>177</u>	<u>99,201</u>	<u>99,378</u>	<u>152,299</u>

4. DUE FROM/TO FUNDS

The amounts due from/to funds are unsecured, non-interest bearing, and have no set terms of repayment.

5. LOANS RECEIVABLE

	Loans to business \$	RRRF \$	2021 \$	2020 \$
Loans and guarantees	7,985,113	2,143,900	10,129,013	7,798,670
Promissory note - ACCBIF	<u>37,500</u>	<u>-</u>	<u>37,500</u>	<u>37,500</u>
	8,022,613	2,143,900	10,166,513	7,836,170
Allowance for loan impairment	(732,791)	(197,775)	(930,566)	(815,561)
Loan forgiveness	<u>-</u>	<u>(553,091)</u>	<u>(553,091)</u>	<u>-</u>
	<u>7,289,822</u>	<u>1,393,034</u>	<u>8,682,856</u>	<u>7,020,609</u>

Investment income earned in the Investment Fund is required to be reinvested in the fund for business investment purposes as required by the agreement with ACOA. Investment funds may be transferred to the operating fund to cover an annual operating deficit provided certain conditions have been met, as set out by ACOA.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 13
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

5. LOANS RECEIVABLE (Continued)

Regional Relief and Recovery Fund (RRRF) is funded by Atlantic Association of Community Business Development Corporation (AACBDC). The purpose of RRRF is to provide term loans to eligible businesses that were impacted by the COVID-19 pandemic. The RRRF has externally imposed restrictions, the fund assets may be used only for loans to approved clients and repay loan capital to AACBDC.

RRRF loans are interest free and non-repayable until December 31, 2022. Client who repay 75% of the amount borrowed under Phase 1 of the program before December 31, 2022 will have 25% of their loans forgiven up to a maximum of \$10,000. Loans disbursed under Phase 2 of the program may be eligible for additional loan forgiveness, up to a maximum of \$20,000.

Changes in loans receivable are as follows:

<i>Loans and guarantees</i>	Loans to business \$	RRRF \$	2021 \$	2020 \$
Balance - beginning of year	7,836,170	-	7,836,170	7,036,537
Advances	1,538,693	2,147,500	3,686,193	2,754,965
Loans repayments	(1,276,400)	(3,600)	(1,280,000)	(1,819,464)
Loan write-offs	(75,850)	-	(75,850)	(135,868)
Balance - end of year	<u>8,022,613</u>	<u>2,143,900</u>	<u>10,166,513</u>	<u>7,836,170</u>
<i>Allowance for loan impairment (Schedule 1)</i>				
Balance - beginning of year	815,561	-	815,561	636,425
Loan write-offs	(53,017)	-	(53,017)	(109,972)
Current year provision	(29,753)	197,775	168,022	289,108
Loan forgiveness	-	553,091	553,091	-
Balance - end of year	<u>732,791</u>	<u>750,866</u>	<u>1,483,657</u>	<u>815,561</u>
	<u>7,289,822</u>	<u>1,393,034</u>	<u>8,682,856</u>	<u>7,020,609</u>

Management has estimated 25% of the outstanding RRRF loan balance disbursed under Phase 1 will be forgivable, and 32% of the outstanding loan balance disbursed under Phase 2, for the total forgivable amount of \$553,091.

Management has estimated 9% of the outstanding RRRF loan balances at risk of default, for the total of \$197,775, this amount has been recorded as bad debt in the current period.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2021	Net 2020
	\$	\$	\$	\$
Computer	42,913	42,299	614	3,629
Furniture and equipment	61,342	61,342	-	1,711
Leasehold improvements	11,188	6,485	4,703	6,941
Software	5,825	5,825	-	-
	<u>121,268</u>	<u>115,951</u>	<u>5,317</u>	<u>12,281</u>

7. FUNDS HELD IN TRUST

The Corporation had previously been engaged to collect and administer 11 CEED loans in the amount of \$40,825 on behalf of NSACBDC. The balance outstanding is \$NIL (2020 - \$25).

	2021	2020
	\$	\$
Balance - beginning of year	1,200	600
Funds paid during the year	(1,325)	(600)
Funds collected during the year	<u>4,850</u>	<u>1,200</u>
Balance - end of year	<u>4,725</u>	<u>1,200</u>

8. RELATED PARTY LOANS

	2021	2020
	\$	\$
Atlantic Association of Community Business Development Corporation (AACBDC), repayable in equal monthly instalments of \$25,000 until June 2023, including floating interest based on the annual interest rate charged on loans by ACCBIF to CBCDCs to a maximum of 15%, where the interest rate up to March 2023 is 1.75% per annum.	1,049,398	759,719
AACBDC Regional Relief & Recovery Fund (RRRF), less loan forgiveness, repayable on a monthly basis commencing February 2020. Monthly repayment amount is base don the percent of the principal paid by RRRF loans receivable borrowers up to an including the last day of the preceding month.	2,257,500	-

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 15
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

8. RELATED PARTY LOANS (Continued)	2021	2020
	\$	\$
RRRF loan forgiveness and write-off recovery.	<u>(750,866)</u>	<u>-</u>
	2,556,032	759,719
Less current portion	<u>283,905</u>	<u>289,973</u>
	<u>2,272,127</u>	<u>469,746</u>

Under the AACBDC RRRF agreement the forgivable portion and any uncollectable loans will reduce the amount repayable to AACBDC. Under the terms of the program, principal repayments from clients are not due until January 1, 2023. Refer to Note 5 for detail on management's estimates of the loan forgiveness and bad debts associated with the RRRF loans.

Assuming like terms, principal due within each of the next four years on long-term debt is as follows:

	\$
2022	283,905
2023	1,993,323
2024	294,011
2025	182,568

9. OTHER INTERFUND TRANSFERS

The Operating Fund generated results being more positive than budget during the year resulting in an excess refundable to the Investment Fund. Other interfund transfers adjust the interfund balance to agree to the calculation in Schedule 2.

10. ECONOMIC DEPENDENCE

The Corporation is economically dependent as it received 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 \$331,119 (2020 - \$327,485).

11. LOAN STATISTICS

Loans approved during the year

During the year, the Board of Directors approved 31 investment loans in the amount of \$1,249,786 (including re-financed loans of \$195,066) and 80 RRRF loans in the amount of \$2,147,500.

11. LOAN STATISTICS (Continued)

Active investment loans under management

This has been defined as any loan where a regular payment has been received within the fiscal year and any loan where the terms of the loan do not call for a regular payment within the fiscal year, inclusive of rural student in business loans. Excluded from active loans are urban student in business loans, loans written off in the fiscal year and loans repaid as of fiscal year end. As at March 31, 2021, there are 168 investment loans and 80 RRRF loans under management.

12. FINANCIAL INSTRUMENTS

Risks and concentrations

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's risk exposure and concentrations at March 31, 2021.

It is management's opinion that the Corporation is not exposed to significant currency or other price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, and loans receivable. The Corporation deposits its cash and cash equivalents in reputable financial institutions and therefore believes the risk of loss to be remote. The Corporation performs credit checks and obtains collateral over certain receivables, mitigating the risk of loss over accounts receivable and loans receivable.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and amounts due to related party. The Corporation has sufficient cash and cash equivalents to meet obligations as they come due.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation is mainly exposed to interest rate risk.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 17
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

12. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its financial obligations at variable interest rates.

13. COMMITMENT

The Corporation has a lease commitment for office rent. The minimum lease payments for the next year total \$33,020.

14. CONTINGENCY

The Corporation receives government contributions and grants under the Community Business Development Centre contribution agreements and Investment Fund agreements subject to repayment if the Corporation fails to comply with the terms and conditions of the agreement. As at March 31, 2021 the Corporation was in compliance with the terms of the agreement.

15. SIGNIFICANT EVENT

On March 11, 2020, COVID-19 (the coronavirus) was declared a worldwide pandemic. On March 22, 2020, the Province of Nova Scotia declared a State of Emergency, effectively closing all but essential services in the Province.

CBDCs and Community Future Organizations across Canada were tasked to administer the Federal Regional Relief and Recovery (RRRF) program to help small businesses survive the negative impacts of COVID-19. In the first quarter of the fiscal year, CBDCs also provided relief to existing clients by waiving principal and interest payments.

The Corporation has seen a decrease in its regular lending due to a lack of interest in new startups and business expansions. However, RRRF loan applications have been in high demand as many businesses in rural communities struggled during the fiscal year. The Corporation expects that as stimulus money in support of small business decreases, loan delinquency and bankruptcy could increase in the coming years.

16. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 18
SCHEDULE 1 - SCHEDULE OF ALLOWANCE FOR LOAN IMPAIRMENT
FOR THE YEAR ENDED MARCH 31, 2021

	2021				
	Category A	Category B	Category C	Category D	Total
	\$	\$	\$	\$	\$
Investment Fund	8,369,707	619,361	224,254	915,691	10,129,013
Add: ACCBIF Fund					
Investment	<u>37,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,500</u>
	<u>8,407,207</u>	<u>619,361</u>	<u>224,254</u>	<u>915,691</u>	<u>10,166,513</u>
Allowance for loan impairment	<u>125,516</u>	<u>93,912</u>	<u>100,045</u>	<u>413,318</u>	<u>732,791</u>

Allowance as a percentage of the total loan portfolio: 7.2%

	2020				
	Category A	Category B	Category C	Category D	Total
	\$	\$	\$	\$	\$
Investment Fund	5,865,708	576,527	604,791	751,644	7,798,670
Add: ACCBIF Fund					
Investment	<u>37,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,500</u>
	<u>5,903,208</u>	<u>576,527</u>	<u>604,791</u>	<u>751,644</u>	<u>7,836,170</u>
Allowance for loan impairment	<u>117,313</u>	<u>84,708</u>	<u>231,884</u>	<u>381,656</u>	<u>815,561</u>

Allowance as a percentage of the total loan portfolio: 10.4%

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 19
SCHEDULE 2 - SCHEDULE OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2021

	Unaudited Budget		
	2021 \$	2021 \$	2020 \$
REVENUES			
ACOA contribution	331,119	331,119	327,485
Sundry revenue (Schedule 3)	<u>172,475</u>	<u>328,018</u>	<u>191,066</u>
	<u>503,594</u>	<u>659,137</u>	<u>518,551</u>
EXPENSES			
Advertising	5,000	9,015	7,013
Amortization	3,500	7,885	4,129
Bank charges	664	906	843
Board	19,944	5,751	13,642
Co-op	56,155	52,959	48,405
Equipment rental	5,685	3,863	4,836
Insurance	4,067	4,237	3,976
Membership, dues and fees	6,262	7,141	6,084
Miscellaneous	1,000	-	-
Office supplies	4,457	4,906	5,299
Postage and courier	312	449	236
Professional fees - audit and accounting	17,825	15,900	19,700
Professional fees - legal and consulting	3,000	4,585	9,344
Rent and utilities	62,297	49,626	49,520
Repairs and maintenance	6,825	7,939	6,171
Salaries and wages	365,711	357,464	331,268
Salaries and wages - statutory and group benefits	51,331	67,332	60,645
Self-employment benefits	64,176	62,759	61,197
Telecommunications	10,495	8,662	9,101
Training and development	18,648	18,976	17,797
Travel	<u>32,147</u>	<u>11,144</u>	<u>35,420</u>
	<u>739,501</u>	<u>701,499</u>	<u>694,626</u>
DEFICIENCY OF REVENUES OVER EXPENSES	(235,907)	(42,362)	(176,075)
AMOUNTS TRANSFERRED FROM INVESTMENT FUND	<u>235,907</u>	<u>235,907</u>	<u>182,877</u>
EXCESS REFUNDABLE TO INVESTMENT FUND	<u>-</u>	<u>193,545</u>	<u>6,802</u>

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 20
SCHEDULE 3 - SCHEDULE OF SUNDRY REVENUE
FOR THE YEAR ENDED MARCH 31, 2021

	<u>Operating Fund</u>		Investment Fund	Total 2021	Total 2020
	Unaudited Budget 2021 \$	Actual 2021 \$			
Administration fees	35,429	20,691	-	20,691	42,990
Government assistance	-	41,655	-	41,655	-
Interest income	4,800	1,232	-	1,232	40,342
Loan application fees	4,400	1,800	-	1,800	4,900
NSACBDC support services	6,502	4,322	-	4,322	3,477
Other	714	105	15,805	15,910	32,928
Program fees	43,998	81,689	-	81,689	44,917
RRRF funding and admin fees	-	93,166	-	93,166	-
Self-employment benefit	<u>76,632</u>	<u>83,358</u>	<u>-</u>	<u>83,358</u>	<u>79,707</u>
	<u><u>172,475</u></u>	<u><u>328,018</u></u>	<u><u>15,805</u></u>	<u><u>343,823</u></u>	<u><u>249,261</u></u>