

**BLUE WATER BUSINESS DEVELOPMENT  
CORPORATION LIMITED**

**FINANCIAL STATEMENTS**

**MARCH 31, 2022**

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED  
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MARCH 31, 2022

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## INDEPENDENT AUDITORS' REPORT

To the Directors of:  
**Blue Water Business Development Corporation Limited**

### *Qualified 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, 2022 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2022, 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 Qualified Opinion*

The Corporation has not identified and classified all its financial instruments, and recorded its financial statements at fair value. Rather, all financial instruments have been recorded at historical cost. The Corporation has not specifically disclosed information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance, including exposure to risks, methods of determining fair value and other relevant information. This basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles for not for profit organizations.

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.

### *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.

*Baker Tilly Nova Scotia Inc*

Dartmouth, Nova Scotia  
June 29, 2022

Chartered Professional Accountants

**BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 4**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

	Operating Fund \$	Investment Fund \$	2022 \$	2021 \$
<b>REVENUES</b>				
ACOA contribution (Note 11)	331,119	-	331,119	331,119
Interest income	-	549,887	549,887	520,869
Sundry revenue (Schedule 3)	244,476	22,355	266,831	343,823
RRRF loan recovery	-	162,717	162,717	750,866
	<u>575,595</u>	<u>734,959</u>	<u>1,310,554</u>	<u>1,946,677</u>
<b>EXPENSES</b>				
Advertising	14,466	-	14,466	9,015
Amortization	38,120	-	38,120	7,885
Bank charges	964	2,041	3,005	2,747
Board	5,028	-	5,028	3,331
Co-op	55,127	-	55,127	52,959
Credit checking	-	3,502	3,502	3,907
Equipment rental	3,874	-	3,874	3,863
Insurance	3,882	-	3,882	4,237
Interest	-	15,879	15,879	15,116
Loan write-off (recovery)	-	( 255,689)	( 255,689)	175,656
Meetings	7,561	-	7,561	2,420
Memberships, dues and fees	6,641	-	6,641	7,141
Office supplies	7,999	-	7,999	4,906
Postage and courier	229	-	229	449
Professional fees - audit and accounting	15,750	-	15,750	15,900
Professional fees - legal and consulting	5,399	1,794	7,193	4,757
RRRF loan forgiveness	-	129,750	129,750	553,091
Rent and utilities	62,443	-	62,443	49,626
Repairs and maintenance	10,916	-	10,916	7,939
Salaries, wages and benefits	431,281	-	431,281	424,796
Self-employment benefit	72,526	-	72,526	62,759
Telecommunications	9,276	-	9,276	8,662
Training and development	12,430	9,973	22,403	27,976
Travel	15,058	-	15,058	11,144
	<u>778,970</u>	<u>( 92,750)</u>	<u>686,220</u>	<u>1,460,282</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>( 203,375)</u>	<u>827,709</u>	<u>624,334</u>	<u>486,395</u>

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED  
 STATEMENT OF CHANGES IN NET ASSETS  
 AS AT MARCH 31, 2022

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	Unrestricted \$	Internally Restricted \$	Externally Restricted \$	2022 \$	2021 \$
Net asset - beginning of year	76,270	200,000	8,832,588	9,108,858	8,622,463
Excess (deficiency) of revenues over expenses	( 203,375)	-	827,709	624,334	486,395
Interfund transfer (Note 10)	<u>175,000</u>	<u>-</u>	<u>( 175,000)</u>	<u>-</u>	<u>-</u>
Net asset - end of year	<u>47,895</u>	<u>200,000</u>	<u>9,485,297</u>	<u>9,733,192</u>	<u>9,108,858</u>

**BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED** 6  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2022**

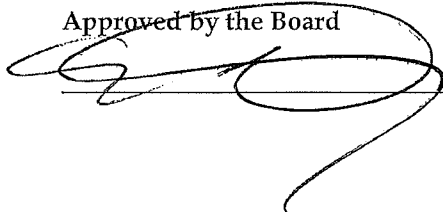
ASSETS				
	Operating Fund	Investment Fund	2022	2021
	\$	\$	\$	\$
<b>CURRENT</b>				
Cash and cash equivalents	284,613	2,677,960	2,962,573	2,973,135
Accounts receivable (Note 4)	3,925	110,837	114,762	99,378
HST receivable	13,082	3,733	16,815	7,058
Prepays	<u>6,803</u>	<u>538</u>	<u>7,341</u>	<u>5,007</u>
	308,423	2,793,068	3,101,491	3,084,578
<b>INVESTMENT</b>				
	-	40,000	40,000	40,000
DUE FROM OPERATING FUND (Note 5)	-	68,031	68,031	128,171
LOANS RECEIVABLE (Note 6)	-	9,033,499	9,033,499	8,682,856
CAPITAL ASSETS (Note 7)	<u>174,938</u>	<u>-</u>	<u>174,938</u>	<u>5,317</u>
	<u>483,361</u>	<u>11,934,598</u>	<u>12,417,959</u>	<u>11,940,922</u>

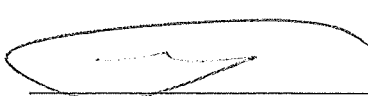
LIABILITIES				
<b>CURRENT</b>				
Accounts payable and accrued liabilities	32,917	24,761	57,678	29,541
Deferred revenue	96,144	-	96,144	113,595
Fund held in trust (Note 8)	-	2,250	2,250	4,725
Current portion of related party loans	-	289,868	289,868	283,905
Due to investment fund (Note 5)	68,031	-	68,031	128,171
Current portion of long-term debt	<u>21,928</u>	<u>-</u>	<u>21,928</u>	<u>-</u>
	219,020	316,879	535,899	559,937
<b>LONG-TERM</b>				
	16,446	-	16,446	-
RELATED PARTY LOANS (Note 9)	<u>-</u>	<u>2,132,422</u>	<u>2,132,422</u>	<u>2,272,127</u>
	<u>235,466</u>	<u>2,449,301</u>	<u>2,684,767</u>	<u>2,832,064</u>

NET ASSETS				
EXTERNALLY RESTRICTED	-	9,485,297	9,485,297	8,832,588
INTERNALLY RESTRICTED	200,000	-	200,000	200,000
UNRESTRICTED	<u>47,895</u>	<u>-</u>	<u>47,895</u>	<u>76,270</u>
	<u>247,895</u>	<u>9,485,297</u>	<u>9,733,192</u>	<u>9,108,858</u>
	<u>483,361</u>	<u>11,934,598</u>	<u>12,417,959</u>	<u>11,940,922</u>

COMMITMENT (Note 14), CONTINGENCY (Note 15), SIGNIFICANT EVENT (Note 16),  
SUBSEQUENT EVENT (Note 17)

Approved by the Board

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



**BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 7**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

	Operating Fund	Investment Fund	2022	2021
	\$	\$	\$	\$
<b>CASH PROVIDED BY (USED FOR):</b>				
<b>OPERATING</b>				
Excess (deficiency) of revenues over expenses	( 203,375)	827,709	624,334	486,395
Items not affecting cash				
Amortization	38,120	-	38,120	7,885
Loan write-off (recovery)	-	114,554	114,554	( 22,119)
	( 165,255)	942,263	777,008	472,161
Changes in non-cash working capital				
Accounts receivable	( 3,748)	( 11,636)	( 15,384)	52,921
HST receivable	( 8,331)	( 1,426)	( 9,757)	( 1,656)
Prepays	( 1,972)	( 362)	( 2,334)	( 320)
Accounts payable and accrued liabilities	6,982	21,155	28,137	1,631
Deferred revenue	( 17,451)	-	( 17,451)	93,875
	( 189,775)	949,994	760,219	618,612
<b>FINANCING</b>				
Advances from related parties	-	427,000	427,000	2,757,500
Repayments to related parties	-	( 560,742)	( 560,742)	( 210,321)
Funds held in trust	-	( 2,475)	( 2,475)	3,525
Interfund transfers	172,498	( 172,498)	-	-
Proceeds on long-term debt	43,855	-	43,855	-
Payments on long-term debt	( 5,481)	-	( 5,481)	-
	210,872	( 308,715)	( 97,843)	2,550,704
<b>INVESTING</b>				
Acquisition of capital assets	( 207,741)	-	( 207,741)	( 921)
Repayment of loans	-	2,048,694	2,048,694	1,280,000
Disbursement of loans	-	( 2,513,891)	( 2,513,891)	( 3,670,994)
	( 207,741)	( 465,197)	( 672,938)	( 2,391,915)
<b>CHANGE IN CASH</b>	( 186,644)	176,082	( 10,562)	777,401
<b>CASH - beginning of year</b>	471,257	2,501,878	2,973,135	2,195,734
<b>CASH - end of year</b>	284,613	2,677,960	2,962,573	2,973,135

**BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 8**  
**NOTES TO THE FINANCIAL STATEMENTS:**  
**FOR THE YEAR ENDED MARCH 31, 2022**

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**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. DEPARTURE FROM ACCOUNTING STANDARDS**

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

The Atlantic Canada Opportunities Agency has confirmed, within the 2022 CF agreement to all Atlantic CBDCs, it will accept qualified financial statements from CBDC when not prepared in full compliance with the CPA Canada Handbook Section 3856 Financial Instruments.

**3. 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:

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 9  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2022

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

*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 insufficient 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.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2022

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

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.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2022

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

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.

*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 any reversal is recognized in excess (deficiency) of revenues over expenses.

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 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2022

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**4. ACCOUNTS RECEIVABLE**

	Operating Fund	Investment Fund	2022 \$	2021 \$
NSACBDC's - program recoveries	3,925	4,514	8,439	177
AACBDC's - Entrepreneurial Training Fund	-	9,070	9,070	1,283
Investment fees	-	12,356	12,356	17,059
Accrued interest on loans	-	84,897	84,897	80,859
	<u>3,925</u>	<u>110,837</u>	<u>114,762</u>	<u>99,378</u>

**5. DUE FROM/TO FUNDS**

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

**6. LOANS RECEIVABLE**

	Loans to business \$	RRRF \$	2022 \$	2021 \$
Loans and guarantees	7,981,261	2,563,800	<b>10,545,061</b>	10,129,013
Promissory note - ACCBIF	<u>37,500</u>	<u>-</u>	<u><b>37,500</b></u>	<u>37,500</u>
	8,018,761	2,563,800	<b>10,582,561</b>	10,166,513
Allowance for loan impairment	( 641,854)	( 230,742)	( 872,596)	( 930,566)
Loan forgiveness	<u>-</u>	<u>( 676,466)</u>	<u>( 676,466)</u>	<u>( 553,091)</u>
	<u><b>7,376,907</b></u>	<u><b>1,656,592</b></u>	<u><b>9,033,499</b></u>	<u><b>8,682,856</b></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.

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, 2023. Clients who repay 75% of the amount borrowed under Phase 1 of the program before December 31, 2023 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:

	Loans to business \$	RRRF \$	2022 \$	2021 \$
<i>Loans and guarantees</i>				
Balance - beginning of year	8,022,613	2,143,900	<b>10,166,513</b>	7,836,170
Loan advances	2,036,891	477,000	<b>2,513,891</b>	3,686,193
Loans repayments	( 1,991,594)	( 57,100)	( 2,048,694)	( 1,280,000)
Loan write-offs	<u>( 49,149)</u>	<u>-</u>	<u>( 49,149)</u>	<u>( 75,850)</u>
Balance - end of year	<u><b>8,018,761</b></u>	<u><b>2,563,800</b></u>	<u><b>10,582,561</b></u>	<u><b>10,166,513</b></u>

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 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2022

**6. LOANS RECEIVABLE (Continued)**

*Allowance for loan impairment (Schedule 1)*

Balance - beginning of year	732,791	750,866	1,483,657	815,561
Loan write-offs	5,070	-	5,070	( 53,017)
Current year provision	( 96,007)	32,967	( 63,040)	168,022
Loan forgiveness	<u>-</u>	<u>123,375</u>	<u>123,375</u>	<u>553,091</u>
Balance - end of year	<u>641,854</u>	<u>907,208</u>	<u>1,549,062</u>	<u>1,483,657</u>
	<u>7,376,907</u>	<u>1,656,592</u>	<u>9,033,499</u>	<u>8,682,856</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 \$676,466 (2021 - \$553,091).

Management has estimated 9% of the outstanding RRRF loan balances at risk of default, for the total of \$32,967 (2021 - \$197,775) amount has been recorded as bad debt in the current period, included in the RRRF loan recovery revenue.

**7. CAPITAL ASSETS**

	Cost	Accumulated Amortization	Net 2022	Net 2021
	\$	\$	\$	\$
Computer	48,477	44,768	3,709	614
Furniture and equipment	97,480	68,570	28,910	-
Leasehold improvements	<u>177,227</u>	<u>34,908</u>	<u>142,319</u>	<u>4,703</u>
	<u>323,184</u>	<u>148,246</u>	<u>174,938</u>	<u>5,317</u>

**8. FUNDS HELD IN TRUST**

	2022	2021
	\$	\$
Balance - beginning of year	4,725	1,200
Funds paid during the year	( 5,075)	( 1,325)
Funds collected during the year	<u>2,600</u>	<u>4,850</u>
Balance - end of year	<u>2,250</u>	<u>4,725</u>



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NOTES TO THE FINANCIAL STATEMENTS  
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9. RELATED PARTY LOANS

	2022	2021
	\$	\$
Atlantic Association of Community Business Development Corporation (AACBDC), repayable in equal monthly instalments of \$25,000 until July 2024, 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 July 2024 is 1.60% per annum (2021 - 1.75%).	765,698	1,049,398
AACBDC Regional Relief & Recovery Fund (RRRF), less loan forgiveness, repayable on a monthly basis commencing February 2021. Monthly repayment amount is based on the percent of the principal paid by RRRF loans receivable borrowers up to and including the last day of the preceding month.	2,563,800	2,257,500
RRRF loan forgiveness and write-off recovery	<u>( 907,208)</u>	<u>( 750,866)</u>
	2,422,290	2,556,032
Less current portion	<u>289,868</u>	<u>283,905</u>
	<u>2,132,422</u>	<u>2,272,127</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, 2024. Refer to Note 6 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 three years on long-term debt is as follows:

	\$
2023	289,868
2024	1,951,132
2025	181,290

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NOTES TO THE FINANCIAL STATEMENTS  
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**10. INTERFUND TRANSFERS**

Maximum interfund transfer available from the Investment Fund to the Operating Fund is approved by ACOA on an annual basis, at the beginning of the fiscal year in the form of an approved Operating Fund budget deficiency. Maximum available interfund transfer for the fiscal year ended March 31, 2022 was \$179,150 (2021 - \$235,907) as shown in Schedule 2. The Corporation's Board of Directors approved an interfund transfer of \$175,000 (2021 - \$100,000) during the year ended March 31, 2022 .

**11. 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 (2021 - \$331,119).

**12. LOAN STATISTICS**

Loans approved during the year

During the year, the Board of Directors approved 49 investment loans in the amount of \$3,991,425 (2021 - \$1,249,786), including re-financed loans of \$1,107) and 18 RRRF loans in the amount of \$477,000 (2021 - \$2,147,500).

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. Excluded from active loans are loans written off in the fiscal year and loans repaid as of fiscal year end. As at March 31, 2022, there are 169 investment loans and 96 RRRF loans under management.

**13. 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, 2022.

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:

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2022

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13. FINANCIAL INSTRUMENTS (Continued)

*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.

*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.

**BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

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**14. COMMITMENT**

The Corporation has a lease commitment for office rent. The minimum lease payments for the next five years are as follows:

	\$
2023	48,000
2024	48,000
2025	48,000
2026	48,000
2027	48,000
Subsequent	56,000

**15. 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, 2022 the Corporation was in compliance with the terms of the agreement.

**16. 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. The State of Emergency was lifted in March 2022.

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.

The Corporation has seen an increase in demand for its lending services and for larger loans, to combat inflationary pressures. The Corporation expects that as stimulus money in support of small business decreases, loan delinquency and bankruptcy could increase in the coming years.

**17. SUBSEQUENT EVENT**

The Corporation has been approved by ACCBIF for \$1M in additional funding to meet anticipated future lending needs. The funds have not yet been disbursed to the Corporation. The \$1M has been approved in addition to the existing promissory note as disclosed in Note 9. The ACCBIF agreement was amended effective June 13, 2022 for the additional funds.

**BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 19**  
**SCHEDULE 1 - SCHEDULE OF ALLOWANCE FOR LOAN IMPAIRMENT**  
**FOR THE YEAR ENDED MARCH 31, 2022**

	2022				
	Category A	Category B	Category C	Category D	Total
	\$	\$	\$	\$	\$
Investment Fund	9,134,386	565,202	200,746	644,727	10,545,061
Add: ACCBIF Fund Investment	<u>37,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,500</u>
	<u>9,171,886</u>	<u>565,202</u>	<u>200,746</u>	<u>644,727</u>	<u>10,582,561</u>
Allowance for loan impairment	<u>131,151</u>	<u>93,241</u>	<u>90,187</u>	<u>327,275</u>	<u>641,854</u>

Allowance as a percentage of the total loan portfolio: 6.1%

	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%

**BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 20**  
**SCHEDULE 2 - SCHEDULE OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

	Unaudited Budget		
	2022	2022	2021
	\$	\$	\$
<b>REVENUES</b>			
ACOA contribution	346,116	331,119	331,119
Sundry revenue (Schedule 3)	<u>203,951</u>	<u>244,476</u>	<u>328,018</u>
	<u>550,067</u>	<u>575,595</u>	<u>659,137</u>
<b>EXPENSES</b>			
Advertising	8,129	14,466	9,015
Amortization	3,500	38,120	7,885
Bank charges	664	964	906
Board	18,918	5,028	3,331
Co-op	11,305	55,127	52,959
Equipment rental	5,103	3,874	3,863
Insurance	4,569	3,882	4,237
Membership, dues and fees	6,029	6,641	7,141
Miscellaneous	1,000	-	-
Office supplies	4,398	7,999	4,906
Postage and courier	400	229	449
Professional fees - audit and accounting	16,000	15,750	15,900
Professional fees - legal and consulting	3,000	5,399	4,585
Rent and utilities	56,416	62,443	49,626
Repairs and maintenance	7,139	10,916	7,939
Salaries and wages	394,274	363,214	357,464
Salaries and wages - statutory and group benefits	56,842	68,066	67,332
Self-employment benefits	68,930	72,526	62,759
Telecommunications	11,100	9,276	8,662
Training and development	18,648	12,430	18,976
Travel	<u>32,853</u>	<u>15,058</u>	<u>11,144</u>
	<u>729,217</u>	<u>771,408</u>	<u>699,079</u>
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	( 179,150)	( 195,813)	( 39,942)
<b>AMOUNTS TRANSFERRED FROM INVESTMENT FUND</b>	<u>175,000</u>	<u>175,000</u>	<u>100,000</u>
<b>EXCESS (DEFICIENCY) REFUNDABLE (TRANSFERRED) TO (FROM) INVESTMENT FUND</b>	<u>( 4,150)</u>	<u>( 20,813)</u>	<u>60,058</u>

BLUE WATER BUSINESS DEVELOPMENT CORPORATION LIMITED 21  
 SCHEDULE 3 - SCHEDULE OF SUNDRY REVENUE  
 FOR THE YEAR ENDED MARCH 31, 2022

	<u>Operating Fund</u>		Investment Fund	Total 2022	Total 2021
	Unaudited Budget	Actual			
	2022	2022			
	\$	\$	\$	\$	\$
Administration fees	35,429	35,499	-	35,499	20,691
Government assistance	-	-	-	-	41,655
Interest income	1,200	2,231	-	2,231	1,232
Loan application fees	4,400	4,100	-	4,100	1,800
NSACBDC support services	6,502	4,782	-	4,782	4,322
Other	714	-	22,355	22,355	15,910
Program fees	44,648	50,765	-	50,765	81,689
RRRF funding/admin fees	28,666	43,278	-	43,278	93,166
Self-employment benefit	<u>82,392</u>	<u>103,821</u>	<u>-</u>	<u>103,821</u>	<u>83,358</u>
	<u>203,951</u>	<u>244,476</u>	<u>22,355</u>	<u>266,831</u>	<u>343,823</u>

