



2018-2019
**ANNUAL
REPORT**



“

What a pleasurable experience it's been. They are so accomodating, easy to deal with and they understand you at a ground roots level.”

Darren Cousins
Twin Shores

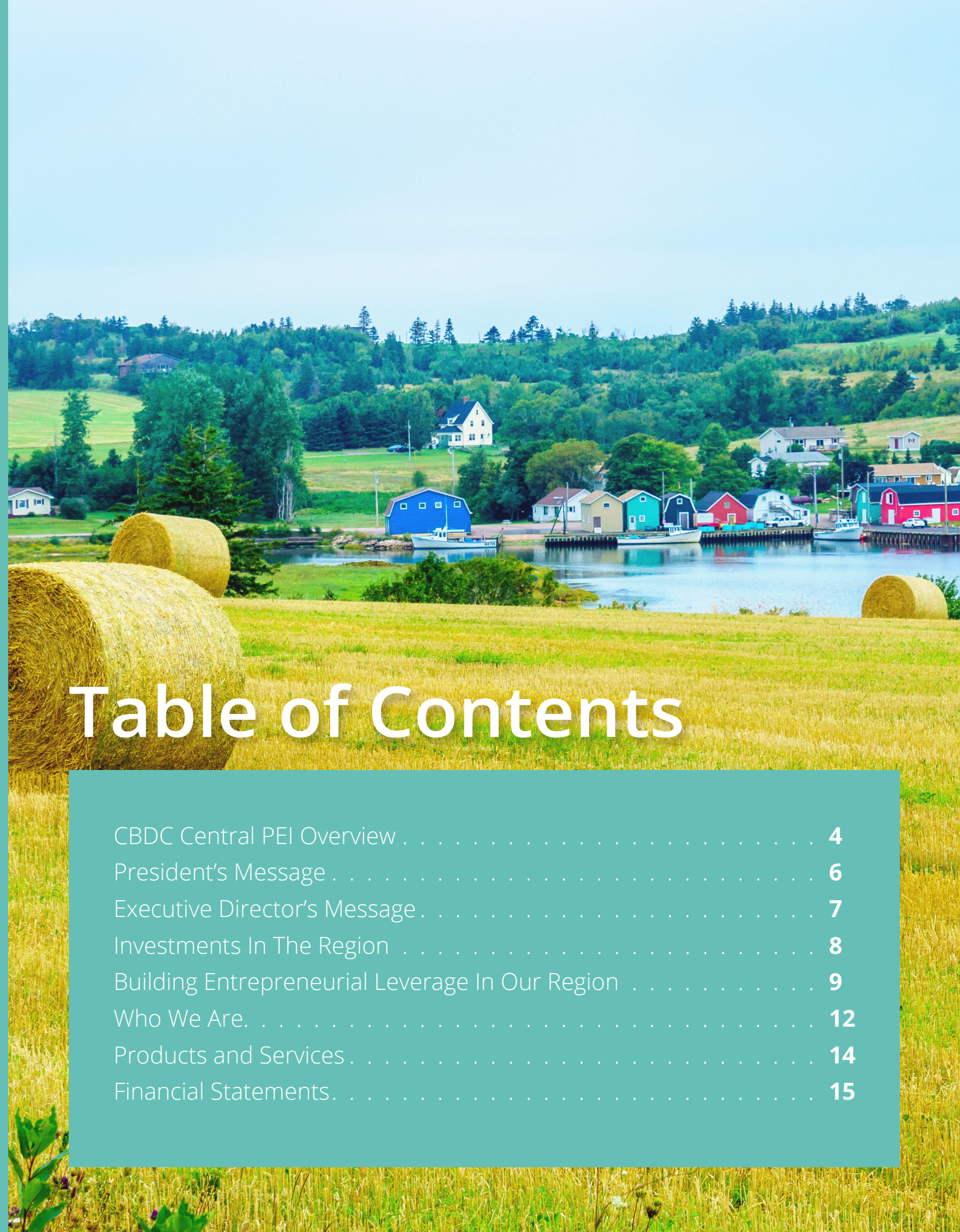


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CBDC Central PEI

Overview

CBDC Central PEI is a not-for-profit organization working to support the creation and expansion of small and medium sized businesses. We are part of the Community Business Development Corporations, a network of 41 independent, not-for-profit organizations that work in cooperation with all levels of government and the private sector to achieve our mandate.

To achieve this goal, we provide new and existing entrepreneurs tools that will help ensure their stability and growth through financial, technical assistance, and counselling services. Financial assistance can be accessed through 6 programs: Youth Loan, First Time Entrepreneur Loan, General Business Loan, Social Enterprise Loan, Innovation Loan, and urban financing through the impact program. Simultaneously, technical assistance more commonly takes the following forms: business plan guidance, counselling, training, workshops, and assistance in connecting clients to other sources of funding.

Also, we deliver the ACOA funded Consultant Advisory Services (CAS) program. It is a cost shared program for businesses to access professional consulting services. These professional services enable businesses to acquire the expertise required to grow their business, increase their bottom line, expand into new markets, and create jobs which positively impacts our economy.

This report, in addition to presenting the financial position of the Corporation, will concentrate on the major activities undertaken by CBDC Central PEI during its 29th year of operation. PEI's economy is seeing an unprecedented period of growth, and, as such our office has seen an increase in activity in all areas. We invested \$1.2M of new funds into the region this year while creating 41 new jobs and assisting a record 15 businesses through our CAS program. We have disbursed almost \$21M in loans since inception and have helped in the creation and maintenance of 4,042 jobs and impacted over 1,250 businesses.

Mission

We will stimulate private sector employment within our region by providing small to medium sized businesses with financial assistance, business counselling, support, and access to training.

We encourage and support economic growth, diversification, job creation and maintenance, along with encouraging sustainable, self-reliant communities in our region. We will provide programs and services that build on our past successes and take advantage of new opportunities.

Vision

We envision a future where all small and medium sized businesses contribute to the development and sustainability of the CBDC Central PEI region.



PRESIDENT'S MESSAGE

As the Chair of the Board of Directors, the time has come for my final outgoing remarks. I have had the pleasure of being a Board Member for 9 years, 4 of them as the Chair. It has been a year of transitions and a very active year for CBDC Central PEI.

As a community-oriented organization, the CBDC provides financial assistance and consulting services to small and medium-sized businesses, whether they are already established or still in the initial stages. Our Board of Directors is a true reflection of the entrepreneurs in our region. Our mandate is to promote economic growth while providing support to entrepreneurs who wish to develop and grow their businesses. I would like to express my sincere appreciation to the board members, for their contribution of time and talent throughout the year. Their knowledge, experience, and dedication towards this organization and entrepreneurs is instrumental to our success.

The government of Canada, through ACOA, is committed to helping rural communities become strong and vibrant. Their continued support demonstrates their desire to nurture the business community through ACOA's vision and assistance. As a result, the 41 CBDCs throughout Atlantic Canada had the pleasure of supporting 1,356 Atlantic Canadian Entrepreneurs and injected in excess of \$73.1 million into our economy. Since the inception of the Community Futures Program, the CBDCs have assisted 34,335 entrepreneurs and invested in excess of \$1.27 billion dollars into rural communities throughout Atlantic Canada. Thank you to ACOA's team of professionals for their understanding, their support, their guidance, and their ongoing assistance with a special thank you to our personal representative, Shelley Clark.

Also, we work closely with community partners both at the provincial and regional level to fulfill our mandate and ensure we are doing everything we can to help entrepreneurs succeed. Thank you to the Chambers of Commerce in Summerside, Kensington, South Shore, Charlottetown, and RDÉE ÎPÉ for their enormous contributions to our region and their dedication to assisting business growth and development. I would

also like to thank both Innovation PEI and SkillsPEI for working closely with us and our clients to ensure they are accessing the full range of programs and services available.

Finally, on behalf of the Board of Directors, I would like to thank our dedicated team in the office. As I mentioned previously, we had a year of change. In October, we said good bye to Ron Holley after 27 years of service. Ron was our very first Executive Director and he built our CBDC into the incredible success it is today. We are all here as a result of his hard work and tireless dedication. Unfortunately, the transition was met with a shocking and unforeseen tragedy. Ron's successor, Deb Calviello, passed away suddenly on January 15th, 2019. While her tenure was short, she made a huge impact on everyone around her and her enthusiasm and passion are sorely missed. Thank you to Tania Bernard and Krista Thompson for their ongoing dedication and extraordinary contributions during this difficult time period.

In February, we welcomed Tina Dickieson to the role and we are grateful for her diligence and guidance through the difficult transition. We are confident she will bring success to the role and continue to build on CBDC Central PEI's history of achievements.

In conclusion, this has been a year of change, challenge, and hope. I am confident as I step down both as a board member and Chair that our CBDC is well placed to fulfill our mandate and continue to help business owners succeed and thrive.

Thank you!



Wayne Gallinger
President

EXECUTIVE DIRECTOR'S MESSAGE

It gives me great pleasure to share with our stakeholders and the community a summary of CBDC Central PEI's accomplishments during this past fiscal year. Our ongoing focus is to foster growth of our region's business community and entrepreneurial climate by investing both time and money through our financial services and programs.

PEI is currently leading the country in growth and we are seeing a commensurate upsurge in loan activity. We had a 21% increase in completed loan applications at the end of our fiscal year and approved 25 loans through our CBDC lending programs. Likewise, we have seen increased activity in our urban-based Impact Program, which we deliver on behalf of ACOA to the Greater Charlottetown area. We had a 129% rise in loan applications with 12 approved by our fiscal year end.

Since our inception in August, 1990, our CBDC has disbursed \$20,864,092 in loans including \$1,028,600 of new funds this year. At March 31st, 19 loans had been disbursed through our CBDC lending services and 12 through Impact Program, injecting a total of \$1,186,600 into our economy while creating 41 jobs and maintaining 98 through both programs. These investments levered \$837,444 from clients, financial institutions, and both levels of governments for a total investment in our region of \$2,024,044.

For training, through both our CBDC and Impact clients, we were able to provide 19 one-on-one training sessions, 8 workshops, and we counselled 68 businesses injecting \$28,350 of investment training dollars locally. The Consulting Advisory Services (CAS) program was extremely popular during this fiscal year with 15 businesses assisted for a total of \$55,063 in contributions. Thank you to both ACOA and the Atlantic Association of CBDC's for providing the funding to allow for these critical services to our clients. Recent studies have shown that businesses that work with CBDC's have a 71% success rate within their first 5 years of business. I firmly believe that providing these services is what really makes us stand out from traditional lenders.

I would like to take this opportunity to express my gratitude to our faithful clients for their continued support. It gives me great pleasure to work with community members and assist them in their endeavours wherever possible.

Thank you to Basil Ryan, Chief Operating Officer of the Atlantic Association, and their staff for their ongoing guidance and support. It is a pleasure working with all of them. Also, thank you to my counterparts, Martina MacDonald from CBDC PEI East and Maxine Rennie from CBDC Western PEI for their advice, encouragement, and leadership as I begin my journey as Executive Director.

In closing, the staff joins me in offering a special thank you to our Board of Directors, past and present. They have been a cornerstone of our organization and they continue to be a catalyst for the sustained growth of our CBDC and the countless hours they have contributed cannot be measured. Thank you to each and every volunteer for their leadership, guidance, and commitment.

Finally, I strongly believe that the success of any company is achieved by the hardworking employees who fulfill the corporate mandate each and every day and serve our clients. As the incoming Executive Director, I would like to offer my very sincere gratitude for the time and effort both Krista Thompson and Tania Bernard have spent assisting me and for all their day-to-day accomplishments that make CBDC Central PEI a pillar in our region and such an enormous success.

Thank you!



Tina Dickieson
Executive Director

INVESTMENTS IN THE REGION

Requests Processed

Applications received	29
Applications approved	25
Amounts invested	\$1,028,600

Number of Business Counselling Sessions

Number of clients62
-----------------------------	-----

Businesses Assisted

New business	8
Existing business	20
Total	28

Employment

Jobs created	23
Jobs maintained	89
Total	112

Training Sessions

Number of individuals	13
Number of workshops	4
Total	\$18,000

Impact Training Sessions

Number of individuals	6
Number of workshops	4
Total	\$10,350

Impact Counselling Sessions 6

Impact Loan Program

Applications received	16
Applications approved	12
Amount distributed	\$158,000

Consulting Advisory Services

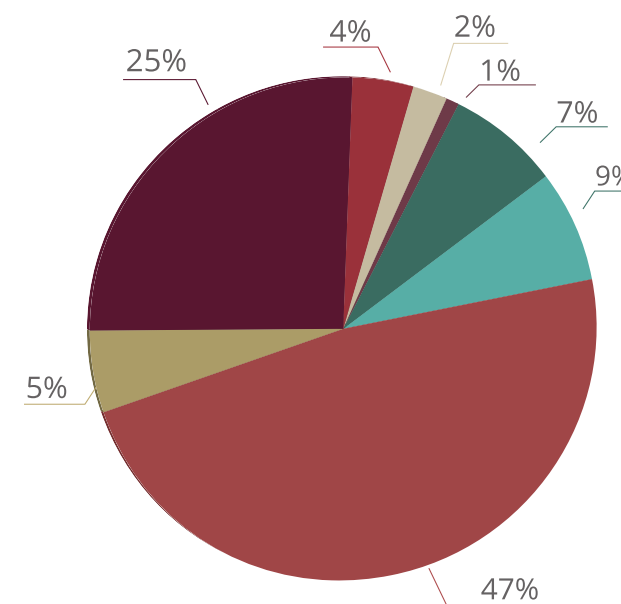
Number of businesses	15
Amount granted	\$55,063



Evelyn Lafortune, Owner
Maritime Asthma & Respiratory Care Ltd.

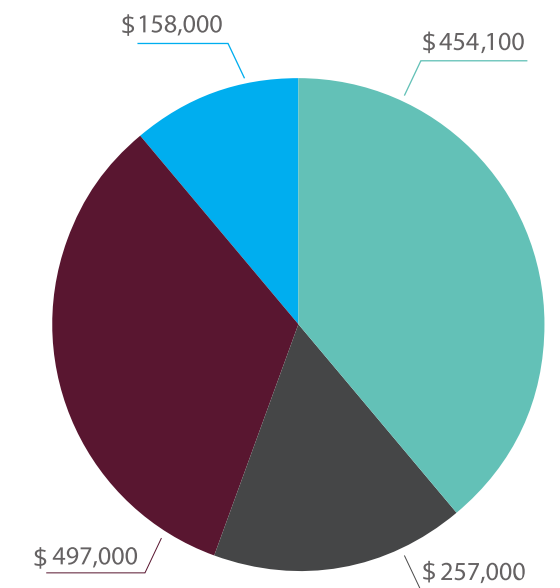
BUILDING STRONG ENTREPRENEURIAL LEVERAGE IN OUR REGION

Loans by sector since inception



Service/Retail	47%	Arts/Entertainment	2%
Manufacturing	5%	Technology	1%
Tourism/Hospitality	25%	Agriculture	7%
Construction/Trade	4%	Aquaculture	9%

Breakdown of amounts approved per loan product



General Business Loan	\$454,100
First-Time Entrepreneur Loan	\$257,000
Youth Loan	\$158,000
Impact Loan Program	\$497,000

DID YOU KNOW?

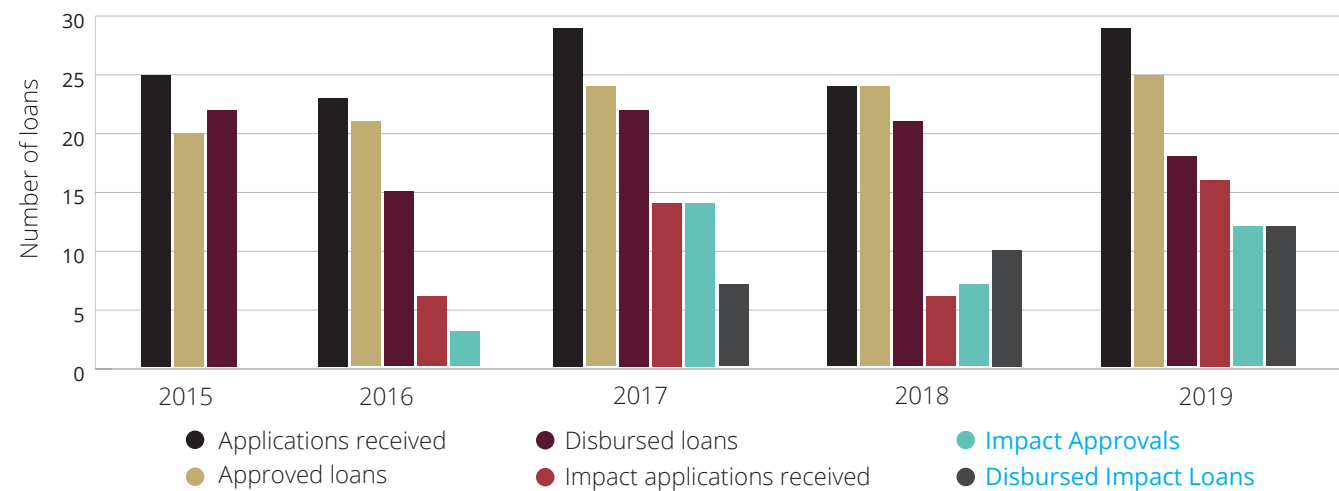
The business survival rate for CBDC assisted businesses (71%) is significantly higher than the rate for comparable businesses (47%) after the crucial fifth year following start-up.

NUMBER OF LOANS APPROVED

General Business Loan	10
First-Time Entrepreneur Loan	7
Innovation Loan	0
Social Enterprise Loan	0
Clean Technology Loan	0
Youth Loan	8
Impact Loan Program	12

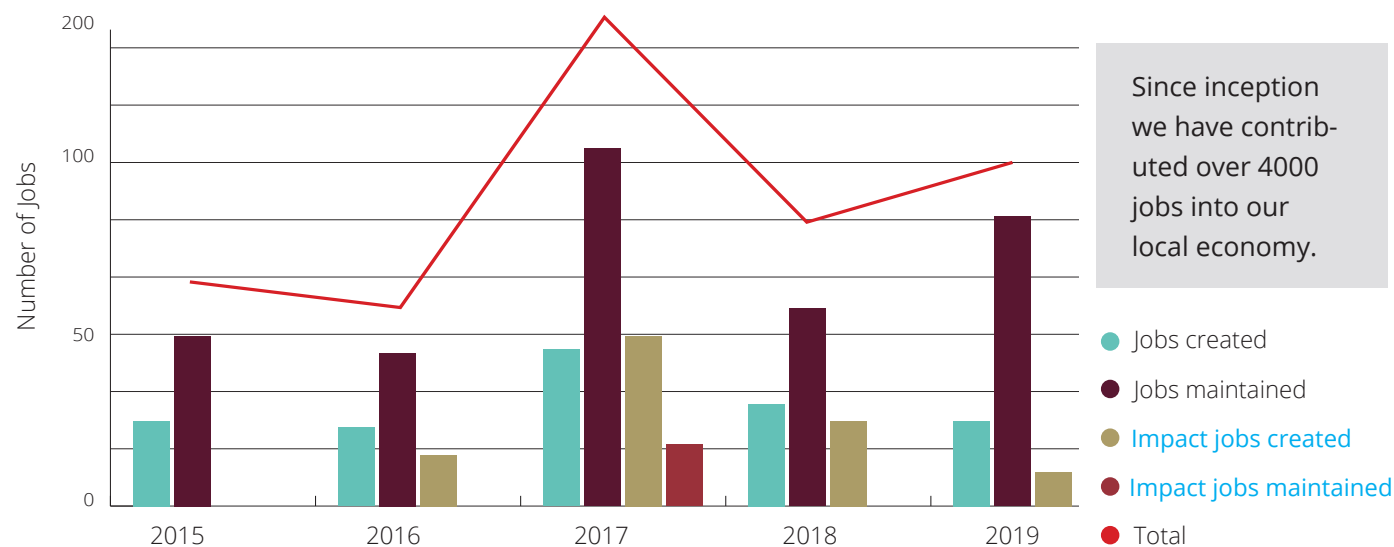
BUILDING STRONG ENTREPRENEURIAL LEVERAGE IN OUR REGION

Number of applications, approved and disbursed over the past 5 years.



Since inception CBDC Central PEI has injected almost 21 million dollars into the community. Our average loan approval this year was \$48,324, and our Impact loan program's average loan approval was \$13,166.

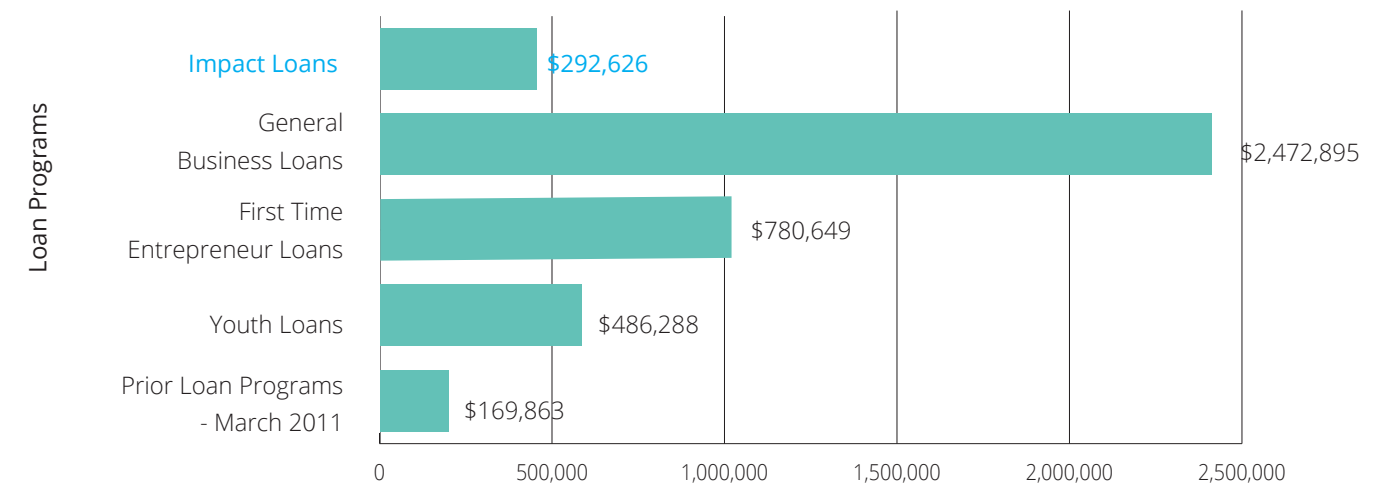
Jobs created and maintained over the last 5 years.



Since inception we have contributed over 4000 jobs into our local economy.

BUILDING STRONG ENTREPRENEURIAL LEVERAGE IN OUR REGION

CBDC Central loan portfolio



COMMUNITY MATTERS AT CBDC CENTRAL PEI



Board of Directors: Front Row - (L-R) Anne Watts (Vice President), Jamie Caseley, Karen Macdonald
Back Row - Chad Howatt (Treasurer), Felix Arsenault, Wayne Gallinger (President), Mary Armellini



CBDC Central PEI Staff: Tania Bernard (Loans Officer), Tina Dickieson (Executive Director) and
Krista Thompson (Administrative Officer)



Impact Loan Committee - Patrick Cullen, Emma Fugate, Shawn Mackenzie



Ron Holley, Donna Lawless, Wayne Gallinger



Tania Bernard, Karen Gallant and Martin Marcoux



Tania Bernard and Deb Calviello

PRODUCTS AND SERVICES FOR THE SUCCESS OF OUR ENTREPRENEURS

Business Management Skills Training

Tailored skills training in special areas such as market development, bookkeeping, feasibility studies, funding sources and business analysis.

Consulting Advisory Services

Assistance provided through an external counselling agent in various fields of expertise to improve business performance. A certain financial contribution is requested from client.

Business Counselling

Business counselling in the form of advice to new and established entrepreneurs.

Clean Technology Initiative

Loan or advisory services ideas for a clean technology process, and products or services that reduce negative environmental impacts.

Youth Loan

Provides start-up capital for youth between the ages of 18 to 34 who experience difficulty obtaining necessary financing.

Innovation Loan

Helps promote the development of the knowledge-base economy and aids in the adoption or commercialization of new technologies.

First-Time Entrepreneur Loan

Offers counselling services for individuals who wish to become a self-sufficient and profitable business owner. This is the perfect loan to put your plans into action.

General Business Loan

Business is booming and you need funding for an expansion of your existing premises or have to construct a new building. Perhaps it's time to purchase new equipment and additional materials in order to fulfill increased customer demand for your product. This more flexible loan can even facilitate the acquisition of an existing business.

Social Enterprise Loan

Tailored to social enterprises operating in rural communities where people are able to live, work and enjoy social activities in their region.

Impact Loan Program

The Impact loan helps foster small and medium-sized businesses in urban Atlantic Canada. Entrepreneurs of all ages can apply for a business start-up loan, while established business owners between 19 and 39 can avail of expansion financing. Low-interest loans of up to \$25,000 are available.

Contact Us:

For more information on the programs offered by your CBDC, contact us today:

902.888.3793

tina.dickieson@cbdc.ca

www.cbdc.ca

@CBDCpei

Atlantic Canada Opportunities Agency / Agence de promotion économique du Canada atlantique



Canada

East Prince Development Inc.
Financial Statements
For the Year Ended March 31, 2019

**East Prince Development Inc.
Financial Statements
For the Year Ended March 31, 2019**

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Independent Auditor's Report

To the Board of Directors of East Prince Development Inc.

Qualified Opinion

We have audited the accompanying financial statements of East Prince Development Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2019, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible 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 Organization as at March 31, 2019 and its results of 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 organization has not identified and classified all its financial instruments, or recorded its financial instruments initially at fair value. Rather, all financial instruments are recorded at historic cost. The organization has not specifically disclosed information that enables users of its financial statement 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 constitutes a departure from Canadian accounting standards for not-for-profit organizations. We have not determined the fair value of financial instruments and its effect on fund balances as at April 1 and March 31 for both the 2019 and 2018 years, nor income and expenses, excess of revenue over expenses and change in fund balances for the years ended March 31, 2019 and 2018.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 qualified audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

BDO Canada LLP

Chartered Professional Accountants

Summerside, Prince Edward Island
June 6, 2019

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East Prince Development Inc. Statement of Financial Position					
March 31	Operating Fund	Investment Fund	SCI Fund	2019 Total	2018 Total
Assets					
Current					
Cash and short-term investments	\$ 47,394	\$ 788,207	\$ 188,393	\$ 1,023,994	\$ 579,948
Internally restricted cash (Note 8)	8,341	-	-	8,341	8,216
Accounts receivable					
ACOA	30,466	-	-	30,466	24,382
Advances	28,042	-	-	28,042	28,496
H.S.T.	2,648	-	-	2,648	3,275
Loan interest	-	17,326	784	18,110	30,978
Prepaid expenses	207	-	-	207	219
	<u>117,098</u>	<u>805,533</u>	<u>189,177</u>	<u>1,111,808</u>	<u>675,514</u>
Investments					
Loans receivable (Note 2)	-	3,534,026	353,364	3,887,390	3,675,919
ACCBIF deposit (Note 3)	-	37,500	-	37,500	37,500
Capital assets (Note 4)	1	-	-	1	1
	<u>\$ 117,099</u>	<u>\$ 4,377,059</u>	<u>\$ 542,541</u>	<u>\$ 5,036,699</u>	<u>\$ 4,388,934</u>
Liabilities and Fund Balances and Reserves					
Current					
Accounts payable and accrued liabilities	\$ 1,666	\$ -	\$ -	\$ 1,666	\$ 2,002
Current portion of long-term debt (Note 3)	-	270,835	-	270,835	275,772
	<u>1,666</u>	<u>270,835</u>	<u>-</u>	<u>272,501</u>	<u>277,774</u>
ACCBIF long-term debt (Note 3)	-	1,031,488	-	1,031,488	693,178
	<u>1,666</u>	<u>1,302,323</u>	<u>-</u>	<u>1,303,989</u>	<u>970,952</u>
Fund Balances and Reserves					
Invested in property and equipment	1	-	-	1	1
External restricted (Note 5)	-	3,074,736	542,541	3,617,277	3,281,298
Unrestricted	107,091	-	-	107,091	128,467
Employee severance reserve (Note 8)	8,341	-	-	8,341	8,216
	<u>115,433</u>	<u>3,074,736</u>	<u>542,541</u>	<u>3,732,710</u>	<u>3,417,982</u>
	<u>\$ 117,099</u>	<u>\$ 4,377,059</u>	<u>\$ 542,541</u>	<u>\$ 5,036,699</u>	<u>\$ 4,388,934</u>
On behalf of the Board:					
_____	Director				
_____	Director				

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

East Prince Development Inc. Statement of Changes in Fund Balances					
For the year ended March 31	2019				2018
	Operating Fund	Investment Fund	SCI Fund	Total	Total
Fund balances, beginning of the year	\$ 128,467	\$ 2,878,475	\$ 402,823	\$ 3,409,765	\$ 3,158,659
Excess (deficiency) of revenues over expenses	(21,251)	196,261	(282)	174,728	111,364
Capital contribution	-	-	140,000	140,000	140,000
Transfer to employee severance reserve (Note 8)	(125)	-	-	(125)	(258)
Fund balances, end of the year	<u>\$ 107,091</u>	<u>\$ 3,074,736</u>	<u>\$ 542,541</u>	<u>\$ 3,724,368</u>	<u>\$ 3,409,765</u>

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

**East Prince Development Inc.
Statement of Operations**

For the year ended March 31	2019			2018	
	Operating Fund	Investment Fund	SCI Fund	Total	Total
Revenue					
ACOA contribution	\$ 235,914	\$ -	\$ -	\$ 235,914	\$ 235,024
ACOA SCI contribution	-	-	68,750	68,750	65,748
Investment income					
Loan portfolio	-	233,737	14,446	248,183	214,457
Other interest	23	4,784	-	4,807	256
Other revenue (Note 9)	16,618	574	-	17,192	30,717
	<u>252,555</u>	<u>239,095</u>	<u>83,196</u>	<u>574,846</u>	<u>546,202</u>
Expenses					
Advertising	3,174	-	-	3,174	18,965
Board expenses	16,100	-	-	16,100	14,179
Credit services	2,244	-	-	2,244	1,326
Capital assets	3,966	-	-	3,966	1,979
Insurance	1,793	-	-	1,793	1,773
Office and postage	3,167	-	-	3,167	3,658
Professional fees	19,831	-	-	19,831	12,746
Real estate rental	34,073	-	-	34,073	34,073
Equipment rental	2,354	-	-	2,354	2,355
Repairs and maintenance	753	-	-	753	651
Subscriptions and memberships	1,585	-	-	1,585	2,058
SCI Wages	-	-	37,000	37,000	37,000
SCI Administration fees	-	-	8,750	8,750	8,750
SCI Training	-	-	10,349	10,349	9,561
SCI Marketing and translation	-	-	8,091	8,091	6,071
SCI Software and equipment	-	-	545	545	545
SCI Travel and memberships	-	-	3,997	3,997	3,821
Telephone and internet	6,477	-	-	6,477	6,750
Travel	5,941	-	-	5,941	7,216
Wages and benefits	171,812	-	-	171,812	160,746
Interest and bank charges	536	20,283	-	20,819	12,701
Loan loss provision (Note 2)	-	22,551	14,746	37,297	87,914
	<u>273,806</u>	<u>42,834</u>	<u>83,478</u>	<u>400,118</u>	<u>434,838</u>
Excess (deficiency) of revenues over expenses	\$ (21,251)	\$ 196,261	\$ (282)	\$ 174,728	\$ 111,364

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

**East Prince Development Inc.
Statement of Cash Flows**

For the year ended March 31	2019	2018
Cash flows from operating activities		
Excess of revenues over expenses	\$ 174,728	\$ 111,364
Items not affecting cash:		
Loan loss provision	37,297	87,914
	<u>212,025</u>	<u>199,278</u>
Changes in working capital:		
Accounts receivable	7,865	16,266
Prepaid expenses	12	(219)
Accounts payable and accrued liabilities	(336)	1,263
Severance payable	-	(98,750)
	<u>219,566</u>	<u>117,838</u>
Cash flows used in financing activities		
SCI capital contribution	140,000	140,000
Proceeds from ACCBIF long-term debt	600,000	600,000
Repayment of ACCBIF long-term debt	(266,627)	(275,829)
	<u>473,373</u>	<u>464,171</u>
Cash flows used in investing activities		
Loans to clients	(1,045,600)	(1,206,500)
Principal repayments from clients	878,082	706,822
SCI loan disbursements	(158,000)	(172,500)
SCI principal repayments	76,750	60,528
	<u>(248,768)</u>	<u>(611,650)</u>
Net increase (decrease) in cash and cash equivalents	444,171	(29,641)
Cash and cash equivalents, beginning of the year	588,164	617,805
Cash and cash equivalents, end of the year	\$ 1,032,335	\$ 588,164
Cash and cash equivalents consists of:		
Cash and short-term investments	\$ 1,023,994	\$ 579,948
Internally restricted cash	8,341	8,216
	<u>\$ 1,032,335</u>	<u>\$ 588,164</u>

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

**East Prince Development Inc.
Notes to Financial Statements**

March 31, 2019

1. Significant Accounting Policies

Nature and Purpose of Organization	<p>East Prince Development Inc.'s mission statement is to "Create sustainable employment through promoting business development in our communities by providing capital and mentoring assistance."</p> <p>The organization is a community-based and community controlled corporation with a mandate to provide lending and other investments to small businesses in the East Prince County area of P.E.I. who have difficulty obtaining financing from conventional sources. The organization is incorporated in the Province of P.E.I. under Part II of the Companies Act as a non-profit organization without share capital, and as such, is exempt from income tax by virtue of paragraph 149(l)(l) of the Income Tax Act.</p> <p>The organization also manages other community programs which arise from time to time which require a managing agency.</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).</p> <p>The organization follows the restricted fund method of accounting for contributions. The externally imposed restrictions are specifically described in Note 5.</p> <p>The Operating Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and operating contributions. Expenditures of the Operating Fund are limited to those agreed upon in the contribution agreement between ACOA, or other funding partners and the company.</p> <p>The Investment Fund reports all restricted resources of the Investment Fund and the investment income resulting from investing activities employing the fund.</p> <p>The Seed Capital Initiative Fund (SCI Fund) reports all restricted resources of the SCI Fund and the investment income and expenses resulting from investing activities employing the fund.</p>

**East Prince Development Inc.
Notes to Financial Statements**

March 31, 2019

1. Significant Accounting Policies (continued)

Departure from ASNPO	<p>These financial statements have not adopted the ASPE CPA Handbook Section 3856 - "Financial Instruments" and as a result, depart from ASNPO. The effects of not adopting these sections have not been measured, recorded or disclosed in these financial statements.</p> <p>The Atlantic Canada Opportunities Agency (ACOA) has confirmed, within the 2011 CF agreement to all Atlantic CBDCs, it will accept qualified financial statements from CBDCs when not prepared in full compliance with the above noted CPA Handbook section.</p>
Capital Assets	<p>Capital assets are not recorded on the statement of financial position. Expenditures for capital assets in the year are recorded as expenses and disclosed in the statement of operations.</p>
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Such estimates include the determination of loan loss provisions. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>
Investments	<p>The investments are recorded at the lower of cost or market value.</p>
Inter-Fund Advances	<p>The inter-fund advances are non-interest bearing, with no set terms of repayment.</p>
Financial Instruments	<p>Financial instruments are recorded at cost at initial recognition. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Transaction costs are charged to the financial instrument for those measured at amortized cost. Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flow of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income.</p>

**East Prince Development Inc.
Notes to Financial Statements**

March 31, 2019

2. Investments

	Investment Fund	SCI Fund	2019	2018
Loans to clients	\$ 3,926,695	\$ 392,627	\$ 4,319,322	\$ 4,084,354
Less: allowance for doubtful loans	(392,669)	(39,263)	(431,932)	(408,435)
	<u>\$ 3,534,026</u>	<u>\$ 353,364</u>	<u>\$ 3,887,390</u>	<u>\$ 3,675,919</u>

The activity in the loans to clients is comprised of:

Balance, beginning of year	\$ 3,765,621	\$ 318,733	\$ 4,084,354	\$ 3,502,426
Loans advanced during the year	1,045,600	158,000	1,203,600	1,379,000
Loans repaid during the year	(878,082)	(76,750)	(954,832)	(767,350)
Loans written off during the year	(6,444)	(7,356)	(13,800)	(29,722)
Balance, end of year	<u>\$ 3,926,695</u>	<u>\$ 392,627</u>	<u>\$ 4,319,322</u>	<u>\$ 4,084,354</u>

The activity in the allowance for doubtful loans is comprised of:

Balance, beginning of year	\$ 376,562	\$ 31,873	\$ 408,435	\$ 350,243
Loans written off during the year	(6,444)	(7,356)	(13,800)	(29,722)
Loan loss provision, current year	22,551	14,746	37,297	87,914
Balance, end of year	<u>\$ 392,669</u>	<u>\$ 39,263</u>	<u>\$ 431,932</u>	<u>\$ 408,435</u>

The allowance for doubtful loan in the Investment and SCI Fund's are calculated at the rate of 10% of the total loans outstanding.

Other Information:

As at March 31, 2019:

A) Total number of investment loans approved during the year	<u>27</u>
B) Total number of active investment loans under management	<u>100</u>

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**East Prince Development Inc.
Notes to Financial Statements**

March 31, 2019

3. Atlantic Canada Community Business Investment Fund (ACCBIF)

Atlantic Canada Community Business Investment Fund (ACCBIF), a division of Atlantic Association of Community Business Development Corporations, was established to pool investment funds from the federal government and cash-rich CBDCs and, in turn, loan these funds to CBDCs in Atlantic Canada.

In order to become a member of ACCBIF and receive loan funds, each subscribing CBDC must contribute \$37,500 to ACCBIF. The organization has subscribed as of the year-end date and will be refunded the deposit, at the discretion of the ACCBIF, without interest.

In 2017/2018 the organization was approved for \$1,889,497 through ACCBIF by way of a demand loan. The demand loan bears interest at 1.6%, per annum, and is secured by a promissory note signed by the Board of Directors. The loan is repayable in blended principal and interest payments of \$24,000, per month.

	2019	2018
ACCBIF demand loan - 2017/2018	\$ 1,302,323	\$ 968,950
Less: portion repayable within one year	<u>(270,835)</u>	<u>(275,772)</u>
	<u>\$ 1,031,488</u>	<u>\$ 693,178</u>

Principal repayments on long-term debt over the next five years are as follows:

2020	\$ 270,835
2021	273,496
2022	277,904
2023	282,383
2024	<u>197,705</u>
	<u>\$ 1,302,323</u>

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**East Prince Development Inc.
Notes to Financial Statements**

March 31, 2019

4. Capital Assets

Due to the non-profit nature of the organization, capital assets are carried at a nominal value of \$1 on the statement of financial position with the remaining costs being expensed on the statement of operations and changes in fund balances and reserve. Lease payments on capital assets are included as equipment rent expense on the statement of operations and changes in fund balances and reserve. During the year, capital assets expenditures included the following:

	2019	2018
Computer equipment	\$ 3,966	\$ 1,979
SCI software and equipment	545	545
	<u>\$ 4,511</u>	<u>\$ 2,524</u>

5. Externally Restricted Funds

Community Futures Program

Pursuant to a contract signed with Atlantic Canada Opportunities Agency (ACOA) under the Community Futures Program, funds advanced to the organization in respect of its eligible costs and the organization's Investment Fund capitalization costs shall be deposited and maintained in two separate accounts.

Funds credited to the Investment Fund shall not be used for purposes other than Investment Fund activities without the prior written approval of ACOA. This includes funds lent to or received from Atlantic Canada Community Business Investment Fund (ACCBIF).

Notwithstanding, funds credited to the Investment Fund account may be transferred to the Eligible Costs account ("Operating Fund") of the organization where the following conditions are met:

1. the organization's Annual Budget submitted with the Business Plan projects a deficit (the "Deficit") and is accepted by ACOA;
2. the Deficit was, in fact, incurred as projected; and,
3. the organization shall provide to ACOA written confirmation of the transfer of the funds from the Investment Fund account to the Eligible Costs account within 90 days of the end of each fiscal year.

Seed Capital Initiative

Pursuant to a contract signed with Atlantic Canada Opportunities Agency (ACOA) under the Seed Capital Initiative (SCI), funds advanced to the organization in respect of its eligible costs and the organization's SCI Fund capitalization costs shall be deposited and maintained in two separate accounts.

Funds credited to the SCI Fund shall not be used for purposes other than SCI Fund activities without the prior written approval of ACOA. This program is offered exclusively in the Greater Charlottetown area.

**East Prince Development Inc.
Notes to Financial Statements**

March 31, 2019

6. Related Party Transactions

During the year the organization had the following transactions with a commonly controlled company, E.K. Holdings Ltd.:

	2019	2018
Rent	<u>\$ 34,073</u>	<u>\$ 34,073</u>

These transactions are in the normal course of operations and are measured at the exchange amount being the amount of consideration established and agreed to by the related parties.

Financial summaries of the unconsolidated entity as of March 31, 2019 and 2018 are as follows:

	(Unaudited) 2019	(Unaudited) 2018
Financial position		
Total assets	<u>\$ 191,095</u>	<u>\$ 206,171</u>
Total liabilities	249,113	259,266
Total deficiency	<u>(58,018)</u>	<u>(53,095)</u>
	<u>\$ 191,095</u>	<u>\$ 206,171</u>
	(Unaudited) 2019	(Unaudited) 2018
Results of operations		
Total revenues	\$ 54,930	\$ 57,300
Total expenses	<u>(59,853)</u>	<u>(54,144)</u>
Net income (loss)	<u>\$ (4,923)</u>	<u>\$ 3,186</u>
	(Unaudited) 2019	(Unaudited) 2018
Cash flows		
Cash provided by operations	\$ 171	\$ 11,233
Cash used in financing and investing activities	<u>(9,700)</u>	<u>(9,021)</u>
	<u>\$ (9,529)</u>	<u>\$ 2,212</u>

**East Prince Development Inc.
Notes to Financial Statements**

March 31, 2019

7. Economic Dependence

East Prince Development Inc. receives an annual operating contribution from ACOA to cover a portion of the operating expenses of the Operating Fund. The continued operation of the organization currently depends on the receipt of the annual operation contribution.

8. Employee Severance Reserve

The organization has a discretionary employee severance benefits policy. The policy adopted follows the guidelines issued by the Atlantic Association of Community Business Development Corporations in their CBDC Policies and Procedures Manual issued January 1, 1999. The organization has recognized as a reserve, the minimum future severance amounts which, subject to board approval, would be payable to the existing employee base under various severance circumstances.

The organization executed employment agreements with an employee whereby minimum future severance amounts calculated as noted in the previous paragraph were superseded by a specific future severance amount calculated with reference to their current level of remuneration. During the year, the employee has retired and the agreement has ended.

The funding of the employee future severance is shown as a transfer from the Operating Fund balance on the statement of operations and changes in fund balances and reserve.

	2019	2018
Employee future severance reserve, beginning of year	\$ 8,216	\$ 106,708
Transfer from surplus	125	258
Employee Severance Payout	-	(98,750)
	\$ 8,341	\$ 8,216

9. Other Revenue

	2019	2018
Admin Fee CASP	\$ 7,500	\$ 3,350
Bad Debt Recovery	574	456
Creditor Life Insurance	368	164
Project Admin Fees	-	500
Entrepreneurship Forum	-	17,497
SCI Admin Fee	8,750	8,750
	\$ 17,192	\$ 30,717



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**Brett Hogan
Hopyard**

