

Financial Statements of

**CAPE BRETON SMALL BUSINESS
DEVELOPMENT CENTRE SOCIETY**

Period ended March 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Chairperson and Members of the Board of Cape Breton Small Business Development Centre Society

We have audited the accompanying financial statements of Cape Breton Small Business Development Centre Society which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in net assets and cash flows for the period from incorporation on August 1, 2013 to March 31, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Cape Breton Small Business Development Centre Society as at March 31, 2014 and its financial performance and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MGM & Associates

Chartered Accountants

Sydney, Nova Scotia
June 3, 2014

CAPE BRETON SMALL BUSINESS DEVELOPMENT CENTRE SOCIETY

Statement of Financial Position

March 31, 2014

	2014
ASSETS	
Current assets	
Cash	\$ 158,184
Accounts receivable (note 2)	71,168
Prepaid expenses	795
	<u>230,147</u>
Capital assets (note 3)	6,685
	<u>\$ 236,832</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 45,820
Deferred revenue	87,012
	<u>132,832</u>
NET ASSETS	
Investment in capital assets	6,685
Unrestricted	97,315
	<u>104,000</u>
Commitments (note 8)	
	<u>\$ 236,832</u>

See accompanying notes to financial statements.

On behalf of the Board:

Donald H. Han Director

B. L. Thomas G. White Director

CAPE BRETON SMALL BUSINESS DEVELOPMENT CENTRE SOCIETY

Statement of Operations

For the period from incorporation on August 1, 2013 to March 31, 2014

	2014
REVENUES	
Municipal contributions (note 5)	\$ 309,093
Administrative services	48,486
	<u>357,579</u>
EXPENSES	
Wages and employee benefits	185,324
Partnership development	75,706
Professional fees	21,610
Rent	22,206
Travel	8,899
Board expenses	5,235
Office supplies	2,017
Amortization of capital assets	1,671
Telecommunications	1,459
Postage and printing	1,206
Insurance	851
Professional development	715
	<u>326,899</u>
OTHER REVENUES (EXPENSES) (note 6)	
Project revenues	695,600
Project expenses	<u>(695,600)</u>
	-
EXCESS OF REVENUES OVER EXPENSES	\$ 30,680

See accompanying notes to financial statements.

CAPE BRETON SMALL BUSINESS DEVELOPMENT CENTRE SOCIETY

Statement of Changes in Net Assets

For the period from incorporation on August 1, 2013 to March 31, 2014

	2014		
	Investment in capital assets	Unrestricted	Total
NET ASSETS, BEGINNING OF PERIOD	\$ -	\$ -	-
Excess (deficiency) of revenues over expenses	(1,671)	32,351	30,680
Transfer of net assets from Cape Breton County Economic Development Authority	8,356	64,964	73,320
NET ASSETS, END OF PERIOD	\$ 6,685	\$ 97,315	\$ 104,000

See accompanying notes to financial statements.

CAPE BRETON SMALL BUSINESS DEVELOPMENT CENTRE SOCIETY

Statement of Cash Flows

For the period from incorporation on August 1, 2013 to March 31, 2014

	2014
CASH FLOWS FROM OPERATIONS	
Excess of revenues over expenses	\$ 30,680
Items not involving cash	
Amortization of capital assets	1,671
Transfer of unrestricted net assets from Cape Breton County Economic Development Authority	64,964
Change in non-cash operation working capital	
Increase in accounts receivable	(71,168)
Increase in prepaid expenses	(795)
Increase in accounts payable and accrued liabilities	45,820
Increase in deferred revenue	87,012
INCREASE IN CASH AND CASH EQUIVALENTS, BEING CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 158,184

See accompanying notes to financial statements.

CAPE BRETON SMALL BUSINESS DEVELOPMENT CENTRE SOCIETY

Notes to Financial Statements

Period ended March 31, 2014

COMPANY BIOGRAPHY

Cape Breton Small Business Development Centre Society (the "Society") is a non-profit organization incorporated under the Societies Act. Its mission is to foster economic growth in the region through community, economic and business development. It provides support for the successful creation, operation and growth of small business on Cape Breton Island through business counselling, business plan development, business skills training and entrepreneurship awareness.

The Society began operations on August 1, 2014. The net assets of its predecessor entity, the Cape Breton County Economic Development Authority, were transferred to the Society.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and cash in bank accounts net of outstanding cheques.

(b) Revenue recognition

The Society follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Revenue from administrative services are recognized when the services are provided.

(c) Capital assets

The purchase of capital assets are recorded at cost less accumulated amortization and are amortized over their estimated useful life. Assets acquired under capital leases are recorded at cost less accumulated amortization and are amortized over the estimated life of the assets or over the lease term, as appropriate.

CAPE BRETON SMALL BUSINESS DEVELOPMENT CENTRE SOCIETY

Notes to Financial Statements

Period ended March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are amortized using the following annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%

(d) Financial Instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value and subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost or amortized costs are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in income. A 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 the reversal is recognized in income.

(e) Use of estimates

The preparation of financial statements 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 year. Items subject to estimates and assumptions include the valuation of accounts receivable and capital assets. Actual results could differ from those estimates.

CAPE BRETON SMALL BUSINESS DEVELOPMENT CENTRE SOCIETY

Notes to Financial Statements

Period ended March 31, 2014

2. ACCOUNTS RECEIVABLE

	2014
Accounts receivable	\$ 36,431
HST receivable	34,737
	\$ 71,168

3. CAPITAL ASSETS

	2014		
	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 8,356	\$ 1,671	\$ 6,685

4. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2014
Carrying value of capital assets	\$ 6,685

b) Change in net assets invested in capital assets is calculated as follows:

	2014
Deficiency of revenues over expenses	
Amortization of capital assets	(1,671)
Net change in investment in capital assets	\$ (1,671)

CAPE BRETON SMALL BUSINESS DEVELOPMENT CENTRE SOCIETY

Notes to Financial Statements

Period ended March 31, 2014

5. MUNICIPAL CONTRIBUTIONS

	2014
Cape Breton Regional Municipality	\$ 167,000
Municipality of Richmond County	65,000
Municipality of Victoria County	65,000
Municipality of the County of Inverness	12,093
	<u>\$ 309,093</u>

6. PROJECT REVENUES AND EXPENSES

Cape Breton Small Business Development Centre Society acts as a facilitator for certain specified community initiatives and provides agency and other support services in arranging funding for and carrying out the specified projects.

Financing and assistance for the projects are reported as project revenues and the related expenses are reported as project expenses.

The following is a summary of the revenues and expenses of the specified projects for the year:

	Revenues	Expenses	Net
CBSBDC Project	\$ 312,857	\$ 312,857	\$ -
Legal Education African Decent	190,761	190,761	-
Port Project	162,167	162,167	-
Women in Business Conference	29,815	29,815	-
	<u>\$ 695,600</u>	<u>\$ 695,600</u>	<u>\$ -</u>

CAPE BRETON SMALL BUSINESS DEVELOPMENT CENTRE SOCIETY

Notes to Financial Statements

Period ended March 31, 2014

7. FINANCIAL INSTRUMENTS

Credit risk

The Society submits claims to funding bodies to receive funding for various project expenses. There is a collection risk of these receivables in the event that the funding bodies do not approve a claim and refuses funding to the Society. This risk is mitigated by the project contracts in place, as well as monitoring by the Society.

8. COMMITMENTS

The Society has entered into an agreement to lease its premises until November 2014, with the option to renew. Minimum lease payments to the end of the lease term are \$33,000.

