

12/12/16

FINANCIAL STATEMENTS

Financial Statements of

BUSINESS CAPE BRETON ASSOCIATION

Year ended March 31, 2016

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President

Secretary

Treasurer



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INDEPENDENT AUDITORS' REPORT

To the Chairperson and Members of the Board of
Business Cape Breton Association

We have audited the accompanying financial statements of Business Cape Breton Association which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 Business Cape Breton Association as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants

Sydney, Nova Scotia
August 8, 2016

BUSINESS CAPE BRETON ASSOCIATION

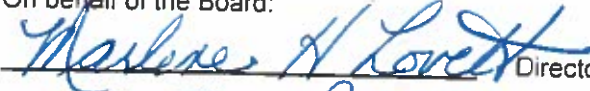
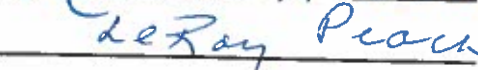
Statement of Financial Position

March 31, 2016, with comparative figures for 2015

	2016	2015
ASSETS		
Current assets		
Cash	\$ 19,284	\$ 136,177
Accounts receivable (note 2)	168,866	110,748
Prepaid expenses	795	795
	188,945	247,720
Capital assets (note 3)	36,701	5,348
	\$ 225,646	\$ 253,068
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 64,907	\$ 47,897
Deferred revenue	45,493	142,156
Current portion of obligation under capital lease (note 5)	3,000	-
	113,400	190,053
Deferred capital contributions (note 4)	17,505	-
Obligation under capital lease (note 5)	11,905	-
	142,810	190,053
NET ASSETS		
Investment in capital assets	4,291	5,348
Unrestricted	78,545	57,667
	82,836	63,015
	\$ 225,646	\$ 253,068

See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

BUSINESS CAPE BRETON ASSOCIATION

Statement of Operations

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
REVENUES		
Province of Nova Scotia	\$ 380,216	\$ 57,956
Atlantic Canada Opportunity Agency	318,871	278,334
Municipal contributions	206,271	578,095
Contributions and sponsorships	50,921	39,160
Amortization of deferred capital contributions (note 4)	8,113	-
Other	2,600	8,435
	<u>966,992</u>	<u>961,980</u>
EXPENSES		
Wages and employee benefits	639,518	602,515
Rent	66,188	66,078
Professional development	54,348	23,818
Office supplies	31,353	39,376
Direct project expenses	30,720	106,389
Advertising	28,949	42,797
Travel	23,448	24,394
Partnership development	18,151	16,539
Professional fees	15,971	50,796
Amortization of capital assets	10,839	1,337
Telecommunications	10,740	10,462
Board expenses	6,638	3,224
Postage and printing	5,787	11,263
Insurance	3,595	3,547
Interest and bank charges	926	430
	<u>947,171</u>	<u>1,002,965</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 19,821	\$ (40,985)

See accompanying notes to financial statements

BUSINESS CAPE BRETON ASSOCIATION

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative figures for 2015

	2016		2015	
	Investment in capital assets	Unrestricted	Total	
BALANCE, BEGINNING OF YEAR	\$ 5,348	\$ 57,667	\$ 63,015	\$ 104,000
Excess (deficiency) of revenues over expenses	(2,726)	22,547	19,821	(40,985)
Acquisition and financing of capital assets (note 6)	1,669	(1,669)	-	-
BALANCE, END OF YEAR	\$ 4,291	\$ 78,545	\$ 82,836	\$ 63,015

See accompanying notes to financial statements

BUSINESS CAPE BRETON ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2016, with comparative figures for 2015

	2016		2015	
CASH FLOWS FROM OPERATIONS				
Excess (deficiency) of revenues over expenses	\$	19,821	\$	(40,985)
Items not involving cash				
Amortization of capital assets		9,182		1,337
Amortization of equipment under capital lease		1,657		-
Amortization of deferred capital contributions		(8,113)		-
Change in non-cash operation working capital				
Increase in accounts receivable		(58,118)		(39,580)
Increase in accounts payable and accrued liabilities		17,010		2,077
Increase (decrease) in deferred revenue		(96,663)		55,144
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of obligation under capital lease		(1,669)		-
Capital contributions received		25,618		-
		23,949		-
CASH FLOWS FROM INVESTING ACTIVITIES				
Addition to capital assets		(25,618)		-
DECREASE IN CASH AND CASH EQUIVALENTS				
		(116,893)		(22,007)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR				
		136,177		158,184
CASH AND CASH EQUIVALENTS, END OF YEAR				
	\$	19,284	\$	136,177
Supplemental cash flow information				
Capital assets acquired through capital lease	\$	16,574	\$	-

See accompanying notes to financial statements.

BUSINESS CAPE BRETON ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2016

COMPANY BIOGRAPHY

Business Cape Breton Association (the "Association") 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.

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 Association 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.

Capital assets are amortized using the following annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer	Straight-line	3 years
Equipment under capital lease	Straight-line	5 years

BUSINESS CAPE BRETON ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments

Measurement of financial instruments

The Association 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.

Unless otherwise noted, the Association is not exposed to significant credit, market or liquidity risk arising from these instruments.

(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.

BUSINESS CAPE BRETON ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2016

2. ACCOUNTS RECEIVABLE

	2016		2015	
Accounts receivable	\$	149,165	\$	86,041
HST receivable		19,701		24,707
	\$	168,866	\$	110,748

3. CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 11,556	\$ 4,717	\$ 6,839	\$ 5,348
Computer	22,418	7,473	14,945	-
	33,974	12,190	21,784	5,348
Equipment under capital lease	16,574	1,657	14,917	-
	\$ 50,548	\$ 13,847	\$ 36,701	\$ 5,348

4. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

	2016		2015	
Balance, beginning of year	\$	-	\$	-
Add capital contributions received		25,618		-
Less amount recognized as revenue		(8,113)		-
Balance, end of year	\$	17,505	\$	-

BUSINESS CAPE BRETON ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2016

5. OBLIGATION UNDER CAPITAL LEASE

	2016	2015
Photocopier lease, 6.4%, repayable in quarterly payments of \$960, maturing October 19, 2020 secured by assets under capital lease with a NBV of \$14,917	\$ 14,905	\$ -
Current portion	3,000	-
	\$ 11,905	\$ -

The following is a schedule of minimum lease payments under the fixed rate capital lease expiring October, 2020, together with the balance of the obligation.

	2016	2015
2017	\$ 3,838	\$ -
2018	3,838	-
2019	3,838	-
2020	3,838	-
2021	1,919	-
Total minimum lease payments	17,271	-
Less amount representing interest at a rate of 6.4%	2,366	-
Present value of net minimum capital lease payments	14,905	-
Current portion of obligation under capital lease	3,000	-
	\$ 11,905	\$ -

BUSINESS CAPE BRETON ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2016

6. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2016	2015
Carrying value of capital assets	\$ 36,701	\$ 5,348
Less amounts funded by obligation under capital lease	(14,905)	-
	\$ 21,796	\$ 5,348

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

	2016	2015
Deficiency of revenues over expenses		
Amortization of equipment under capital lease	\$ (1,657)	\$ -
Amortization of capital assets	(9,182)	(1,337)
Amortization of deferred contributions related to capital assets	8,113	-
	(2,726)	(1,337)
Acquisition and financing of capital assets		
Acquisition of capital assets	25,618	-
Acquisition of equipment under capital lease	16,574	-
Amounts funded by obligation under capital lease	(16,574)	-
Contributions received related to capital assets	(25,618)	-
Repayment of obligation under capital lease	1,669	-
	1,669	-
Net change in investment in capital assets	\$ (1,057)	\$ (1,337)

7. FINANCIAL INSTRUMENTS

Credit risk

The Association 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 Association. This risk is mitigated by the project contracts in place, as well as monitoring by the Association.

BUSINESS CAPE BRETON ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2016

8. PROJECT REVENUES AND EXPENSES

Business Cape Breton Association acts as a facilitator for certain specified economic 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	\$ 402,998	\$ 402,998	\$ -
Regional Enterprise Network	388,329	388,329	-
Port Project	94,119	94,119	-
Women in Business	18,721	18,721	-
RELAYS Project	28,025	28,025	-
Blossoming Project	32,200	32,200	-
	\$ 964,392	\$ 964,392	\$ -

9. COMPARATIVE FIGURES

Certain 2015 comparative figures have been reclassified to conform with the financial presentation adopted per the current year.

BUSINESS CAPE BRETON ASSOCIATION

Regional Enterprise Network

Year ended March 31, 2016

	2016	
	Budget (unaudited)	Actual
REVENUES		
Province of Nova Scotia	\$ 488,726	\$ 380,216
Amortization of deferred capital contributions	-	8,113
	488,726	388,329
EXPENSES		
Wages and employee benefits	269,343	254,541
Rent	41,000	41,708
Advertising	38,733	21,335
Initiatives	-	13,334
Amortization of capital assets	4,000	10,382
Office supplies	8,000	9,078
Travel	19,000	7,754
Administration fee	7,000	7,000
Board expenses	8,000	6,638
Professional fees	8,000	5,819
Professional development	2,000	3,521
Telecommunications	2,500	3,183
Insurance	3,000	2,482
Postage and printing	2,700	1,512
Interest and bank charges	450	42
Start up	75,000	-
	488,726	388,329
	\$ -	\$ -

Actual costs related to the start up budget have been recorded to the appropriate expense as incurred.

Costs associated with capital assets have been capitalized and amortized over their estimated useful lives.

BUSINESS CAPE BRETON ASSOCIATION

Cape Breton Small Business Development Centre

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
REVENUES		
Atlantic Canada Opportunities Agency	\$ 318,871	\$ 278,334
Municipal contributions	84,127	78,403
	<u>402,998</u>	<u>356,737</u>
EXPENSES		
Wages and employee benefits	294,828	256,904
Training initiatives and marketing	50,929	35,376
Rent	24,480	24,585
Office supplies	9,032	15,519
Telecommunications	7,455	6,687
Travel	5,556	2,324
Postage and printing	4,275	6,383
Professional fees	4,152	8,063
Insurance	950	566
Interest and bank charges	884	330
Amortization of capital assets	457	-
Furniture and equipment	-	-
	<u>402,998</u>	<u>356,737</u>
	<u>\$ -</u>	<u>\$ -</u>

Costs associated with capital assets have been capitalized and amortized over their estimated useful lives.