

Financial Statements of

**BUSINESS CAPE BRETON
ASSOCIATION**

Year ended March 31, 2017



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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, 2017 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, 2017 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 Professional Accountants
Licensed Public Accountants

Sydney, Nova Scotia
June 28, 2017

BUSINESS CAPE BRETON ASSOCIATION



Statement of Financial Position

March 31, 2017, with comparative figures for 2016

	2017	2016
ASSETS		
Current assets		
Cash	\$ 193,980	\$ 19,284
Accounts receivable (note 2)	3,702	168,866
Prepaid expenses	1,859	795
	199,541	188,945
Capital assets (note 3)	24,546	36,701
	\$ 224,087	\$ 225,646
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 23,719	\$ 64,907
Deferred revenue	100,730	45,493
Current portion of obligation under capital lease (note 5)	3,100	3,000
	127,549	113,400
Deferred capital contributions (note 4)	9,520	17,505
Obligation under capital lease (note 5)	8,851	11,905
	145,920	142,810
NET ASSETS		
Investment in capital assets	3,075	4,291
Unrestricted	75,092	78,545
	78,167	82,836
	\$ 224,087	\$ 225,646

See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

BUSINESS CAPE BRETON ASSOCIATION

Statement of Operations

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
REVENUES		
Municipal contributions	\$ 529,266	\$ 206,271
Atlantic Canada Opportunity Agency	73,649	318,871
Contributions and sponsorships	17,800	50,921
Amortization of deferred capital contributions (note 4)	7,985	8,113
Other	6,714	2,600
Province of Nova Scotia	-	380,216
	<u>635,414</u>	<u>966,992</u>
EXPENSES		
Wages and employee benefits	390,563	639,518
Direct project expenses	125,193	30,720
Rent	39,051	66,188
Remission	18,790	-
Professional fees	13,138	15,971
Amortization of capital assets	12,155	10,839
Advertising	10,559	28,949
Telecommunications	8,340	10,740
Travel	6,442	23,448
Office supplies	5,385	31,353
Insurance	3,400	3,595
Postage and printing	2,715	5,787
Professional development	1,792	54,348
Board expenses	1,368	6,638
Interest and bank charges	1,192	926
Partnership development	-	18,151
	<u>640,083</u>	<u>947,171</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (4,669)	\$ 19,821

See accompanying notes to financial statements.

BUSINESS CAPE BRETON ASSOCIATION

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative figures for 2016

	2017			2016	
	Investment in capital assets	Unrestricted	Total		
BALANCE, BEGINNING OF YEAR	\$ 4,291	\$ 78,545	\$ 82,836	\$	63,015
Excess (deficiency) of revenues over expenses	(4,170)	(499)	(4,669)		19,821
Acquisition and financing of capital assets (note 6)	2,954	(2,954)	-		-
BALANCE, END OF YEAR	\$ 3,075	\$ 75,092	\$ 78,167	\$	82,836

See accompanying notes to financial statements.

BUSINESS CAPE BRETON ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
CASH FLOWS FROM OPERATIONS		
Excess (deficiency) of revenues over expenses	\$ (4,669)	\$ 19,821
Items not involving cash		
Amortization of capital assets	8,840	9,182
Amortization of equipment under capital lease	3,315	1,657
Amortization of deferred capital contributions	(7,985)	(8,113)
Change in non-cash operation working capital		
Decrease (increase) in accounts receivable	165,164	(58,118)
Increase in prepaid expenses	(1,064)	-
Increase (decrease) in accounts payable and accrued liabilities	(41,188)	17,010
Increase (decrease) in deferred revenue	55,237	(96,663)
	177,650	(115,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of obligation under capital lease	(2,954)	(1,669)
Capital contributions received deferred capital contributions	-	25,618
	(2,954)	23,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to capital assets	-	(25,618)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	174,696	(116,893)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	19,284	136,177
CASH AND CASH EQUIVALENTS, END OF YEAR		
	\$ 193,980	\$ 19,284
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, 2017

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, 2017

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, 2017

2. ACCOUNTS RECEIVABLE

	2017	2016
Accounts receivable	\$ 18,790	\$ 149,165
HST receivable	3,702	19,701
	22,492	168,866
Provision for doubtful accounts	18,790	-
	\$ 3,702	\$ 168,866

3. CAPITAL ASSETS

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 11,556	\$ 6,085	\$ 5,471	\$ 6,839
Computer	22,418	14,945	7,473	14,945
	33,974	21,030	12,944	21,784
Equipment under capital lease	16,574	4,972	11,602	14,917
	\$ 50,548	\$ 26,002	\$ 24,546	\$ 36,701

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.

	2017	2016
Balance, beginning of year	\$ 17,505	\$ -
Add capital contributions received	-	25,618
Less amount recognized as revenue	(7,985)	(8,113)
Balance, end of year	\$ 9,520	\$ 17,505

BUSINESS CAPE BRETON ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2017

5. OBLIGATION UNDER CAPITAL LEASE

	2017	2016
Photocopier lease, 6.4%, repayable in quarterly payments of \$960, maturing October 19, 2020 secured by assets under capital lease with a NBV of \$11,602	\$ 11,951	\$ 14,905
Current portion	3,100	3,000
	\$ 8,851	\$ 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.

	2017	2016
2017	\$ -	\$ 3,838
2018	3,838	3,838
2019	3,838	3,838
2020	3,838	3,838
2021	1,919	1,919
Total minimum lease payments	13,433	17,271
Less amount representing interest at a rate of 6.4%	1,482	2,366
Present value of net minimum capital lease payments	11,951	14,905
Current portion of obligation under capital lease	3,100	3,000
	\$ 8,851	\$ 11,905

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Notes to Financial Statements

Year ended March 31, 2017

6. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2017	2016
Carrying value of capital assets	\$ 24,546	\$ 36,701
Less amounts funded by deferred capital contributions	(9,520)	(17,505)
Less amounts funded by obligation under capital lease	(11,951)	(14,905)
	\$ 3,075	\$ 4,291

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

	2017	2016
Deficiency of revenues over expenses		
Amortization of capital assets	(12,155)	(10,839)
Amortization of deferred contributions related to capital assets	7,985	8,113
	(4,170)	(2,726)
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	2,954	1,669
	2,954	1,669
Net change in investment in capital assets	\$ (1,216)	\$ (1,057)

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.

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Notes to Financial Statements

Year ended March 31, 2017

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	\$ 128,566	\$ 128,566	\$ -
Isle Madame Facade Project	17,290	17,290	-
Glace Bay Revitalization Project	125,270	125,270	-
Blossoming Project	107,633	107,633	-
	<u>\$ 378,759</u>	<u>\$ 378,759</u>	<u>\$ -</u>