

Financial Statements

MARCH 31, 2021

Black Business Initiative



1996-2021

25TH ANNIVERSARY EDITION

A year like no other.



Yemi Akindoju
BBI Treasurer

The 2020/2021 financial statement of the Black Business Initiatives have been prepared by the management in accordance to the Canadian accounting standards for not-for-profit organisation and, if necessary, contain certain items that reflect best estimates and judgement of the management. Management is responsible for ensuring all information in the annual report is consistent with the financial statements and is responsible for its integrity and objectivity. The BBI management maintains financial and management control system and practices to provide reasonable assurance that transactions are properly authorised and recorded, that financial information is reliable, that assets are safeguarded and liabilities recognised and that the operations are carried out effectively.



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The Board of Directors' Audit and Risk Committee, comprise of non-management directors, oversees management's responsibilities for financial reporting. The committee meets regularly with management on compliance and risk a management and to review internal accounting controls, audit results, accounting principles and practices, as well as review and approve the financial statements.

We wish to thank our core funding partner ACOA and NSBI for their continued financial and non-financial support over the years. Additionally, we also wish to thank the Employment and Social Development Canada (ESDC) for the project funding of the Supporting Black Canadian Communities Initiative (SBCCI) in the current year.

The Audit and Risk committee thanks PricewaterhouseCooper for their support in auditing the financial statements that are necessary for the publication of the annual report. I would like to thank my fellow committee members for their time and counsel. I also want to thank our Chief Financial Officer, Mr. Ayo Makanjuola and his team, without whom this would not have been possible.

Respectfully,

Yemi Akindoju



Independent auditor's report

To the Members of Black Business Initiative Society

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Black Business Initiative Society (the Entity) as at March 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Entity's financial statements comprise:

- the statement of financial position as at March 31, 2021;
- the statement of changes in net assets for the year then ended;
- the statement of revenue and expenses for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
June 22, 2021

Black Business Initiative Society

Statement of Financial Position

As at March 31, 2021

	2021 \$	2020 \$
Assets		
Current assets		
Cash	84,176	-
Temporary investments	413,515	205,752
Amounts receivable		
Government contributions	556,920	30,000
HST recoverable	23,703	12,344
Other	-	9,799
Due from related parties (note 16)	33,982	4,321
Prepaid expenses	6,227	21,507
	1,118,523	283,723
Restricted assets (market value \$520,000; 2020 – \$520,000) (note 4)	520,000	520,000
Loans and investments (note 5)	-	50,250
Property and equipment (note 6)	15,388	17,809
	1,653,911	871,782
Liabilities		
Current liabilities		
Bank indebtedness – net of cash (note 7)	453,188	91,632
Accounts payables and accrued liabilities (note 17)	37,435	38,514
Deferred revenue (note 8)	600,000	90,731
Provision for guaranteed loans (note 9)	215,999	232,700
	1,306,622	453,577
Net assets		
Investment in property, plant and equipment	15,388	17,809
Unrestricted net assets	(188,099)	(119,604)
Internally restricted assets (note 4)	520,000	520,000
	347,289	418,205
	1,653,911	871,782
Contingent liabilities (note 9)		
Commitments (note 14)		

Approved by the Board of Directors

 Director  Director

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

Black Business Initiative Society
Statement of Changes in Net Assets

For the year ended March 31, 2021

	Investment in property and equipment \$	Unrestricted net assets \$	Internally restricted net assets \$	2021 \$	2020 \$
Balance – Beginning of year	17,809	(119,604)	520,000	418,205	497,393
Excess of expenses over revenue for the year	(2,421)	(68,495)	-	(70,916)	(79,188)
Balance – End of year	15,388	(188,099)	520,000	347,289	418,205

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

Black Business Initiative Society
Statement of Revenue and Expenses

For the year ended March 31, 2021

	2021 \$	2020 \$
Revenue		
Government contributions (note 11)		
Employment and Social Development Canada (ESDC) – Supporting Black Canadian Community Initiative	1,316,250	-
Nova Scotia Business Inc. – Core funding	300,000	300,000
Atlantic Canada Opportunities Agency – Core funding	425,000	425,000
Consulting Advisory Services Grant	200,000	-
Other government contributions (note 12)	140,377	34,637
Other (note 13)	280	159,016
Summit revenue	-	121,304
Interest	-	5,743
	2,381,907	1,045,700
Expenses		
General and administrative		
Amortization	4,079	4,917
Annual general meeting	5,053	3,755
Bad debt expense (recovery) on loan guarantees	(16,701)	27,200
General and administrative	172,586	89,566
Impairment of investment (note 5)	50,250	-
Professional fees – audit and legal	18,572	19,066
Rent	72,342	72,314
Salaries and benefits	668,843	515,313
	975,024	732,131
Business assistance		
Black Business Summit	-	124,705
Special projects (note 12)	33,170	137,381
Training and services	18,212	130,671
	51,382	392,757
Grants and funding		
Consulting Advisory Services Grant Program (note 11)	179,667	-
Supporting Black Canadian Communities Initiative (note 11)	1,092,610	-
Program expense		
Nova Scotia Apprentice Agency Culinary Journey Expenses	11,905	-
Black Business Initiative Society Intermediary Expenses – Other	142,235	-
	1,426,417	-
	2,452,823	1,124,888
Excess of expenses over revenue for the year	(70,916)	(79,188)

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

Black Business Initiative Society

Statement of Cash Flows

For the year ended March 31, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(70,916)	(79,188)
Charges to operations not involving cash		
Amortization	4,079	4,917
Impairment	50,250	-
Bad debt expense (recovery) on loan guarantees	(16,701)	27,200
	(33,288)	(47,071)
Net change in non-cash working capital balances related to operations (note 10)	(34,671)	(73,951)
	(67,959)	(121,022)
Investing activities		
Acquisition of property and equipment	(1,658)	-
Repayment of loans to Royal Bank of Canada	-	(913)
Decrease (increase) in temporary investments	(207,763)	117,990
Increase in restricted net assets	-	(70,000)
	(209,421)	47,077
Financing activities		
Decrease in bank indebtedness	361,556	73,945
Net change in cash during the year	84,176	-
Cash – Beginning of year	-	-
Cash – End of year	84,176	-

Supplemental cash flow information (note 10)

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

Black Business Initiative Society

Notes to Financial Statements

For the year ended March 31, 2021

1 Nature of operations

The Black Business Initiative Society (the Society) is registered under the Societies Act. The Society was established to provide funding, guidance and business development assistance to black-owned business “to foster a dynamic and vibrant black presence within the Nova Scotia business community”.

2 Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (Part III of the CPA Handbook) (ASNPO) and reflect the following policies and practices:

Revenue recognition

The Society follows the deferral method of accounting for contributions which includes government grants.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Funds received in advance of the related expenses being incurred are recorded as deferred revenue.

Property and equipment

In accordance with ASNPO, the Society capitalizes its property and equipment additions. Property and equipment are stated at cost less accumulated amortization. Amortization is provided using the declining balance method at the following annual rates:

Computer hardware	20%
Computer software	50%
Furniture and equipment	50%

Loans

Loans receivable arise as a result of funding previously guaranteed loans, which are acquired by the Society due to non-compliance in the area of loan performance. These loans are carried at the unpaid principal plus accrued interest, less provision for loan losses. Loans considered uncollectible are written off.

Provision for loan guarantees and loan losses

The provision for loan guarantees and loan losses is determined by assessing the collectability of the loan portfolio considering each loan’s repayment history, security pledged and other circumstances. The provision at year end will equal the estimated uncollectible balances of all loans considered doubtful and estimated amounts that may be required to satisfy loan guarantees. The provision for loan losses is shown on the statement of financial position as a reduction of loans and investments and the provision for guaranteed loans is reflected as a liability. The current year’s increase or decrease in the required provision is shown in the statement of revenue and expenses as a provision for loan guarantees and loan losses.

Black Business Initiative Society

Notes to Financial Statements

For the year ended March 31, 2021

Cash

Cash includes cash on hand and balances with banks.

Investments

Temporary and restricted investments are recorded at their fair market value.

Long-term investments in entities for which the Society does not exert significant influence are recorded at cost less allowance for permanent decline in value.

Management estimates

In preparing the Society’s financial statements in accordance with ASPNO, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Fair value of financial instruments

The Society has evaluated the fair value of its financial instruments based on the current interest rate, environment, market values and the actual prices of financial instruments with similar terms. Financial instruments consist of temporary investments, amounts receivable and loans and investments, which will result in future cash receipts, as well as bank indebtedness and accounts payable and accrued liabilities, which will result in future cash outlays.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of judgment, and therefore, cannot be determined with precision. Changes in assumptions could affect the estimates.

Fixed income investments and long-term investments in entities that the Society does not exercise control nor exert significant influence are recorded at cost. All other investments are recorded at market.

After their initial fair value measurement, amounts receivable, loans and investments, bank indebtedness and accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

3 Economic dependence

The Society’s operational funding is derived primarily from the Atlantic Canada Opportunities Agency (ACOA) and Nova Scotia Business Inc. (NSBI). The current agreement with ACOA is for two years and expires in 2023. The agreement with NSBI is for three years and expires in 2024.

Black Business Initiative Society

Notes to Financial Statements

For the year ended March 31, 2021

4 Restricted assets

	2021 \$	2020 \$
Restricted assets	520,000	520,000

The Board of Directors have restricted an amount which represents the Society’s guarantees to the Royal Bank of Canada (RBC) (note 9) and amounts secured related to the RBC operating line of credit (note 7). These funds have been invested in money market funds and guaranteed investment certificates.

	\$
Restricted in favour of RBC for bank indebtedness (note 7)	200,000
Restricted in favour of RBC for guarantees of client loans (note 9)	120,000
Restricted in favour of Black Business Community Investment Fund Limited (BBCIFL) for guarantee of ADEPA Management Inc. (ADEPA) advances from BBCIFL (note 9)	200,000
	520,000

Subsequent to year end, the Society paid BBCIFL \$205,500 to satisfy the loan guarantee (note 9) and used the restricted assets of \$200,000 noted above to facilitate this payment.

5 Loans and investments

In addition to the loan guarantees as disclosed in note 9, as at March 31, 2021, the Society has made the following loans and investments:

	2021 \$	2020 \$
Loans		
Non-interest bearing advances to ADEPA, with no set terms of repayment	386,560	386,560
Less: Provision for loan loss	(386,560)	(386,560)
	-	-
Investments		
Investment in 14% (2020 – 14%) of the common shares BBCIFL, at cost less impairment of \$100,500 (2020 – \$50,250)	-	50,250
Total loans and investments	-	50,250

Black Business Initiative Society

Notes to Financial Statements

For the year ended March 31, 2021

6 Property and equipment

	2021		2020
	Cost \$	Accumulated amortization \$	Net \$
Computer hardware	158,042	142,963	15,079
Computer software	63,880	63,642	238
Furniture and equipment	56,427	56,356	71
	278,349	262,961	15,388

7 Bank indebtedness

Bank indebtedness is comprised of bank overdrafts and an operating line of credit, net of cash balances where there is a right of offset against the operating line of credit. The Society has an operating line of credit with an authorized credit limit of \$200,000. The line of credit bears interest at RBC prime lending rate plus 1% and is secured by the restricted investments (note 4). No amount was drawn on the operating line of credit as at March 31, 2021.

8 Deferred revenue

During the year, the Society received an advance payment of \$600,000 in respect of the newly signed three-year Contribution Agreement with NSBI for its operations. This relates to the fiscal years subsequent to March 31, 2021.

9 Contingent liabilities

During the year, the Society approved loans for clients totaling \$nil (2020 – \$56,352). Total loans outstanding at year end were \$77,449 (2020 – \$91,402). These loans have been made by, and are being administered by RBC on behalf of the Society. These loans have been guaranteed by the Society.

Included in the provision for loan guarantees and loan losses expense (recovery) is a recovery of \$16,701 (2020 – expense of \$27,200) of loans included in accounts receivable in the current year for which no provision was recorded in the past.

During fiscal 2017, the Society guaranteed an amount payable to BBCIFL from ADEPA up to the amount of \$213,050. During the year ended March 31, 2019, ADEPA repaid BBCIFL \$7,500 which reduced the guarantee at March 31, 2019 to \$205,500. As at March 31, 2019, the Society considered it likely that the guarantee will result in a loss and recorded a provision of \$205,500. The guarantee remains in place until the balance of the debt is paid in full. Subsequent to year end, the Society paid BBCIFL \$205,500 to satisfy this guarantee.

Black Business Initiative Society

Notes to Financial Statements

For the year ended March 31, 2021

In a prior year, the Society agreed to advance funds of up to \$170,000 to ADEPA to be used to repay balances owing by ADEPA. The Society will then seek to recover payments of these advances through the collection of amounts owing to ADEPA by its creditors. The amounts advanced during the current year to ADEPA related to this agreement was \$nil (2020 – \$nil). A bad debt expense was recorded in a prior year to reduce this amount receivable from ADEPA to \$nil (note 16). The Society has also agreed to postpone collection of amounts due from ADEPA (note 16).

	2021 \$	2020 \$
Continuity of provision for guaranteed loans		
Provision, RBC loans – Beginning of year	27,200	913
Adjustment for current year assessment of guaranteed loans	(16,701)	26,287
Provision, RBC loans – End of year	10,499	27,200
Provision, ADEPA advances from BBCIFL – Beginning of year	205,500	205,500
Adjustment for current year assessment of guarantee	-	-
Provision, ADEPA advances from BBCIFL – End of year	205,500	205,500
Total provision – End of year	215,999	232,700

10 Supplemental cash flow information

	2021 \$	2020 \$
Net change in non-cash working capital balances related to operations		
Amounts receivable	(558,141)	1,230
Prepaid expenses	15,280	(15,280)
Accounts payable and accrued liabilities	(1,079)	(10,844)
Deferred revenue	509,269	(49,057)
	(34,671)	(73,951)

11 Government contributions

a) ACOA

This non-repayable contribution is provided through the Business Development Program that is sponsored by ACOA. For the year ended March 31, 2021, the Society recorded \$425,000 (2020 – \$425,000) as revenue. The Society has a funding agreement in place with ACOA through 2023. Funding is set to be \$425,000 for 2022.

b) NSBI

During the year ended March 31, 2021, the Society was awarded a non-repayable contribution of \$300,000 from NSBI (2020 – \$300,000 from Nova Scotia Economic and Rural Development and Tourism).

Black Business Initiative Society

Notes to Financial Statements

For the year ended March 31, 2021

Black Business Initiative Society

Notes to Financial Statements

For the year ended March 31, 2021

c) ESDC

During the year ended March 31, 2021, the Society was awarded a non-repayable contribution of \$1,316,250 from ESDC for the Supporting Black Canadian Communities Initiative. The Society acted as an intermediary on behalf of the ESDC and awarded 39 Black-led not-for-profit grassroots organizations the sum of \$1,092,610.

During the current year, ACOA and NSBI provided \$100,000 each to help Black-owned businesses in Nova Scotia who were impacted by COVID-19 and need to move their business online. The Consulting Advisory Services helped in digital adaptation strategy for impacted Black-led business.

12 Details of other government contributions and business assistance expenses – special projects

Other government contributions:

	2021 \$	2020 \$
Training and other	140,377	34,637

Business assistance expenses – special projects:

	2021 \$	2020 \$
Special events	33,170	19,085
B2B – Newsletter	-	24,466
NSAA – Culinary Journey income	-	93,830
	33,170	137,381

13 Details of other revenue

	2021 \$	2020 \$
B2B income	-	3,777
NSAA – Culinary Journey income	-	151,040
Other	-	3,881
Recovery of loans previously provided for	280	319
	280	159,017

14 Commitments

Premises rental

In fiscal 2018, the Society entered into a new three-year lease arrangement commencing October 1, 2017, requiring payment of basic annual rent plus a proportionate share of facility operating costs. The new lease was signed covering the period October 1, 2017 through September 30, 2021. The future lease payments under operating leases for office space and shared facility operating costs are estimated as follows:

	\$
Year ending March 31, 2022	72,345

15 Financial instruments and risk management

Senior management of the Society are responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Fair value of financial instruments

The fair value of temporary investments, restricted investments, amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturity.

The fair value of the long-term investment in entities (note 5) is not readily determinable. An impairment of \$100,500 has been recorded related to the long-term investment.

Risk management

The Society, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. Management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Management believes the Society is exposed to normal credit risk with respect to its accounts receivable and loans. Provisions are maintained for potential credit losses. \$386,560 (2020 – \$386,560) has been provided for loan losses (note 5) and the Society has provided \$215,999 (2020 – \$232,700) against its guaranteed loans (note 9).

Management believes the Society has no significant liquidity risk as its assets are highly liquid in nature.

On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a pandemic. States of emergency were declared across Canada with varying degrees of mandatory business closures and operating restrictions, resulting in a complete economic slowdown. The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals to limit this pandemic, including business closures and physical distancing, and the effects of resulting layoffs and other job losses on the available cash flow of governments, organizations and individuals may adversely impact the Society’s operations and activities. The Society has plans to continue operations during fiscal 2021; however, the duration and impact of the resulting emergency measures taken to prevent the spread of the virus and its impact on the operation and financial results of the Society into the future are not determinable at the date of these financial statements. The future impact on the Society’s financial position and its operations could be material and include impairments of receivables and reductions in revenue for fiscal 2021 and beyond. The Society’s liquidity and ability to continue as a going concern is something management continues to monitor. In light of these fiscal challenges, the Society has the intent and ability to reduce expenses if revenue is reduced.

Black Business Initiative Society

Notes to Financial Statements

For the year ended March 31, 2021

16 Related party transactions

Business is Jammin’ Society (BIJ), ADEPA and Black Business Enterprise (BBE) are related either by virtue of common management or Board Membership.

Due from related parties is comprised of the following:

	2021 \$	2020 \$
BBCIFL	-	516
BBE	-	339
BIJ	33,982	1,466
ADEPA	-	2,000
	<hr/>	<hr/>
	33,982	4,321

During the year, the Society and its related companies paid certain expenses on behalf of the other organizations which are included in the above balances.

In addition, during the year, the Society had the following transactions with a related entity which contributed to the above balances:

	2021 \$	2020 \$
Provision for loan guarantee to BBCIFL (note 9)	205,500	205,500

The expenses related to development and business assistance costs (note 12), represent actual amounts paid to or on behalf of each of the related entities. The provision for the loan guarantee to BBCIFL is recorded on the statement of financial position as a liability (note 9).

17 Government remittances

Government remittances consist of amounts (such as payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$nil (2020 – \$nil) is included within accounts payable and accrued liabilities.

Black Business Initiative



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