

09
ANNUAL REPORT
10

**BUSINESS INVESTMENT
CORPORATION**



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Paper

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MESSAGE FROM THE CHAIR

As Chair of the board of directors of the Business Investment Corporation, I am pleased to present the 2009-10 Annual Report of the Business Investment Corporation. The annual report is submitted in accordance with the entity's obligation as a category three entity under the Transparency and Accountability Act, prepared under the direction of the board which is accountable for the actual results reported.

The Business Investment Corporation directs the management of the investment portfolio of the Department of Innovation, Trade and Rural Development and administers new investments made through the Small and Medium-sized Enterprise (SME) Fund and the Small Business and Market Development Program. The corporation also administers the Fisheries Loan Guarantee Program, in partnership with the Department of Finance, and the Shellfish Aquaculture Working Capital Fund.

In 2009-10, the corporation continued to make solid contributions to small business development in the province. Investments under the SME Fund and the Small Business and Market Development Program totaled \$3.9 million, leveraging more than \$2.7 million. In addition, the board managed the collection of \$2.8 million, which was reinvested in the SME revolving fund.

I would like to acknowledge and thank the board members for their dedication and commitment to the corporation in 2009-10. As well, the board greatly appreciate the dedicated officials of the Department of Innovation, Trade and Rural Development who work diligently to support the board to discharge its mandate, their expertise and talents are greatly appreciated.

Sincerely,



Peter Au

Chair

OVERVIEW

Mandate

The board supports the mandate of the Business Investment Corporation. The Corporation is responsible for the direction and management of the department's investment and loan portfolio including the administration of new investments made by virtue of four funding programs: the Small and Medium Enterprise Fund, the Small Business and Market Development Program, the Fisheries Loan Guarantee Program (in partnership with the Department of Finance) and the Shellfish Aquaculture Working Capital Fund.

Legislative authority for the Business Investment Corporation resides in the Business Investment Corporation Act. The Corporation, as provided for in the Act, is responsible for:

"... making available and managing investments in small to medium sized private businesses, co-operatives, community development corporations and other enterprises for the purpose of creating employment opportunities for the people of the province."

Mission

The mission statement of the department identifies the priority focus area of the Minister over the current planning cycle. It represents the key longer-term result that the Minister and the board will work towards to achieve the strategic directions of government.

The mission of the Department of Innovation, Trade and Rural Development is as follows:

By 2011, the Department of Innovation, Trade and Rural Development will "have stimulated economic and business development to foster regional and provincial prosperity."

Through the corporation, the board contributes to the department's mission of stimulating economic and business development by providing funding toward the start-up and growth of small and medium sized businesses and by providing sound financial oversight for the four funding programs under the corporation's mandate.

Vision

The vision of the Department of Innovation, Trade and Rural Development (INTRD) is *"a diversified, competitive economy with productive and prosperous regions across the province."*

Background

The Business Investment Corporation was established under the authority of the Business Investment Corporation Act on April 1, 2002. The Business Investment Corporation is the successor to three former crown corporations: Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board.

The Business Investment Corporation operates as a crown agency reporting to the Minister of Innovation, Trade and Rural Development.

Board of Directors

An independent board of directors, appointed by the Lieutenant Governor in Council, manages the affairs of the corporation. At the end of this reporting period, March 31, 2010 the board consisted of the following members:

Chairperson Mr. Peter Au, St. John's

Vice-Chairperson Mr. Fred Drover, St. John's

Members Deputy Minister, Department of Finance
Deputy Minister, Department of Business
Deputy Minister, Department of Innovation, Trade & Rural Development

The board met six times in 2009-10 in order to fulfill its mandate. In addition, a sub-committee of the board, the Corporate Transaction Committee, chaired by the corporation's Vice-Chairperson, met bi-weekly or at the call of the Chair.

Remuneration

The remuneration of the board consists of

- Chair: \$330 per meeting day;
- Vice-chair: \$285 per meeting day;
- Private sector members: \$240 per person per meeting day; and
- Three public employees: no additional remuneration provided.

Administrative Support to the Corporation

The corporation is responsible for the ongoing management and recovery of loans and investments made by the corporation and its predecessor organizations. The Department of Innovation, Trade and Rural Development provides administrative support to the corporation. The corporation does not have its own staff. Administrative costs incurred by the Department of Innovation, Trade and Rural Development in support of the corporation are recorded as an expense in the corporation's financial statements.

Departmental staff manages the accounting, billing and accountability activities that support investment disbursement and recovery. They manage and monitor revenue collections and maintain accounting records for the province-wide portfolio of loans, equity and grants.

Programs

The Business Investment Corporation provides funding to help start, revitalize and grow small and medium-sized businesses. It is responsible for the administration of the following programs:

Small and Medium-sized Enterprise Fund (SME)

The Small and Medium-sized Enterprise Fund provides loans and equity investments, up to \$500,000, to small and medium-sized businesses, targeting specific growth sectors with particular emphasis on those businesses that have export potential and need assistance to enter or expand into external markets. The SME Fund combined the former investment portfolio of the Fisheries Loan Board, the former Farm Loan Board and the former Enterprise Newfoundland and Labrador Corporation along with new money invested by government in 2005. This fund is now a revolving fund providing loans and equity investments to eligible businesses within Newfoundland and Labrador, which indicate a high probability of viability and sustainability.

Small Business and Market Development Program (BMD)

This program provides contributions of up to \$25,000 on a matching basis to new entrepreneurs and expanding small businesses to help them acquire the necessary expertise to pursue new business ideas and markets in new growth areas of the economy.

Fisheries Loan Guarantee Program (FLG)

This program supports the development of the province's independent fish harvesting sector by providing Provincial Government guarantees, to a maximum of \$2.0 million, on loans through commercial banks for the purchase of new or used fishing vessels and new equipment for the improvement, rebuilding or alteration of existing vessels. The program is designed to help the independent fish harvesting sector take advantage of ongoing and emerging new opportunities in the fishery.

Shellfish Aquaculture Working Capital Fund (AWCF)

This program provides working capital loans to commercial mussel and other shellfish growers and processors, complementary to funding available through commercial credit sources and other established federal and Provincial Government programs. The \$1.5 million fund was established in 2001 through two federal/provincial cost-shared economic development agreements and operates on a revolving fund basis.

HIGHLIGHTS AND ACCOMPLISHMENTS

Budget for Fiscal Year 2009-10

During fiscal 2009-10 the Small and Medium-sized Enterprise (SME) Fund assisted 20 enterprises. The fund operates with advances from the province which are carried forward from previous years and cash collections from the portfolio investments.

Funding for the Small Business and Market Development Program continued at \$1.0 million annually.

BOARD'S OBJECTIVES AND ACTIVITIES

Two objectives have been identified in the corporation's 2008-11 Activity Plan and these are reported on herein and will also be reported on in the 2010-11 Annual Report.

Program Activities

In consideration of government's strategic directions, as well as the mandate and financial resources of the Business Investment Corporation, the following represents the activities undertaken for the fiscal year 2009-10. The strategic direction that the Business Investment Corporation is working towards achieving is "Small and Medium Enterprise Business Support"

Administration of New Investments

OBJECTIVE 1: *The corporation will have provided funding toward the start-up and growth of small and medium sized business.*

Measure

Provision of funding to approved applicants

Indicators

- Number of applications reviewed by program
- Number and value of applications approved by program

Activities

The corporation committed \$2.6 million in 2009-10 through the Small and Medium-sized Enterprise Fund (Term and Equity), attracting \$1.8 million in additional funding from private and public business financing, to help start or grow 20 small businesses. 25 percent of new SME investments went to firms with export activities.

The corporation committed \$821,000 in 2009-10 through the Small Business and Market Development Program to 65 small businesses, attracting an additional \$821,000 in other business financing to help entrepreneurs and small businesses pursue new business ideas and new markets for their products and services. Firms involved in exporting received 27 percent of this funding.

There were 101 applications reviewed through the Small Business and Market Development Program of which 65 were approved. Under the Small and Medium-sized Enterprise Fund in 2009-10, 36 applications were reviewed of which 20 were approved.

In 2009-10, the corporation managed the Shellfish Aquaculture Working Capital Fund that had a budget of \$1.2 million invested in 14 enterprises. This fund is fully committed and there was no new money available for investment in 2009-10.

At March 31, 2010, the investment portfolio of the Business Investment Corporation consisted of 862 accounts with loans of \$33.2 million and equity of \$19.9 million, for a total of \$53.1 million (principal and interest as detailed in note three of the attached financial statements.) The audited financial statements of the corporation are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), under which all payments past due 90 days are required to be classified as allowance for doubtful accounts.

Approximately 85 percent of the Corporation's portfolio originated from predecessor lending agencies- Enterprise Newfoundland and Labrador, Fisheries Loan Board, and the Farm Loan Board.

Since 2003, the Provincial Government has established a new loan program, established new policies and procedures to balance access to capital requirements and our economic agenda while minimizing risk to the provincial treasury.

While the allowance for doubtful accounts under GAAP is \$45.1 million, the Provincial Government does not consider all doubtful accounts as being uncollectible as clients are contacted on a regular basis to recover investments or, where possible, to identify means to return accounts to good standing.

In 2009-10, the corporation reviewed and approved nine applications on behalf of the Chartered Banks, under the Fisheries Loan Guarantee Program for \$3.9 million. These were for the purchase of new fishing vessels and equipment or the purchase and/or renovation of used vessels, to help them take advantage of ongoing and emerging new business opportunities in the fishery. These loan guarantees are issued by the Department of Finance. At March 31, 2010, there were \$30.2 million in guaranteed loans outstanding to 99 enterprises.

Investment Portfolio Management:

OBJECTIVE 2: *The corporation will have continued to successfully manage its investment portfolio.*

Measure

Successful management of investment portfolio

Indicator

Percentage of projected revenues collected

Activities

The corporation's successful management of the investment portfolio resulted in the collection of 114 percent of projected revenues. In 2009-10, there were no funds returned to the provincial treasury from payments relating to investments, as collections totaling \$2.8 million were retained in the SME revolving fund for future investments.

FINANCIAL STATEMENTS

The audited financial statements for the corporation are in Appendix A of this report. They will be tabled in the House of Assembly in *Financial Statements of Crown Corporations, Boards and Authorities for the Year ending March 31, 2010*.

OPPORTUNITIES AND CHALLENGES AHEAD

Small and Medium-sized Enterprise Fund

Succession planning for small businesses, particularly in rural areas of the province, is increasingly becoming a more important issue as the population ages. The department intends to explore ways the SME Fund may be able to play a greater role in this area.

The proponents of the fund will continue to work with other funding partners to develop worthwhile investments using the SME funding as an integral part of business expansion.



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Business Investment Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Business Investment Corporation as at 31 March 2010 and the statements of equity, revenues and expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
7 June 2010

BUSINESS INVESTMENT CORPORATION
INDEX TO FINANCIAL STATEMENTS
31 March 2010

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Office of the Auditor General

**BUSINESS INVESTMENT CORPORATION
BALANCE SHEET**

31 March

2010

2009

ASSETS

Cash (Note 2)	\$ 19,086,034	\$ 18,340,233
Due from Province	13,000	-
Bank interest receivable	6,874	-
Loans and equity investments (Note 3)	7,984,235	8,705,280
Long-term investments (Note 4)	9,422	9,422
	<u>\$ 27,099,565</u>	<u>\$ 27,054,935</u>

LIABILITIES AND EQUITY

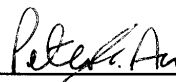
Accounts payable and accrued liabilities	\$ 13,000	\$ -
Borrowers' deposits	68,517	68,517
	81,517	68,517
Equity	<u>27,018,048</u>	<u>26,986,418</u>
	<u>\$ 27,099,565</u>	<u>\$ 27,054,935</u>

Contingent liabilities (Note 5)

Commitments (Note 6)

See accompanying notes

Signed on behalf of the Board:



Chairperson



Director of Portfolio Management

Office of the Auditor General

STATEMENT 2

BUSINESS INVESTMENT CORPORATION
STATEMENT OF EQUITY
For the Year Ended 31 March

	2010	2009
Contributed capital (Note 7)		
Balance, beginning of year	\$ 48,681,122	\$ 50,008,969
Aquaculture Working Capital Fund reserve (Note 2)	2,131	10,462
Principal written off, net of recoveries (Note 3)	<u>(888,192)</u>	<u>(1,338,309)</u>
Balance, end of year	<u>47,795,061</u>	<u>48,681,122</u>
Deficit		
Balance, beginning of year	(21,694,704)	(25,112,367)
Excess of revenues over expenses	29,499	2,079,354
Principal written off, net of recoveries (Note 3)	<u>888,192</u>	<u>1,338,309</u>
Balance, end of year	<u>(20,777,013)</u>	<u>(21,694,704)</u>
Equity, end of year	<u>\$ 27,018,048</u>	<u>\$ 26,986,418</u>

See accompanying notes

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STATEMENT 3

BUSINESS INVESTMENT CORPORATION
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 March

	2010	2009
REVENUES		
Interest on loans	\$ 948,807	\$ 743,413
Other investment income	91,556	407,060
Contributions from Province		
Small and Medium Enterprise Fund	-	2,000,000
Business Marketing and Development Program	1,000,000	1,000,000
Other Provincial contributions (Note 9)	987,270	866,271
	<u>3,027,633</u>	<u>5,016,744</u>
EXPENSES		
Business Marketing and Development Program	663,590	640,084
Provision for decline in value of loans receivable and equity investments (Note 3)	1,342,240	1,427,540
Operating expenses (Note 9)	987,270	866,271
Bank charges	3,200	3,448
Miscellaneous expense	1,834	47
	<u>2,998,134</u>	<u>2,937,390</u>
Excess of revenues over expenses	\$ 29,499	\$ 2,079,354

See accompanying notes

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STATEMENT 4

BUSINESS INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

	2010	2009
Cash flows from operating activities		
Excess of revenues over expenses	\$ 29,499	\$ 2,079,354
Add non-cash items		
Provision for decline in value of loans receivable and equity investments	1,342,240	1,427,540
	1,371,739	3,506,894
Change in non-cash operating items		
Due from Province	(13,000)	-
Bank interest receivable	(6,874)	-
Accounts payable and accrued liabilities	13,000	-
	1,364,865	3,506,894
Cash flows from investing activities		
Increase in loans and equity investments	(3,457,496)	(4,279,261)
Collection of loans and equity investments	2,836,301	3,093,912
	(621,195)	(1,185,349)
Cash flows from financing activities		
Aquaculture Working Capital Fund reserve	2,131	10,462
	2,131	10,462
Net increase in cash	745,801	2,332,007
Cash, beginning of year	18,340,233	16,008,226
Cash, end of year	\$ 19,086,034	\$ 18,340,233

See accompanying notes

Office of the Auditor General

BUSINESS INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2010

Authority

The Business Investment Corporation (the Corporation) was established under the authority of the *Business Investment Corporation Act*. The Corporation is funded by the Province of Newfoundland and Labrador (the Province) and is responsible for making available and managing investments in small to medium sized private businesses, co-operatives, community development corporations and other enterprises for the purpose of creating employment opportunities for the people of the Province. The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The *Business Investment Corporation Act* came into force effective 1 April 2002. Under this *Act*, the Business Investment Corporation was incorporated and became the successor to Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board. Also under this *Act*, the *Fisheries Loan Act*, the *Farm Development Loan Act*, the *Economic Recovery Commission Act* and the *Enterprise Newfoundland and Labrador Corporation Act* were repealed.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Loans receivable

The Corporation records loans receivable at cost. When loans are identified as impaired, the Corporation records an allowance to reduce their carrying values to their estimated realizable amounts. Estimated realizable amounts are measured at discounted cash flows when the cash flows can be estimated with reasonable reliability, or alternatively, at the estimated net realizable value of the underlying security.

(b) Equity investments

The Corporation records equity investments at cost. In certain circumstances, the Corporation may have acquired the right to appoint representatives to an equity investee's board of directors or it may have a significant influence on the strategic operating, investing and financing policies of the investee. However, because of the nature of the Corporation's investment process and the manner in which these positions were acquired, such control or significant influence may not in fact be exercised or the Corporation may not intend to maintain such positions. Accordingly the Corporation's equity investments for all companies in which the Corporation holds voting rights are accounted for on the cost basis.

Provision is made by the Corporation for any decline in the value of investee companies which is considered to be other than temporary.

Office of the Auditor General

BUSINESS INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2010

1. Significant accounting policies (cont.)

(c) Revenue recognition

Contributions from the Province are recorded as revenue to the Corporation.

Interest income is accounted for on the accrual basis for bank interest and all loans other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of a portion of principal or interest, or when payment is contractually past due 90 days. The impaired portion of loans may revert to accrual status only when principal and interest payments have become fully current again, at which time any interest will be recognized in that fiscal year.

Dividends are recorded as income when received.

2. Aquaculture Working Capital Fund

On 30 March 2001, Enterprise Newfoundland and Labrador Corporation, a predecessor of the Corporation, entered into an agreement with the Federal and Provincial Governments to set up the Aquaculture Working Capital Fund (AWCF). The AWCF assists individuals and companies in the shell fish industry throughout the Province through repayable loans. The AWCF is a revolving fund in which the Corporation retains the loan repayments for future aquaculture loans until the conclusion of the agreement. The agreement is scheduled to conclude on 31 March 2011, extendable for 3 years, at which time the Corporation will reimburse all monies to the Federal and Provincial governments based on the proportions of their contribution.

To date the Corporation has received funding totalling \$1.5 million based on contributions of \$1.3 million in Federal funding from the Canada/Newfoundland Strategic Regional Diversification Agreement, and \$160,000 Federal and \$40,000 Provincial funding from the Canada/Newfoundland Agreement on Economic Renewal.

As at 31 March 2010, the AWCF had 14 loans outstanding totalling \$1,103,185 (2009 - 14 loans totalling \$1,013,355). During 2003-04 the Corporation established a separate loan portfolio and bank account to administer the AWCF and assist in identifying payments that are received and held for future loans. As at 31 March 2010, the AWCF had a balance of \$487,437 (2009 - \$534,865) which is included in these financial statements as part of the total cash funds of \$19,086,034 (2009 - \$18,340,233).

3. Loans and equity investments

The determination of whether a loan is impaired and the appropriate carrying value of equity investments, involves significant judgement. The estimation of an appropriate allowance for decline in value of loans receivable and equity investments necessarily involves the use of estimates. These financial statements represent management's best estimates based on available information.

Office of the Auditor General

BUSINESS INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2010

3. Loans and equity investments (cont.)

Loans and equity investments consist of the following:

	<u>2010</u>	<u>2009</u>
Loans receivable		
Principal due and unpaid	\$ 16,683,045	\$ 16,832,613
Principal not yet due	13,434,145	14,415,234
Interest due and unpaid	3,174,387	2,747,215
	<u>33,291,577</u>	<u>33,995,062</u>
Less: allowance for decline in value	<u>(25,512,763)</u>	<u>(25,630,182)</u>
	<u>7,778,814</u>	<u>8,364,880</u>
Equity investments		
Equity investments, at cost	19,927,818	19,667,433
Less: allowance for decline in value	<u>(19,722,397)</u>	<u>(19,327,033)</u>
	<u>205,421</u>	<u>340,400</u>
Loans and equity investments	\$ 7,984,235	\$ 8,705,280

The allowance for the decline in value of loans receivable and equity investments consists of the following:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 44,957,215	\$ 44,960,215
Principal written off, net of recoveries	(888,192)	(1,338,309)
Interest written off, net of recoveries	(176,103)	(92,231)
Provision for decline in value of loans receivable and equity investments	<u>1,342,240</u>	<u>1,427,540</u>
Balance, end of year	\$ 45,235,160	\$ 44,957,215

The allowance for decline in value represents the Corporation's best estimate of future probable losses with respect to the loans receivable and equity investments. The Corporation recognizes that future economic and industry conditions are not predictable and therefore, their impact on the future cash flows anticipated is uncertain. Consequently, adjustments to the allowance are possible depending on the impact of these future events and management's best estimate of them.

Office of the Auditor General

BUSINESS INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2010

4. Long-term investments

Long-term investments consist of 673 shares of Sun Life Financial Services of Canada Incorporated which were given to the Corporation as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares is recognized at the fair market value of \$9,422 as determined by the share price at the time of the transfer of shares to the Corporation. The fair market value of these shares as at 31 March 2010 was \$21,711 (2009 - \$15,371).

5. Contingent liabilities

- (a) A client of the Corporation has taken legal action as a result of certain alleged technical problems that the client claims to have experienced with a vessel that was financed through the Fisheries Loan Board Program. The amount of this potential claim is in the \$900,000 to \$1,100,000 range. In a matter related to this legal action, another party has been awarded a claim of \$1,800,000. The Province will not appeal this decision.
- (b) A statement of claim has been served on the Corporation by a company claiming a breach of contract. The company is claiming special damages of \$811,040, other general and unspecified damages, interest and costs associated with the action. The likelihood of loss as a result of this claim is not determinable.

6. Commitments

The Corporation has outstanding commitments in respect of approved but not yet disbursed loans, equity investments and/or grants in the amount of \$2,667,544 (2009 - \$3,096,368).

7. Contributed capital

Contributed capital represents accumulated capital contributions from the Province and the Government of Canada. These contributions are used for the purpose of making loans, equity investments, and providing business and market development grants. The Corporation depends on these capital contributions to carry out its mandate.

Office of the Auditor General

BUSINESS INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2010

8. Financial instruments

The Corporation's financial instruments recognized on the balance sheet, in addition to the long-term investments described in Note 4, consist of cash, due from Province, bank interest receivable, loans and equity investments, accounts payable and accrued liabilities, and borrowers' deposits. The carrying values of cash, due from Province, bank interest receivable, accounts payable and accrued liabilities, and borrowers' deposits approximate current fair value due to their nature and the short-term maturity or current market rate associated with these instruments.

The Corporation's loans and equity investments are recognized on the balance sheet at cost with provision being made for any decline in their value. Any estimated impairment of these loans and equity investments has been provided for through an allowance for decline in value and no further credit risk exists for these items. The carrying value of loans and equity investments approximates discounted value of expected receipts. Therefore, their carrying values approximate their current fair value and these instruments are not subject to any material interest rate risk.

9. Related party transactions

The Corporation is administered as a division of the Department of Innovation, Trade and Rural Development. Expenses related to salaries, accommodations and administration totaling \$987,270 (2009 -\$866,271) are paid directly by the Department and are reflected in these financial statements as expenses of the Corporation and as revenue from the Province.

10. Economic dependence

As a result of the Corporation's reliance on Provincial funding, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

11. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.



