

***SOUTH COAST
COMMUNITY DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
AS AT MARCH 31, 2022***

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INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Board of Directors
South Coast Community Development Corporation

Qualified Opinion

I have audited the financial statements of South Coast Community Development Corporation (the Organization), which comprise the statement of financial position as at March 31, 2022, and the statement of operations, statement of net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The Organization has not identified and classified all its financial instruments, and recorded its financial instruments at fair value. Rather, all financial instruments are recorded at historic cost. The Organization has not specifically disclosed information prescribed by the Chartered Professional Accountants Canada Handbook - Accounting, that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance, including exposure to risks, methods of determining fair value and other relevant information. This basis of accounting used in these financial statements differs from Canadian generally accepted accounting standards for not-for-profit organizations.

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

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 South Coast Community Development Corporation'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 South Coast Community Development Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause South Coast Community Development Corporation 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.

I 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 I identify during my audit.

Grand Falls-Windsor, NL
June 16, 2022


Chartered Professional Accountant
Chartered Accountant

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION
Statement of Revenue and Expenditure
Year Ended March 31

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>FramED Fund</u>	<u>2022</u>	<u>2021</u>
Revenues					
ACOA operating contribution	187,035	0	-	187,035	187,035
Self-employment benefit program	55,544	0	-	55,544	55,824
Atlantic Association CBDCs RRRF					
RRRF Administration revenue				0	42,500
RRRF Loan administration fees				0	2,000
Interest relief reimbursement				0	63,711
RRRF loan forgiveness offset				0	6,250
RRRF loan loss provision offset		(215)		(215)	1,000
Investment income-loan portfolio		110,281	93,314	203,595	108,457
Investment income-other interest		14,654	14,731	29,385	34,091
Fee for service	11,100	-	-	11,100	11,365
Administration fees - Business Valuation				0	600
Revoveries Business Valuation Program				0	7,500
Other revenues	2,977		-	2,977	-
Total Revenues	<u>256,656</u>	<u>124,720</u>	<u>108,045</u>	<u>489,421</u>	<u>520,333</u>
Expenses					
Advertising	3,015	-	-	3,015	6,586
Amortization	8,315	-	-	8,315	6,285
Bank charges	67	785	1	853	688
Business Valuation Program costs					7,500
Collection costs	-	-	-	-	-
Credit bureau reports	-	-	-	-	-
Dues and fees	1,921	-	-	1,921	2,997
Insurance	3,001	-	-	3,001	3,349
Loan (recovery) loss provision	-	22,966	57	23,023	(78,757)
Loan (recovery) loss provision - RRRF		(215)		(215)	1,000
RRRF loan forgiveness	-	-	-	0	6,250
Meetings and seminars	150			150	1,958
Office supplies	14,241	-	-	14,241	17,096
Professional fees	5,160	-	-	5,160	5,160
Rent	29,444	-	-	29,444	29,444
Self-employment training	-	-	-	-	-
Telephone	6,543	-	-	6,543	6,623
Travel and board meetings	4,311	-	-	4,311	2,623
Wages and benefits	225,793	-	-	225,793	217,403
Total Expenses	<u>301,961</u>	<u>23,536</u>	<u>58</u>	<u>325,555</u>	<u>236,205</u>
Excess (deficiency) of revenue over expenses	<u>\$ (45,305)</u>	<u>\$ 101,184</u>	<u>\$ 107,987</u>	<u>\$ 163,866</u>	<u>\$ 284,128</u>

See accompanying notes to the financial statements

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION**Statement of Changes in Fund Balances****Year Ended March 31**

	Operating Fund	Investment Fund	Other Fund (ie. FramED, CDF)	2022
Net assets, beginning of year	\$ 119,431	\$ 2,916,776	\$ 2,556,533	\$ 5,592,740
Excess (deficiency) of revenue over expenses	(45,305)	101,184	107,987	163,866
Appropriation to (from) operations, net	248	(248)	-	-
Net assets, end of year	\$ 74,374	\$ 3,017,712	\$ 2,664,520	\$ 5,756,606

	Operating Fund	Investment Fund	Other Fund (ie. FramED, CDF)	2021
Net assets, beginning of year	\$ 77,334	\$ 2,789,073	\$ 2,442,205	\$ 5,308,612
Excess (deficiency) of revenue over expenses	(248)	170,048	114,328	284,128
Appropriation to (from) operations, net	42,345	(42,345)	-	-
Net assets, end of year	\$ 119,431	\$ 2,916,776	\$ 2,556,533	\$ 5,592,740

See accompanying notes to the financial statements

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

Year Ended March 31

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>FramED Fund</u>	<u>2022</u>	<u>2021</u>
Assets					
Current					
Cash and cash equivalents	\$ 63,854	\$ 872,461	\$ 668,074	\$ 1,604,389	\$ 1,729,467
Receivables					
Interest & fees	-	25,847	71,587	97,434	114,898
Government assistance	-	-	-	-	5,096
Government remittances	3,880	-	-	3,880	5,493
	<u>67,734</u>	<u>898,308</u>	<u>739,661</u>	<u>1,705,703</u>	<u>1,854,954</u>
Loans (Notes 4,6)	-	1,331,904	1,174,859	2,506,763	2,688,952
RRRF Loans (Notes 4, 5)	-	8,668	-	8,668	12,750
Investments - ACCBIF (Note 7)	-	787,500	750,000	1,537,500	1,037,500
Assets held for resale (Note 8)	-	-	-	-	-
Capital assets (Note 9)	12,134	-	-	12,134	20,449
	<u>\$ 79,868</u>	<u>\$ 3,026,380</u>	<u>\$ 2,664,520</u>	<u>\$ 5,770,768</u>	<u>\$ 5,614,605</u>
Liabilities					
Current					
Payable and accrual	\$ 5,494	\$ 0	-	\$ 5,494	\$ 4,115
Inter-fund payable (receivable)	-	-	-	-	-
Current portion of long term debt (Note 13)	-	-	-	-	-
	<u>5,494</u>	<u>-</u>	<u>-</u>	<u>5,494</u>	<u>4,115</u>
Due to AACBDC - RRRF (Note 12)	-	8,668	-	8,668	17,750
Due to ACCBIF (Note 13)	-	-	-	-	-
	<u>5,494</u>	<u>8,668</u>	<u>-</u>	<u>14,162</u>	<u>21,865</u>
Equity					
Fund balances					
Externally restricted					
Capital contributions (Note 10)	-	1,207,173	1,100,000	2,307,173	2,307,173
Surplus (deficit)	-	1,810,539	1,564,520	3,375,059	3,166,136
Invested in capital assets	12,134	-	-	12,134	20,449
Unrestricted	62,240	-	-	62,240	98,982
	<u>74,374</u>	<u>3,017,712</u>	<u>2,664,520</u>	<u>5,756,606</u>	<u>5,592,740</u>
	<u>\$ 79,868</u>	<u>\$ 3,026,380</u>	<u>\$ 2,664,520</u>	<u>\$ 5,770,768</u>	<u>\$ 5,614,605</u>

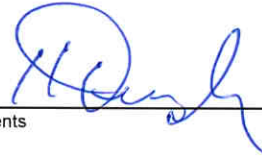
Commitments (Note 17)

On Behalf of the Board



Director

See accompanying notes to the financial statements



Director

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION
Statement of Cash Flow
Year Ended March 31

	Operating Fund	Investment Fund	FramED Fund	2022	2021
Cash derived from (applied to)					
Operating					
Excess of revenue over expenditures	\$ (45,305)	\$ 101,184	\$ 107,987	\$ 163,866	\$ 284,128
Depreciation	8,315	-	-	8,315	6,285
Rounding	-	1	-	1	(1)
Loan (recovery) loss provision	-	22,751	57	22,808	(78,757)
	<u>(36,990)</u>	<u>123,936</u>	<u>108,044</u>	<u>194,990</u>	<u>211,655</u>
Change in					
Receivable Atlantic Canada Opportunites Agency	-	-	-	-	3,760
Receivable Self Employment Assistance Program	5,096	-	-	5,096	(5,096)
Accrued interest on loans	-	8,304	9,158	17,462	-
Government remittances	1,613	-	-	-	736
Payables & accruals	1,379	-	-	1,379	(2,855)
	<u>(28,902)</u>	<u>132,240</u>	<u>117,202</u>	<u>218,927</u>	<u>208,200</u>
Investing					
Investing in loans - CBDC	-	(251,286)	(290,920)	(542,206)	(628,214)
Investing in loans - RRRF	-	-	-	-	25,000
Repayment of loans - CBDC	-	460,483	240,890	701,373	635,972
Repayment of loans - RRRF	-	4,297	-	4,297	5,000
Recovery of loans - CBDC	-	-	-	-	-
Advances to ACCBIF	-	(250,000)	(250,000)	(500,000)	-
Purchase of tangible capital assets	-	-	-	-	(19,760)
	<u>-</u>	<u>(36,506)</u>	<u>(300,030)</u>	<u>163,464</u>	<u>(32,002)</u>
Financing					
Borrowing from AACBDC	-	-	-	2,297,000	25,000
Repayment to AACBDC	-	(9,082)	-	(905,714)	-
Interfund transfer	248	(248)	-	-	-
	<u>248</u>	<u>(9,330)</u>	<u>-</u>	<u>1,391,286</u>	<u>25,000</u>
Net increase (decrease in cash)	(28,654)	86,404	(182,828)	1,773,677	201,198
Cash and term deposits (indebtedness)					
Beginning of year	92,508	786,057	850,902	1,729,467	1,528,269
End of year	<u>\$ 63,854</u>	<u>\$ 872,461</u>	<u>\$ 668,074</u>	<u>\$ 1,604,389</u>	<u>\$ 1,729,467</u>
Cash consists of:					
Cash	<u>\$ 63,854</u>	<u>\$ 872,461</u>	<u>\$ 668,074</u>	<u>\$ 1,604,389</u>	<u>\$ 1,729,467</u>

See accompanying notes to the financial statements

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION**Notes to the Financial Statements****Year Ended March 31, 2022**

1. Nature of operations

The South Coast Community Development Corporation's mission statement is to "Create sustainable employment through promoting business development in our communities by providing capital and mentoring assistance."

The South Coast Community Development Corporation is a community controlled corporation with a mandate to provide lending and other investments to small businesses in its geographic area who have difficulty obtaining financing from conventional sources. The South Coast Community Development Corporation is incorporated under the Corporations Act of Newfoundland and Labrador as a not-for-profit organization and as such exempt from income tax by virtue of paragraph 149(1)(1) of the Income Tax Act.

2. Departure from Accounting Standards for not-for-profit organizations (ASNPO)

South Coast Community Development Corporation financial statements have not adopted the Chartered Professional Accountants Canada Handbook Accounting policies regarding Financial Instruments as set out in Part II Section 3856, and elsewhere, and as a result, depart from Canadian generally accepted accounting principles. The effects of these sections have not been recorded or disclosed in these financial statements

The Atlantic Canada Opportunities Agency has confirmed, within the 2021-22 CF agreement to all Atlantic CBDCs, it will accept qualified financial statements from CBDCs when not prepared in full compliance with the provisions of the Chartered Professional Accountants Canada Handbook Accounting relating to Financial Instruments, including provisions set out in Part II Section 3856, and elsewhere.

3. Summary of significant accounting policies**Basis of accounting**

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund Accounting

The organization follows the restricted fund method of accounting for the Investment and Operating Fund.

The Operating Fund accounts for the Organization's program delivery and administrative activities. This fund reports unrestricted resources and operating contributions.

The Investment Fund reports all restricted resources of the Investment fund. The investment income resulting from investing activities is retained in the Investment Fund.

The FRAM Fund reports all restricted resources that are to be used for the delivery of this program.

Cash and Cash Equivalents

Components of cash are documented on the Statement of Cash Flows. Cash excludes restricted cash held for special purposes.

Tangible Capital Assets

Tangible capital assets are recorded at cost and depreciated at the rate of 20% per annum using the declining balance basis.

Revenue Recognition

Interest income on loans is recorded on an accrual at the rate specified in the loan agreement when collection is reasonably assured. Accruals of interest income are not recorded on non-performing loans.

Interest earned on deposits with financial institutions is recognized on an accrual basis.

Government funding is recorded on an accrual basis as qualifying expenses are incurred for the relevant program.

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION**Notes to the Financial Statements****Year Ended March 31, 2022**

3. Summary of significant accounting policies (continued)**Provision for loan losses**

Provision for loan losses are determined based on delinquent loans that are deemed doubtful by management less estimated amounts recoverable from security, net of estimated costs associated with converting the security into cash.

Category "A" Accounts

Accounts which are entirely satisfactory as to credit risk and performance, i.e. proven or established earnings and management, and on which loan arrears, if any, would represent less than two months' instalments of principal and interest. It should be noted that all accounts are automatically classified as category "A" upon authorization.

Category "B" Accounts

Accounts in which it is expected that, in spite of undesirable developments, the difficulties will be overcome, and the loan will in time be recovered, in full without the need to call the loan. Principal and/or interest are no more than 6 months in arrears.

Category "C" Accounts

Accounts in which serious adverse developments have occurred, difficulties are unlikely to be overcome, or there is little, or no chance of the loan being repaid from earnings and one or more of the following conditions apply:

- operations have ceased and are unlikely to recommence under existing ownership; voluntary liquidation of assets has started with a view to winding up the business; other creditors, regardless of rank, may be expected to realize on their security;
- a proposal either formal or informal to secured creditors has been made, or is under preparation; and
- no principal payments have been made for a 6-month period.

Category "D" Accounts

No recovery is anticipated and application for "Request to Waive Repayment" and loan write-off is in the process of being submitted or awaiting approval.

Use of estimates

In preparing the Organization's financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Significant estimates are required in recording the provision for loan loss. Actual results could differ from these estimates.

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION**Notes to the Financial Statements****Year Ended March 31, 2022**

4. Loans

	<u>2022</u>	<u>2021</u>
Loans	\$2,848,244	\$3,033,850
Less allowance for forgivable RRRF loans	(6,250)	(6,250)
Less allowance for doubtful	(326,563)	(325,898)
	<u>\$2,515,431</u>	<u>\$2,701,702</u>
Loans	2,506,763	2,688,952
RRRF Loans	8,668	12,750
	<u>\$2,515,431</u>	<u>\$2,701,702</u>

The loans are at varying interest rates and terms of repayment. Certain loans are in arrears and others may be non-active.

Included in the loans receivable at March 31, 2022 are delinquent loans totaling \$369,398 (2021 - \$452,101) of which \$202,615 (2021 - \$196,811) has been allowed for. Management believes the balance of these loans will be collectible.

Loans and Mortgages Receivable Investment Fund

The loans receivable balance is comprised of:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$1,817,604	\$1,619,523
Loans advanced during the year	251,286	428,388
Loans repaid during the year	(460,483)	(230,307)
Loans written-off during the year	(22,142)	0
Balance, Principal	<u>1,586,265</u>	<u>1,817,604</u>
Allowance for doubtful accounts	(254,361)	(253,537)
Balance, end of year	<u>\$1,331,904</u>	<u>\$1,564,067</u>

The Activity in the Allowance for Doubtful Loans account is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$253,537	\$319,242
Loans written-off during the year	(22,142)	0
Recovery of loans written-off in previous periods	-	(1)
Current year's loan (recovery) loss provision	22,966	(65,704)
Balance, end of year	<u>\$254,361</u>	<u>\$253,537</u>

Loan loss provision and bad debt expense:

	<u>2022</u>	<u>2021</u>
Allowance for doubtful loans at end of year	\$ 254,361	\$ 253,537
Allowance for doubtful loans at beginning of year	253,537	319,242
Change in allowance	824	(65,705)
Add: Loans written off during the year	22,142	0
Less: Recovery of loans written off	-	1
Net loans written off	<u>22,142</u>	<u>1</u>
Total loan loss provision and bad debt expense	<u>\$ 22,966</u>	<u>\$ (65,704)</u>

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION**Notes to the Financial Statements****Year Ended March 31, 2022**

5. COVID-19 relief loans

The Organization along with the other members of the Atlantic Association of CBDC's (AACBDC) and New Brunswick Association of CBDC's (NBACBDC) were contracted by the Federal and Provincial governments to deliver COVID-19 relief loans to qualifying businesses. There were two categories of loans: Emergency Working Capital ("EWC"), and Regional Relief Recovery Fund ("RRRF").

Loans Receivable	RRRF		2022 Total	2021 Total
Balance, beginning of year	\$	20,000	\$ 20,000	\$ -
Loans advanced during the year		-	0	25,000
Loans repaid during the year		(4,297)	(4,297)	(5,000)
Balance, Principal		15,703	15,703	20,000
Allowance for doubtful		(785)	(785)	(1,000)
Loan Forgiveness		(6,250)	(6,250)	(6,250)
Balance, end of year	\$	8,668	\$ 8,668	\$ 12,750

The Organization recognized an expense of \$NIL (2021 - \$6,250) for loan forgiveness on the RRRF loans administered. This represents the portion of each loan advanced that qualifies for forgiveness based on the parameters set by the Federal government, up to a maximum of \$10,000 on the original RRRF loan program, further extended to a maximum of \$20,000 if the loanee qualified for the RRRF expansion. The amount recognized as loan forgiveness is offset by guaranteed matching funds from the AACBDC's, which results in no financial impact on the Organization. The loans are government guaranteed.

The Activity in the Allowance for Doubtful RRRF Loans account is as follows:

	2022	2021
Balance, beginning of year	\$ 1,000	\$ -
Loans written-off during the year	-	-
Recovery of loans written-off in previous periods	-	-
Current year's loan (recovery) loss provision	(215)	1,000
Balance, end of year	<u>\$ 785</u>	<u>\$ 1,000</u>

6. FramEd Fund

The loans receivable balance is comprised of:

	2022	2021
Balance, beginning of year	\$ 1,196,246	\$ 1,429,236
Loans advanced during the year	290,920	199,826
Loans repaid during the year	(240,890)	(405,665)
Loans written-off during the year	-	(27,151)
Balance, Principal	1,246,276	1,196,246
Allowance for doubtful accounts	(71,417)	(71,361)
Balance, end of year	<u>\$ 1,174,859</u>	<u>\$ 1,124,885</u>

The Activity in the Allowance for Doubtful Loans account is as follows:

	2022	2021
Balance, beginning of year	\$ 71,361	\$ 111,564
Loans written-off during the year	-	(27,151)
Recovery of loans written-off in previous periods	-	-
Rounding	(1)	1
Current year's loan (recovery) loss provision	57	(13,053)
Balance, end of year	<u>\$ 71,417</u>	<u>\$ 71,361</u>

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION**Notes to the Financial Statements****Year Ended March 31, 2022**

7. Investments - ACCBIF - Subscription

		Investment Fund	FramED Fund	2022	2021
Due 2023	0.95%-1.40%	\$750,000	\$750,000	\$1,500,000	\$1,000,000
		750,000	750,000	1,500,000	1,000,000
ACCBIF Subscription fee		37,500	-	37,500	37,500
		<u>\$ 787,500</u>	<u>\$ 750,000</u>	<u>\$ 1,537,500</u>	<u>\$1,037,500</u>

8. Assets held for resale

The organization can exercise their rights on unrecoverable loans and proceed to seize the assets. Those assets are classified as short term or long term based on whether or not they have been sold at the date of the financial statements. Gains or losses related to the sale of these assets will be recognized at the time of the sale. As at March 31, 2022, the organization had no assets (2021 - \$Nil) held for sale.

9. Capital assets

	Cost	Accumulated Depreciation	2022 Net Book Value	2021 Net Book Value
Furniture & Equipment	\$ 121,769	\$ 109,635	\$ 12,134	\$ 20,449

10. Externally restricted funds**Investment Fund**

The investment fund has externally imposed restrictions on net assets as well as the income earned from those net assets.

	<u>Investment</u>
Restricted for investing in business	
Capital contributions received, beginning of year	\$ 1,207,173
Capital contribution received during the year	-
Surplus (deficit)	1,810,539
End of the year	<u>\$ 3,017,712</u>
	<u>FRAM-Ed</u>
Restricted for investing in business	
Capital contributions received, beginning of year	\$ 1,100,000
Capital contribution received during the year	-
Surplus (deficit)	1,564,520
End of the year	<u>\$ 2,664,520</u>

Article of agreement:

9.1 Funds credited to the Investment Fund shall not be used for purposes other than Investment Fund activities without the prior written approval of ACOA. This includes funds lent or received from ACCBIF.

9.2 Notwithstanding (9.1), funds credited to the Investment Fund account may be transferred to the Eligible Costs account of the CBDC where the following conditions are met:

9.2.1 The CBDCs Annual Budget submitted with the Business Plan projects a deficit (the "Deficit") and is accepted by ACOA;

9.2.2 The Deficit was in fact incurred as projected; and,

9.2.3 The CBDC shall provide to ACOA written confirmation of the transfer of the funds from the Investment Fund account to the Eligible Costs account within 90 days of the end of each fiscal year

Interfund Transfers

In connection with the Contribution agreement with ACOA, the Organization submits a request to ACOA for approval of the transfer of funds previously externally restricted by ACOA for the activities in the Investment Fund to be spent on Operating Fund activities. This request is submitted by November annually and ACOA approves an amount when renewing the Contribution agreement for the subsequent year.

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION**Notes to the Financial Statements****Year Ended March 31, 2022**

11. Economic dependance

The Organization receives an annual operating contribution from ACOA to cover a portion of the operating expenses of the Operating fund.

12. Long-term debt - COVID-19 relief loans

	2022	2021
Atlantic Association of CBDC's term loan, non-interest bearing. Repayable in monthly instalments equal to the principal repayments received from RRRF loanees.	\$ 15,703	\$ 25,000
Provision for estimated forgiveness	(6,250)	(6,250)
Provision for forgiveness due to uncollectible accounts	(785)	(1,000)
	<u>\$ 8,668</u>	<u>\$ 17,750</u>

The RRRF debt from the Atlantic Association of CBDC's is reported net of estimated loan forgiveness of \$6,250 which is equal to the estimated loan forgiveness granted to recipients of these loans. Given that the principal repayments are contingent upon repayments received on the corresponding RRRF loans, no current portion has been recorded as the amount is not determinable.

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION**Notes to the Financial Statements****Year Ended March 31, 2022**

13. Financial instruments

The types of risk inherent in the Organization's environment in which it operates include credit, liquidity, and market rate risk:

Credit risk

Credit risk is the risk that the Organization will incur a loss because the receivables are not recovered. The Organization's financial instruments that are exposed to credit risk include receivables and loans.

The maximum credit risk exposure at March 31, 2022 is equal to the carrying value of the receivables and loans as at the balance sheet date.

Concentrations of credit risk

Concentrations of credit risk exist if a number of borrowers are engaged in similar economic activities or are located in the same geographic region and indicate the relative sensitivity of the CBDC's performance to developments affecting a particular segment of borrowers or geographic region. Geographic credit risk exists for the CBDC due to most of its activities being primarily provided in the Coast of Bays Region of Newfoundland and Labrador.

The exposure to credit risk associated with the non-performance of these borrowers can be directly impacted by a decline in economic conditions which would impair CBDC client's ability to satisfy their obligations to the CBDC. In order to reduce this economic risk, the CBDC has comprehensive credit procedures in place whereby analyses are performed to control the granting of credit to all borrowers. Additionally, CBDC is a member of a Risk Mitigation Fund whereby they will be entitled to receive up to 35% of specified loans losses.

Liquidity risk

Liquidity risk is the risk that the Organization may not have cash available to satisfy financial liabilities as they come due. To mitigate this risk, the Organization is internally monitoring this level of liquidity on a regular basis.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument, that is short-term investments, will fluctuate because of changes in market prices. For purposes of this disclosure, the Organization segregates market risk into two categories: fair value risk and interest rate risk. The Organization is exposed to interest rate risk.

Interest rate risk is the potential for loss arising from changes in interest rates. Financial instruments that potentially subject the Organization to interest rate risk are loans and long-term debt. The Organization does not hedge interest rate risk.

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION

Schedule 1 Allowance for Loan Impairment

March 31, 2022

	<u>2022</u> Category A	<u>2022</u> Category B	<u>2022</u> Category C	<u>2022</u> Category D	<u>2022</u> Total
<u>Investment Fund</u>	\$ 1,237,219	\$ 25,425	\$ 323,621	\$ -	\$ 1,586,265
<u>RRRF Fund, net of provision for forgiveable loans</u>	9,453				9,453
<u>FRAM Fund</u>	1,225,924	-	20,352	-	1,246,276
	<u>\$ 2,472,596</u>	<u>\$ 25,425</u>	<u>\$ 343,973</u>	<u>\$ -</u>	<u>\$ 2,841,994</u>
Allowance for loan impairment					
Investment Fund	\$ 61,862	\$ 6,356	\$ 186,143		\$ 254,361
RRRF Fund	785				785
FRAM Fund	61,301	-	10,116	-	71,417
	<u>\$ 123,948</u>	<u>\$ 6,356</u>	<u>\$ 196,259</u>	<u>\$ -</u>	<u>\$ 326,563</u>
Allowance Percentage					11.5%
	<u>2021</u> Category A	<u>2021</u> Category B	<u>2021</u> Category C	<u>2021</u> Category D	<u>2021</u> Total
<u>Investment Fund</u>	\$ 1,391,166	\$ 116,960	\$ 309,478	\$ -	\$ 1,817,604
<u>RRRF Fund, net of provision for forgiveable loans</u>	13,750				13,750
<u>FRAM Fund</u>	1,170,583	-	25,663	-	1,196,246
	<u>\$ 2,575,499</u>	<u>\$ 116,960</u>	<u>\$ 335,141</u>	<u>\$ -</u>	<u>\$ 3,027,600</u>
Allowance for loan impairment					
Investment Fund	\$ 69,558	\$ 29,240	\$ 154,739	\$ -	\$ 253,537
RRRF Fund	1,000				1,000
Youth Fund	58,529	-	12,832		71,361
	<u>\$ 129,087</u>	<u>\$ 29,240</u>	<u>\$ 167,571</u>	<u>\$ -</u>	<u>\$ 325,898</u>
Allowance Percentage					10.8%

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION**Schedule 2 Number of Loans Approved/Under Management**March 31, 2022

	#	2022	#	2021
Total number of investment loans approved	17	\$ 902,640	9	\$ 825,922
Total number of investment loans under management	53	\$ 2,832,541	57	\$ 3,013,850

Total Number of Investment Loans Approved:

The total number of Investment Fund loans (term and equity) approved between April 1 and March 31.

Newfoundland and Labrador: include FRAM-ED.

If a loan was approved and paid off within the period of April 1 to March 31, it is included in the total as it is based on the activity for the year.

If a new loan is approved for a new business activity and results in refinancing an existing CBDC loan, it is considered a new loan and can be counted as part of the CFoT model.

If a CBDC refinances a loan for the sole purpose of restructuring of an existing CBDC loan with no new loan advance to the client, it is not considered a new loan and cannot be counted as part of the CFoT model.

If a new loan is approved for the sole purpose of paying out another lender, the loan is not considered a new loan and cannot be counted as part of the CFoT model.

Excluded for the total are:

Community Development Fund (CDF) loans

Student in Business (SIB) loans (applicable in Nova Scotia)

Kick Start loans (applicable in Newfoundland and Labrador only).

Total Number of Active Investment Loans under Management:

In line with the definition above, the number of active loans (term and equity) managed by the CBDC portfolio as of March 31.

Newfoundland and Labrador: include FRAM-ED.

For use in the CFoT model, a loan is considered "active" when it meets the following criteria:

- A regular payment has been received (not NSF) within the fiscal year
- If the terms of the loan do not call for a regular payment within the fiscal year.

Excluded from the total are:

- Community Development Fund (CDF) loans
- Student in Business (SIB) loans (applicable in Nova Scotia)
- Kick Start loans (applicable in Newfoundland and Labrador only)
- Loans that were recommended for write-off or written off within the fiscal year
- Loans paid off prior to March 31

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION**Schedule 3 Revenue and Expenses - SEB project****March 31, 2022**

	<u>2022</u>	<u>2021</u>
Revenues		
Self-employment benefit program	<u>55,544</u>	<u>55,824</u>
Expenses		
Advertising	440	624
Rent	7,200	7,200
Wages and benefits	<u>48,000</u>	<u>48,000</u>
Total Expenses	<u>55,640</u>	<u>55,824</u>
Excess (deficiency) of revenue over expenses	<u>- 96</u>	<u>-</u>