SOUTH COAST
COMMUNITY DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
AS AT MARCH 31, 2021

Blair J. Jewer
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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, 2021, 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, 2021, 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.

Blair J. Jewer

Grand Falls-Windsor, NL
July 14, 2021

Chartered Professional Accountant
Chartered Accountant

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021

		Operating Fund	Investment Fund	FRAM Fund	2021	2020
Assets						
Current Assets						
Cash (see Note 4)		$ 92,508	$ 786,057	$ 850,902	$ 1,729,467	$ 1,528,269
Accounts Receivable	Harmonized Sales Tax	$ 5,493	$ 0	$ 0	$ 5,493	$ 6,229
	Other	$ 5,096	$ 0	$ 0	$ 5,096	$ 3,760
	Loan interest	$ 0	$ 34,152	$ 80,746	$ 114,898	$ 114,897
Sub-total Current Assets		**$ 103,097**	**$ 820,209**	**$ 931,648**	**$ 1,854,954**	**$ 1,653,155**
Investments	Loans & equity investments (see note 5)	$ 0	$ 1,576,817	$ 1,124,885	$ 2,701,702	$ 2,617,953
	ACCBIF (see Note 6)	$ 0	$ 537,500	$ 500,000	$ 1,037,500	$ 1,037,500
Sub-total Long Term Assets		**$ 0**	**$ 2,114,317**	**$ 1,624,885**	**$ 3,739,202**	**$ 3,655,453**
Tangible Capital Assets (see Note 7)		$ 20,449	$ 0	$ 0	$ 20,449	$ 6,974
Total Assets		**$ 123,546**	**$ 2,934,526**	**$ 2,556,533**	**$ 5,614,605**	**$ 5,315,582**
Liabilities						
Current Liabilities						
Trade		$ 4,115	$ 0	$ 0	$ 4,115	$ 6,970
Long Term Liabilities						
AACBDC repayable contribution RRRF (see Note 12)		$ 0	$ 17,750	$ 0	$ 17,750	$ 0
Total Liabilities		**$ 4,115**	**$ 17,750**	**$ 0**	**$ 21,865**	**$ 6,970**
Net Assets	Invested in Capital Assets	$ 20,449	$ 0	$ 0	$ 20,449	$ 6,974
	Externally Restricted (see Note 9)	$ 0	$ 2,916,776	$ 2,556,533	$ 5,473,309	$ 5,231,278
	Unrestricted	$ 98,982	$ 0	$ 0	$ 98,982	$ 70,360
Fund Balances		$ 119,431	$ 2,916,776	$ 2,556,533	$ 5,592,740	$ 5,308,612
		$ 123,546	**$ 2,934,526**	**$ 2,556,533**	**$ 5,614,605**	**$ 5,315,582**

Signed on behalf of the Board

Chairperson

Treasurer

See accompanying notes to the financial statements

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2021

	Operating Fund	Investment Fund	FRAM Fund	2021	2020
Revenues					
ACOA Contribution-Community Futures	$ 187,035	$ 0	$ 0	$ 187,035	$ 188,013
Atlantic Association CBDCs RRRF Administration					
RRRF Administration revenue	$ 42,500	$ 0	$ 0	$ 42,500	$ 0
RRRF Loan administration fees	$ 2,000	$ 0	$ 0	$ 2,000	$ 0
Interest relief reimbursement	$ 0	$ 34,487	$ 29,224	$ 63,711	$ 0
RRRF loan forgiveness offset	$ 0	$ 6,250	$ 0	$ 6,250	$ 0
RRRF loan loss provision offset	$ 0	$ 1,000	$ 0	$ 1,000	$ 0
Investment income-loan portfolio	$ 0	$ 53,163	$ 55,294	$ 108,457	$ 212,473
Investment income-other interest	$ 0	$ 17,334	$ 16,757	$ 34,091	$ 53,934
Self Employment Assistance Program	$ 55,824	$ 0	$ 0	$ 55,824	$ 55,728
Recovery of accounts written off	$ 0	$ 0	$ 0	$ 0	$ 17,623
Fees for service	$ 11,365	$ 0	$ 0	$ 11,365	$ 19,212
Administration fees - Business Valuation Program	$ 600	$ 0	$ 0	$ 600	$ 0
Recoveries Entrepreneur Training Fund	$ 0	$ 0	$ 0	$ 0	$ 1,618
Revoveries Business Valuation Program	$ 7,500	$ 0	$ 0	$ 7,500	$ 0
Recoveries CAS	$ 0	$ 0	$ 0	$ 0	$ 4,500
Total Revenues	**$ 306,824**	**$ 112,234**	**$ 101,275**	**$ 520,333**	**$ 553,101**
Expenses					
Advertising	$ 6,586	$ 0	$ 0	$ 6,586	$ 3,360
Amortization	$ 6,285	$ 0	$ 0	$ 6,285	$ 1,743
Bank charges	$ 48	$ 640	$ 0	$ 688	$ 1,322
Insurance	$ 3,349	$ 0	$ 0	$ 3,349	$ 3,035
Loan loss provision	$ 0	$ (65,704)	$ (13,053)	$ (78,757)	$ 211,574
Loan loss provision RRRF loans	$ 0	$ 1,000	$ 0	$ 1,000	$ 0
Provision for forgivable RRRF loans	$ 0	$ 6,250	$ 0	$ 6,250	$ 0
Memberships, dues, fees	$ 2,997	$ 0	$ 0	$ 2,997	$ 2,459
Office supplies, equipment leases, service fees	$ 17,096	$ 0	$ 0	$ 17,096	$ 16,800
Professional fees	$ 5,160	$ 0	$ 0	$ 5,160	$ 9,740
Rent	$ 29,444	$ 0	$ 0	$ 29,444	$ 29,444
Salaries, wages, and employee benefits	$ 217,403	$ 0	$ 0	$ 217,403	$ 201,949
Telecommunications	$ 6,623	$ 0	$ 0	$ 6,623	$ 7,300
Meetings and seminars	$ 1,958	$ 0	$ 0	$ 1,958	$ 31,113
Board travel	$ 2,623	$ 0	$ 0	$ 2,623	$ 6,014
Staff travel	$ 0	$ 0	$ 0	$ 0	$ 0
Vehicle insurance reimbursement	$ 0	$ 0	$ 0	$ 0	$ 187
Entrepreneur Training Fund costs	$ 0	$ 0	$ 0	$ 0	$ 1,618
Business Valuation Program costs	$ 7,500	$ 0	$ 0	$ 7,500	$ 0
CAS Program costs	$ 0	$ 0	$ 0	$ 0	$ 4,500
Total Expenses	**$ 307,072**	**$ (57,814)**	**$ (13,053)**	**$ 236,205**	**$ 532,158**
Excess of Revenue over Expenses	**$ (248)**	**$ 170,048**	**$ 114,328**	**$ 284,128**	**$ 20,943**
Net Assets-Beginning of year	$ 77,334	$ 2,789,073	$ 2,442,205	$ 5,308,612	$ 5,287,669
Excess of Revenue over Expenses	$ (248)	$ 170,048	$ 114,328	$ 284,128	$ 20,943
Transfer	$ 42,345	$ (42,345)	$ 0	$ 0	$ 0
Fund Balances-end of year	**$ 119,431**	**$ 2,916,776**	**$ 2,556,533**	**$ 5,592,740**	**$ 5,308,612**

See accompanying notes to the financial statements

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

	Operating Fund	Investment Fund	FRAM Fund	2021	2020
Operating Activities:					
Excess of revenue over expenses (Excess of expenses over revenue)	$ (248)	$ 170,048	$ 114,328	$ 284,128	$ 20,943
Items which do not involve cash:					
Amortization	$ 6,285	$ 0	$ 0	$ 6,285	$ 1,743
Rounding	$ 0	$ (1)	$ 0	$ (1)	$ 1,743
Loan loss provision	$ 0	$ (65,704)	$ (13,053)	$ (78,757)	$ 211,574
	$ 6,037	$ 104,343	$ 101,275	$ 211,655	$ 236,003
Changes in non-cash working capital:					
Receivable Atlantic Canada Opportunites Agency	$ 3,760	$ 0	$ 0	$ 3,760	$ (3,760)
Receivable Self Employment Assistance Program	$ (5,096)	$ 0	$ 0	$ (5,096)	$ 2,287
Other receivables	$ 0	$ 0	$ 0	$ 0	$ 0
Harmonized Sales Tax receivable	$ 736	$ 0	$ 0	$ 736	$ (1,496)
Accrued interest on loans	$ 0	$ 0	$ 0	$ 0	$ (3,190)
Prepaid expenses	$ 0	$ 0	$ 0	$ 0	$ 0
Payables & accrued liabilities	$ (2,855)	$ 0	$ 0	$ (2,855)	$ 2,292
Cash provided by (used in) operating activities	$ (3,455)	$ 0	$ 0	$ (3,455)	$ (3,867)
Investing Activities:					
Purchase of capital assets (net)	$ (19,760)	$ 0	$ 0	$ (19,760)	$ 0
Purchase of ACCBIF Notes	$ 0	$ 0	$ 0	$ 0	$ 0
Loans to clients	$ 0	$ (453,388)	$ (199,826)	$ (653,214)	$ (623,031)
Repayments from clients	$ 0	$ 235,307	$ 405,665	$ 640,972	$ 773,349
Cash provided by (used in) investing activities	$ (19,760)	$ (218,081)	$ 205,839	$ (32,002)	$ 150,318
Financing activities:					
AACBDC repayable contribution RRRF	$ 0	$ 25,000	$ 0	$ 25,000	$ 0
Inter-fund transfer	$ 42,345	$ (42,345)	$ 0	$ 0	$ 0
Cash provided by (used in) financing activities	$ 42,345	$ (17,345)	$ 0	$ 25,000	$ 0
Increase (decrease) in cash and cash equivalents	$ 25,167	$ (131,083)	$ 307,114	$ 201,198	$ 380,711
Cash and cash equivalents-Beginning of year	$ 67,341	$ 917,140	$ 543,788	$ 1,528,269	$ 1,147,558
Cash and cash equivalents-End of year	**$ 92,508**	**$ 786,057**	**$ 850,902**	**$ 1,729,467**	**$ 1,528,269**

Cash resources are comprised of cash in bank and short-term investments

See accompanying notes to the financial statements

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2021

1) Purpose of the organization

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 Generally Accepted Accounting Principles (GAAP)

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 2020-21 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) Significant accounting policies

The finacial statements have been prepared in accordance with Canadian generally accepted accounting standards for not for profit organizations. A summary of the signifincant accounting policies is described below.

a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Corporation makes such estimates and assumptions in valuing its loan portfolio to establish a provision for doubtful accounts.

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2021

b) Fund Accounting

South Coast Community Development Corporation follows the restricted fund method of accounting for contributions. The externally imposed restrictions are described in Note 9.

The Operating Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and operating contributions. Expenses of the Operating fund are limited to those agreed upon in the contribution agreement between ACOA, or other funding partners and South Coast Community Development Corporation.

The Investment Fund reports all restricted resources of the Investment Fund and the investment income resulting from investing activities employing the fund.

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

c) Depreciation

Depreciation is provided on equipment at the rate of 20% per annum using the declining balance basis.

d) Allowance for Doubtful Loans

Provision for doubtful loans and collection costs related thereto are reported in the Investment Fund and the FRAM Fund. Management reviews its loan portfolio at least annually to assess the future likihood of each loan being collected in full. When collection in full is not anticipated an allowance is established to effectively reduce the carrying amount of each loan to the estimated present value of future cash flows including proceeds from the disposal of underlying security to the loan, net of expected costs of realizations.

The change in the allowance from year to year is reflected annually in the statement of operations for the Investment Fund and the FRAM Fund.

e) Revenue recognition

Revenue is recognized using the restricted fund basis of accounting. Specific policies for various transaction streams are identified below.

Interest income from mortgaged loans is recognized on an accrual basis.

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

Revenue from government grants is recognized on an accrual basis as qualifying expenses are incurred.

Revenue from all other sources is recognized on a cash basis.

f) Cash

Components of cash are documented in Note 4. Cash excludes, restricted cash for special purposes.

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2021

4. Cash

		2021	2020
General Fund	Cash	$ **92,508**	$ 67,341
Investment Fund			
	Cash	$ **786,057**	$ 917,140
	Cash-FRAM Fund	$ **850,902**	$ 543,788
	Subtotal	$ **1,636,959**	$ 1,460,928
	Grand Total-Cash	$ **1,729,467**	$ 1,528,269

5. Investments-Loans and equity investments

	Investment	FRAM	RRRF	2021 Total	2020 Total
Loans to Business	$ **1,817,604**	$ **1,196,246**	$ **20,000**	$ **3,033,850**	$ **3,048,759**
Less allowancwe for forgivable loans	$ **0**	$ **0**	$ **6,250**	$ **6,250**	$ **0**
Less allowance for doubtful accounts	$ **253,537**	$ **71,361**	$ **1,000**	$ **325,898**	$ **430,806**
	$ **1,564,067**	$ **1,124,885**	$ **12,750**	$ **2,701,702**	$ **2,617,953**

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2021

5. Investments-Loans and equity investments (Continued)
The loans and mortgages & equity receivable balance is comprised of :

	Investment	FRAM	RRRF	Total 2021	Total 2020
Balance, beginning of year	$ 1,619,523	$ 1,429,236	$ 0	$ 3,048,759	$ 3,199,077
Loans advanced during the year	$ 428,388	$ 199,826	$ 25,000	$ 653,214	$ 623,031
Loans repaid during the year	$ (230,307)	$ (405,665)	$ (5,000)	$ (640,972)	$ (773,349)
Recovery of loans written-off	$ 0	$ 0	$ 0	$ 0	$ 0
Loans written-off during the year	$ 0	$ (27,151)	$ 0	$ (27,151)	$ 0
Balance, Principal	$ 1,817,604	$ 1,196,246	$ 20,000	$ 3,033,850	$ 3,048,759
Allowance for loans to be forgiven	$ 0	$ 0	$ (6,250)	$ (6,250)	$ 0
Allowance for doubtful accounts	$ (253,537)	$ (71,361)	$ (1,000)	$ (325,898)	$ (430,806)
Balance, end of year	$ 1,564,067	$ 1,124,885	$ 12,750	$ 2,701,702	$ 2,617,953

The activity in the Allowance for Doubful Loans account is as follows:

Balance, beginning of year	$ 319,242	$ 111,564	$ 0	$ 430,806	$ 219,231
Loans written off during the year	$ 0	$ (27,151)	$ 0	$ (27,151)	$ 0
Accrued interest wriiten off during the year	$ 0	$ 0	$ 0	$ 0	$ 0
Rounding	$ (1)	$ 1	$ 0	$ 0	$ 0
Current year's loan loss provision	$ (65,704)	$ (13,053)	$ 1,000	$ (77,757)	$ 211,575
Balance, end of year	$ 253,537	$ 71,361	$ 1,000	$ 325,898	$ 430,806

Total number of loans approved	9	16
Total number of loans under active management	57	63

The number of loans approved and under active management excludes RRRF loans. The number of loans approved and under active management is used by the funding agency ACOA to determine annual funding levels. RRRF loans are not considered by ACOA in this process.

6. Investments-ACCBIF

Promissory notes due after March 2018, from Atlantic Community Business Investment Fund (ACCBIF).

		2021	2019
Due 2022	0.95%-1.40%	$1,000,000	$1,000,000
		$1,000,000	$1,000,000
Long term subscription fee, non-interest bearing, no set terms of repayment		$37,500	$37,500
		$1,037,500	$1,037,500

7. Tangible Capital Assets

	Cost	Accumulated Amortization	Net 2021	Net 2020
Furniture & Equipment	$ 121,769	$ 101,320	$ 20,449	$ 6,974

8. AACBDC Reserve Funds

The Atlantic Association of Community Business Development Corporations (AACBDC) has established a number of special reserve funds to protect against loan losses of the membership. The South Coast Community Development Corporation has entered into agreements to avail of this protection.

Risk Mitigation Fund
As part of its credit risk reduction procedures, the Corporation participates in ACCBIF Risk Mitigation Fund for qualifying loans. The program provides for a reimbursement of written off qualifying loans, to a maximum of 35% of the net loss amount of the principal.

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2021

9. Externally restricted funds

Funds advanced to the CBDC in respect of its Eligible Costs and the CBDCs Investment Fund capitalization costs shall be deposited and maintained in two separate accounts.

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 Atlantic Canada Opportunities Agency (ACOA). This includes funds lent to 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.

10. Economic Dependance

South Coast Community Development Corporation receives an annual operating contribution from ACOA to cover a portion of the operating expenses of the Operating Fund. The continued operation of the organization currently depends on the receipt of the annual operation contribution.

11. Financial Instruments

The company's financial instruments consist of cash, receivables, investments, and short term liabilities. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair market value of these financial instruments approximates their carrying value.

INTERST RATE RISK

The portfolio of mortgaged loans bear fixed interst rates. The corporation is exposed to interest rate risk on these loans if rates in the general economy begin to rise.

11. Financial Instruments (Continued)

CREDIT RISK

The Corporation's exposure to credit risk is on an individual loan basis however all loans are concentrated in one geographic area, with a major concentration in the fishing industry. The maximum estimated credit risk exposure is measured in the financial statements as the provision for doubtful accounts.

12. AACBDC RE: RRRF Program

The organization received funds from the Atlantic Association of CBDCs (AACBDC) in connection with the RRRF program. The funds received are non-interest bearing and are repayable to AACBDC as funds are collected from clients. In addition the terms of the loans to clients provide for forgiveness of certain amounts if specific conditions are met. If clients do not repay loans, the amount due to AACBDC will be reduced by the non-collectible amount. At March 31, 2021 the corporation has estimated the amount that will eventually be forgiven to clients and the amounts uncollectible.

	2021	2020
Loans outstanding	$ 25,000	$ -
Less: Provision for estimated forgiveness	$ 6,250	$ -
Less: Provision for forgiveness due to uncollectible accounts	$ 1,000	$ -
	$ 17,750	$ -

13. COVID-19

The ongoing COVID-19 pandemic has had, and is expected to continue to have, a significant adverse effect on businesses to which the organization has issued loans, the duration of which cannot be predicted with any degree of accuracy. The organization's revenue is substantially dependent on interest revenue on its loan portfolio.

The demand for new loans from the Corporation has declined significantly. The negative impact on the Corporation's operational and financial performance will depend on future deveolpments including the duration, spread and severity of COVID-19 and its impact on the local economy, the nature and availabiltiy of government assistance, and various measures implemented by the Corporation to reduce expenses.

SOUTH COAST COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF ALLOWANCE FOR LOAN IMPAIRMENT
AS AT MARCH 31, 2021

	2021 Category A	2021 Category B	2021 Category C	2021 Category D	2021 Total
Investment	$ 1,391,166	$ 116,960	$ 309,478	$ 0	$ 1,817,604
FRAM	$ 1,170,583	$ 0	$ 25,663	$ 0	$ 1,196,246
RRRF	$ 20,000	$ 0	$ 0	$ 0	$ 20,000
	$ 2,581,749	$ 116,960	$ 335,141	$ 0	$ 3,033,850
Allowance for loan impairment					
Investment	$ 69,558	$ 29,240	$ 154,739	$ 0	$ 253,537
FRAM	$ 58,529	$ 0	$ 12,832	$ 0	$ 71,361
RRRF	$ 1,000	$ 0	$ 0	$ 0	$ 1,000
	$ 129,087	$ 29,240	$ 167,571	$ 0	$ 325,898
Allowance Percentage					10.7%

	2020 Category A	2020 Category B	2020 Category C	2020 Category D	2020 Total
Investment	$ 1,145,393	$ 160,331	$ 210,981	$ 102,818	$ 1,619,523
FRAM	$ 1,372,952	$ 0	$ 56,284	$ 0	$ 1,429,236
	$ 2,518,345	$ 160,331	$ 267,265	$ 102,818	$ 3,048,759
Allowance for loan impairment					
Investment	$ 57,150	$ 48,509	$ 110,765	$ 102,818	$ 319,242
FRAM	$ 68,647	$ 0	$ 42,917	$ 0	$ 111,564
	$ 125,797	$ 48,509	$ 153,682	$ 102,818	$ 430,806
Allowance Percentage					14.1%