Community Credit Union of Colchester Limited
Financial Statements
December 31, 2021

Contents

To the Members of Community Credit Union of Colchester Limited:

Opinion

We have audited the financial statements of Community Credit Union of Colchester Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income, members' equity, and cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements for the year ended December 31, 2020 were audited by another firm of public accountants who expressed an unmodified opinion on those statements on April 13, 2021.

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 International Financial Reporting Standards, 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 Credit Union’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 Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union’s financial reporting process.

200 - 100 VENTURE RUN, DARTMOUTH NS, B3B 0H9
1 (800) 495-5909 T: (902) 835-7333 F: (902) 835-5297 MNP.ca

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Dartmouth, Nova Scotia

MNP LLP

March 17, 2022

Chartered Professional Accountants

Community Credit Union of Colchester Limited
Statement of Financial Position
As at December 31, 2021

	2021	*2020*
Assets		
Cash resources *(Note 5)*	**12,596,151**	19,449,467
Members' loans *(Note 6)*	**129,392,314**	99,680,184
Income taxes receivable	**-**	2,847
Other assets	**210,259**	324,888
Investments *(Note 7)*	**4,932,803**	3,942,830
Property and equipment *(Note 8)*	**3,160,176**	3,097,369
Right-of-use assets *(Note 8)*	**349,483**	261,332
Intangible asset *(Note 10)*	**-**	350,854
Deferred taxes *(Note 12)*	**164,500**	54,000
	150,805,686	127,163,771
Liabilities		
Member deposits *(Note 11)*	**142,887,392**	120,668,228
Payables and accruals	**293,660**	249,746
Income taxes payable	**230,146**	-
Lease liabilities *(Note 9)*	**491,356**	429,371
Members' shares *(Note 13)*	**146,979**	31,656
	144,049,533	121,379,001
Commitments *(Note 15)*		
Members' Equity		
Surplus shares *(Note 14)*	**1,094,734**	1,102,520
Retained earnings	**5,661,419**	4,682,250
	6,756,153	5,784,770
	150,805,686	127,163,771

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

Community Credit Union of Colchester Limited
Statement of Comprehensive Income
For the year ended December 31, 2021

	2021	*2020*
Income		
Loan interest	**4,382,391**	3,488,437
Investment income	**128,721**	327,735
	4,511,112	3,816,172
Interest and loan related expenses		
Interest on member deposits *(Note 11)*	**500,676**	703,379
Interest on lease liabilities	**24,723**	41,884
Patronage dividend to members	**37,178**	22,381
Provision for loan impairment losses *(Note 6), (Note 20)*	**62,622**	62,583
	625,199	830,227
Financial margin	**3,885,913**	2,985,945
Other income *(Note 18)*	**1,544,156**	1,214,592
Income before operating expenses	**5,430,069**	4,200,537
Operating expenses		
Salaries and benefits	**1,880,035**	1,620,784
Administrative expenses *(Schedule 1)*	**1,699,578**	1,732,496
Occupancy *(Schedule 2)*	**275,663**	283,097
CUDIC assessment	**175,193**	147,457
Depreciation of property and equipment *(Note 8)*	**311,514**	334,956
Amortization of intangible assets *(Note 10)*	**-**	69,171
Gain on modifications of leases	**-**	(97,206)
Gain on disposal of intangible asset	**(16,834)**	-
	4,325,149	4,090,755
Income before other items and provision for income taxes	**1,104,920**	109,782
Impairment loss on other assets	**-**	(62,378)
Income before provision for income taxes	**1,104,920**	47,404
Provision for income taxes *(Note 12)*		
Current	**230,251**	6,000
Deferred (recovery)	**(104,500)**	218
	125,751	6,218
Net comprehensive income	**979,169**	41,186

The accompanying notes are an integral part of these financial statements

Community Credit Union of Colchester Limited
Statement of Changes in Members' Equity
For the year ended December 31, 2021

	Surplus shares	*Retained earnings*	*Total equity*
Balance January 1, 2020	**716,835**	**4,651,759**	**5,368,594**
Net comprehensive income for the year	**-**	**41,186**	**41,186**
Surplus shares issued	**415,255**	**-**	**415,255**
Surplus shares redeemed	**(29,570)**	**-**	**(29,570)**
Dividends	**-**	**(10,695)**	**(10,695)**
Balance December 31, 2020	**1,102,520**	**4,682,250**	**5,784,770**
Net comprehensive income for the year	**-**	**979,169**	**979,169**
Surplus shares issued	**31,484**	**-**	**31,484**
Surplus shares redeemed	**(39,270)**	**-**	**(39,270)**
Balance December 31, 2021	**1,094,734**	**5,661,419**	**6,756,153**

Community Credit Union of Colchester Limited
Statement of Cash Flows
For the year ended December 31, 2021

	2021	*2020*
Cash provided by (used for) the following activities		
Operating activities		
Net comprehensive income	**979,169**	41,186
Depreciation of property and equipment	**311,514**	335,095
Amortization of intangible assets	**-**	69,171
Loss on sale of foreclosed property	**-**	62,378
Gain on modifications of lease	**-**	(97,206)
Interest on lease liabilties	**24,723**	41,884
Provision for loan impairment losses	**62,622**	62,583
Provision for foreclosed properties	**-**	(132,807)
Deferred taxes	**(110,500)**	6,000
Gain on disposal of intangible asset	**(16,834)**	-
	1,250,694	388,284
Changes in working capital accounts		
Income taxes payable (receivable)	**232,993**	(2,847)
Other assets	**114,629**	(49,223)
Payables and accruals	**29,115**	348,888
Patronage interest payable	**14,797**	22,381
Accrued interest payable	**(86,833)**	45,726
Accrued interest receivable	**(40,293)**	(12,265)
	1,515,102	740,944
Financing activities		
Net change in members' deposits	**22,305,997**	23,392,164
Payments for lease liabilities	**(107,786)**	(92,486)
Net increase in membership shares	**107,537**	386,553
	22,305,748	23,686,231
Investing activities		
Net decrease in other assets - concentra mortgage pool receivable	**-**	1,110,202
Net increase in bank indebtedness	**-**	(310,064)
Net increase in investments	**(622,285)**	(2,113,347)
Net increase in members' loans	**(29,734,459)**	(15,356,409)
Proceeds on sale of foreclosed properties	**-**	70,425
Purchases of property and equipment	**(317,422)**	(451,480)
	(30,674,166)	(17,050,673)
(Decrease) increase in cash resources	**(6,853,316)**	7,376,502
Cash resources, beginning of year	**19,449,467**	12,072,965
Cash resources, end of year	**12,596,151**	19,449,467

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Community Credit Union of Colchester Limited (the “Credit Union”) was formed pursuant to the Credit Union Act of Nova Scotia (“the Act”) and operates three Credit Union branches. The address of the Credit Union’s registered office is 347 Willow Street, Truro, Nova Scotia.

The Credit Union operates as one segment principally in personal and commercial banking in Truro, Nova Scotia. Operating branches are similar in terms of products and services provided, methods used to distribute products and services, types of members and the nature of the regulatory environment.

The Credit Union conducts its principal operations through various branches, offering products and services including deposit business, individual lending, and independent business and commercial lending. The deposit business provides a wide range of deposit and investment products and sundry financial services to all members. The lending business provides a variety of credit products and services designed specifically for each particular group of borrowers. Other business comprises business of a corporate nature such as real estate and insurance, investment, risk management, asset liability management, treasury operations and revenue and expenses not expressly attributed to the business units.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

The financial statements were approved by the board of directors and authorized for issue on DATE.

2. Change in accounting policies

Standards and Interpretations effective in the current period

The Credit Union adopted amendments to the following standards, effective January 1, 2021. Adoption of these amendments had no effect on the Credit Union’s financial statements.

- IFRS 7 *Financial Instruments: Disclosure*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and IAS 39 *Financial Instruments: Recognition and Measurement (Amendments)*

3. Basis of preparation

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments. The significant accounting policies are set out in Note 4.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Credit Union’s functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The COVID-19 pandemic has continued to evolve and the economic environment in which the Credit Union operates continues to be subject to sustained uncertainty, which could continue to negatively impact the Credit Union's financial

3. Basis of preparation *(Continued from previous page)*

results. The overall impact of the pandemic continues to be uncertain and is dependent on actions taken by Canadian governments, businesses and individuals to limit spread of COVID-19, as well as government economic response and support efforts. While the Canadian economic recovery has continued, momentum has been volatile amid ongoing uncertainty regarding the extent and duration of the impacts of the COVID-19 pandemic. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Credit Union's results is highly uncertain and difficult to predict at this time. Accordingly, the current environment requires particularly complex judgments and estimates in certain areas, which have a higher level of uncertainty with respect to management's judgments and estimates. The Credit Union continues to closely monitor the changing conditions and their impact.

The Credit Union has detailed policies and internal controls that are intended to ensure that these judgments and estimates are well controlled and independently reviewed, and that policies are consistently applied from period to period and as a result, the Credit Union believes that the estimates of the value of assets and liabilities are appropriate as of December 31, 2021.

The estimate most impacted by the pandemic is the measurement of the allowance for expected credit losses. Information on significant judgments impacted by the COVID-19 pandemic that have the most significant effect on the amounts recognized in the financial statements is described in Note 20.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union’s financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to retail members does not result in payments that are not solely payments of principal and interest because they represent reasonable additional compensation for early termination of the contract.

Key assumptions in determining the allowance for expected credit losses

At each reporting period, financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrowers’ ability to meet debt obligations:

- Expected significant increase in unemployment rates and interest rates
- Declining revenues, working capital deficiencies, increases in balance sheet leverage and liquidity.
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the Credit Union develops a number of assumptions as follows:

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money

3. Basis of preparation *(Continued from previous page)*

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Loan to value ratios
- Consumer Price Index
- Bankruptcy rates
- Insolvency rates
- Inflation

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Credit Union uses judgment to weight these scenarios.

Fair value of unquoted equity instruments

The Credit Union has assessed that the fair value of unquoted equity instruments, Atlantic Central shares, League Data Limited shares, CU Financial Management Limited and Concentra Bank (operating as Wyth Financial) shares approximates it cost based on the terms that the equity investments can not be transferred, the shares can not be sold and new shares are issued at par value of all currently held shares.

Impairment of non-financial assets

At each reporting date, the Credit Union assesses whether there are any indicators of impairment for non-financial assets. Non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. By their nature these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material.

Other

Other financial statement items that use estimates include the estimated useful lives of property and equipment, intangible assets, and certain accrued liabilities.

Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The initial assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that it is within the control of the lessee.

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

4. Summary of significant accounting policies *(Continued from previous page)*

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Financial instruments

Financial assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Credit Union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Debt instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of deposits with Atlantic Central classified as cash resources, investments and members' loans.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss include cash resources other than those identified above.
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss. The Credit Union does not hold any financial assets designated to be measured at fair value through profit and loss.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. Equity instruments measured at fair value through profit and loss are disclosed in Note 7.

4. Summary of significant accounting policies *(Continued from previous page)*

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union’s claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Credit Union reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments, as well as lease receivables, contract assets, and any financial guarantee contracts and loan commitments not measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Credit Union commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Credit Union’s accounting policies for impairment of financial assets.

For members' loans the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period ("Stage 1"), unless there has been a significant increase in credit risk since initial recognition ("Stage 2"). For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets’ contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date ("Stage 3"). Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants, and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;
- For loan commitments and financial guarantee contracts, as a provision; and
- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision.

Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 20 for additional information about the Credit Union’s credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

4. Summary of significant accounting policies *(Continued from previous page)*

Derecognition of financial assets

The Credit Union applies its accounting policies for the derecognition of a financial asset to a part of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only a pro-rata share of specifically identified cash flows from a financial asset.

In all other situations the Credit Union applies its accounting policies for the derecognition of a financial asset to the entirety of a financial asset.

The Credit Union derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Credit Union either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Credit Union derecognizes the financial asset. At the same time, the Credit Union separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss.

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

Financial liabilities

Recognition and initial measurement

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Transaction costs of equity transactions are treated as a deduction from equity.

4. Summary of significant accounting policies *(Continued from previous page)*

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Interest, gains and losses relating relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Credit Union derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Dividend income

Dividend income is recorded in profit or loss when the Credit Union’s right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Credit Union, and the amount of the dividend can be measured reliably.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The ‘amortized cost’ of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The ‘gross carrying amount’ of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Offsetting

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Credit Union has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material

Collateral

The Credit Union recognizes the proceeds from the sale of any non-cash collateral that has been pledged to it and a liability measured at fair value for its obligation to return the collateral.

If a debtor defaults under the terms of its contract and is no longer entitled to the return of any collateral, the Credit Union recognizes the collateral as an asset initially measured at fair value or, if it has already sold the collateral, derecognizes its obligation to return the collateral.

Cash resources

Cash resources comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management system.

4. Summary of significant accounting policies *(Continued from previous page)*

Investments and accrued interest

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

Atlantic Central, League Data Limited, and Concentra Bank deposits and shares

Atlantic Central deposits are measured at amortized cost. Atlantic Central, League Data Limited, and Concentra Bank shares are measured at fair value, with adjustments to fair value recognized in profit or loss.

Members' loans

Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Members' loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

Members' loans are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the effective interest rate method for all loans.

Foreclosed assets

Foreclosed assets held for sale are initially recorded at the lower of cost and estimated net realizable value. Cost comprises the balance of the loan at the date on which the Credit Union obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received. Foreclosed assets held for sale are subsequently valued at the lower of their carrying amount and fair value less cost to sell. Foreclosed assets are recorded in members' loans.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated using the declining balance method over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition. The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Method	***Years***
Buildings	straight-line	20 - 40 years
Furniture and equipment	straight-line	3 - 5 years
Paving	straight-line	10 - 40 years
Right-of-use assets	straight-line	lease term
Leasehold improvements	straight-line	lease term

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Gains or losses on the disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in comprehensive income as other income or other operating costs, respectively.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over their estimated useful lives for intangible assets with definite useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Credit Union's intangible assets consist of a customer list that was acquired and is being amortized over its estimated useful life of ten years.

4. Summary of significant accounting policies *(Continued from previous page)*

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU’s, or otherwise they are allocated to the smallest group of CGU’s for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Members’ deposits

Members' savings and deposits are initially recognized at fair value, net of transaction costs directly attributable to the issuance of the instrument, and are subsequently measured at amortized cost using the effective interest rate method.

Income taxes

The Credit Union accounts for income taxes using the asset and liability method. Current tax and deferred tax are recognized in profit or loss except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination. Under this method, the provision for income taxes is based on the tax rate and tax laws that have been substantively enacted by the end of the reporting period.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been entacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. Summary of significant accounting policies *(Continued from previous page)*

Member shares

Shares are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union board of directors are classified as equity. Shares redeemable subject to regulatory restrictions are accounted for using the criteria set out in IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*.

Leases

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the member has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Credit Union measures right-of-use assets related to property and equipment and naming rights by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Credit Union has elected to not recognize right-of-use assets and lease liabilities for short-term leases of equipment where the term leases are leases with a term of twelve months or less or for low value leases where the underlying asset has a new value of $5,000 USD or less. The Credit Union recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee’s benefit.

4. Summary of significant accounting policies *(Continued from previous page)*

Revenue recognition

Service charge fees and commission

The Credit Union generates revenue from providing various financing and investing services to its members. Revenue is recognized as services are rendered.

The Credit Union does not have an enforceable right to payment until services are rendered and commission revenue is earned when the product is sold.

The amount of revenue recognized on these transactions is based on the price specified in the contract.

The Credit Union does not expect to have any contracts where the period between the transfer of the promised goods or services to a member and payment by the member exceeds one year. Consequently, the Credit Union does not adjust any of the transaction prices for the time value of money.

Revenue recognition for items outside the scope of IFRS 15 are included in the financial instruments accounting policy.

Employee benefits

The Credit Union's post employment benefit programs consist of a defined contribution plan.

Contributions to defined contribution plans are recognized as an expense when employees have rendered service to the Credit Union during the period, entitling them to the contributions. Pension benefits of $88,844 (2020 - $73,154) were paid to the defined contribution retirement plan during the year.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Credit Union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

Government assistance

The Credit Union recognizes government assistance when there is reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Credit Union recognizes government assistance as other income.

5. Cash resources

	2021	*2020*
Cash on hand - fair value through profit and loss	**1,186,229**	7,248,609
Demand and short-term deposits - amortized cost	**11,409,922**	12,200,858
	12,596,151	19,449,467

6. Members' loans

Principal by loan type:

	2021	2020
Personal loans	**13,606,844**	11,680,824
Residential mortgages	**80,148,834**	59,341,028
Commercial loans	**18,113,074**	17,630,500
Syndicated loans	**10,583,193**	6,914,723
Lines of credit	**7,047,583**	4,204,957
Accrued Interest	**167,672**	127,377
	129,667,200	99,899,409
Allowance for impaired loans	**(274,886)**	(219,225)
Total	**129,392,314**	99,680,184

Members' loans can have either variable or fixed rate of interest and they mature within 1 month to 5 years. The rates offered to members' are determined by the type of security offered, the members' credit worthiness, competition from other lenders and the current prime rate.

Commercial loans that are not subject to a government guarantee are all secured by collateral ranging from specific assets such as vehicles, investments, and property to a general security agreement or personal guarantee.

Syndicated loans consist of conventional commercial mortgages, loans and lines of credit maturing within five years and secured by commercial property. The Credit Union receives monthly amounts from the loan administrators which represent blended payments of principal and interest equal to its percentage interests in the loans, less an administration fee.

The following is an analysis of the continuity for the allowance of impaired loans:

	2021	2020
Balance, beginning of year	**219,225**	243,294
Provision for loan impairment losses	**62,622**	62,583
Less: accounts written off, net of recoveries	**6,961**	86,652
Balance, end of year	**274,886**	219,225

Allowance for impaired loans

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at December 31, 2021				
Gross carrying amount of members' loans	**127,609,628**	**1,239,269**	**650,631**	**129,499,528**
Loss allowance	**165,571**	**30,434**	**78,881**	**274,886**

	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2020				
Gross carrying amount of members' loans	98,768,885	110,037	893,110	99,772,032
Loss allowance	129,835	9,829	79,561	219,225

6. Members' loans *(Continued from previous page)*

The following is an analysis of loans in arrears based on the age of repayments outstanding:

	2021	*2020*
31 to 60 days	**963,479**	321,882
61 to 90 days	**238,802**	194,645
91 to 180 days	**552,998**	51,984
Over 180 days	**96,609**	96,396
	1,851,888	664,907

Maturity analysis:
Scheduled for repayment:

	2021	*2020*
Overdrafts and line of credit facilities	**7,047,583**	4,204,957
Not longer than 1 year	**33,080,145**	24,938,475
Longer than 1 and not longer than 3 years	**26,170,800**	24,555,100
Longer than 3 years	**63,201,000**	46,073,500
	129,499,528	99,772,032

7. Investments

	2021	*2020*
Investments measured at amortized cost:		
Debenture matured May 2021, bore interest at 1.55%	**-**	2,000,000
Market-linked guaranteed investment maturing June 7, 2023, bearing interest at 0.00% to 5.00% at maturity.	**2,000,000**	-
	2,000,000	2,000,000
Shares measured at fair value through profit and loss:		
Atlantic Central common shares	**1,384,960**	931,010
Atlantic Central provincial shares	**257,000**	257,000
Atlantic Central - LSM shares	**584,749**	395,224
League Data Limited - Class B preferred shares	**32,830**	32,830
Concentra Bank shares	**300,000**	300,000
CU Financial Management Limited *(Note 10)*	**367,688**	-
Other	**951**	951
Accrued interest	**4,625**	25,815
	2,932,803	1,942,830
	4,932,803	3,942,830

The shares measured at fair value through profit and loss do not have a quoted market price in an active market and, accordingly, are held at cost which approximates fair value.

8. Property and Equipment

	Land	*Buildings*	*Furniture and fixtures*	*Paving*	*Automotive*	*Right-of-use asset*	*Leasehold improvements*	*Total*
Cost								
Balance at January 1, 2020	**468,818**	**2,565,067**	**1,760,911**	**317,762**	**92,362**	**935,922**	**-**	**6,140,842**
Additions	**-**	**5,130**	**86,687**	**-**	**2,340**	**-**	**357,323**	**451,480**
Lease modifications	**-**	**-**	**-**	**-**	**-**	**(440,916)**	**-**	**(440,916)**
Balance at December 31, 2020	**468,818**	**2,570,197**	**1,847,598**	**317,762**	**94,702**	**495,006**	**357,323**	**6,151,406**
Balance at January 1, 2021	**468,818**	**2,570,197**	**1,847,598**	**317,762**	**94,702**	**495,006**	**357,323**	**6,151,406**
Additions	**-**	**2,603**	**173,636**	**-**	**-**	**145,048**	**141,185**	**462,472**
Balance at December 31, 2021	**468,818**	**2,572,800**	**2,021,234**	**317,762**	**94,702**	**640,054**	**498,508**	**6,613,878**
Accumulated amortization and impairment losses								
Balance January 1, 2020	**-**	**800,217**	**1,410,817**	**107,646**	**12,095**	**126,974**	**-**	**2,457,749**
Depreciation	**-**	**118,984**	**81,239**	**15,808**	**12,225**	**106,700**	**-**	**334,956**
Balance at December 31, 2020	**-**	**919,201**	**1,492,056**	**123,454**	**24,320**	**233,674**	**-**	**2,792,705**
Balance at January 1, 2021	**-**	**919,201**	**1,492,056**	**123,454**	**24,320**	**233,674**	**-**	**2,792,705**
Depreciation	**-**	**120,780**	**89,926**	**14,756**	**13,338**	**56,897**	**15,817**	**311,514**
Balance at December 31, 2021	**-**	**1,039,981**	**1,581,982**	**138,210**	**37,658**	**290,571**	**15,817**	**3,104,219**
Net book value								
At December 31, 2020	468,818	1,650,996	355,542	194,308	70,382	261,332	357,323	3,358,701
At December 31, 2021	**468,818**	**1,532,819**	**439,252**	**179,552**	**57,044**	**349,483**	**482,691**	**3,509,659**

9. Leases (as lessee)

Right-of-use assets

Right-of-use assets of the Credit Union have been presented within property and equipment in the statement of financial position. Refer to Note 8. for information pertaining to right-of-use assets arising from lease arrangements in which the Credit Union is a lessee.

Lease liabilities

The following table sets out the contractual undiscounted cash flows for lease liabilities:

	2021	*2020*
Less than one year	**109,286**	75,466
1 to 3 years	**217,071**	118,072
More than 3 years	**218,286**	235,829
Total undiscounted lease liabilities	**544,643**	429,367

Total cash outflow for leases for the year ended December 31, 2021 was $107,786 (2020 - $92,486).

The lease liabilities were discounted at the incremental borrowing rate of 4.2%.

During the prior year, the Credit Union modified and cancelled a number of leases. Accordingly, the Credit Union derecognized the lease liability of $512,033 and right of use assets of $502,141, respectively. As a result of these modifications, the Credit Union recognized a gain of $97,206 in the statement of comprehensive income.

Amounts recognized in comprehensive income

The Credit Union has recognized the following amounts in the statement of comprehensive income:

	2021	*2020*
Interest expense on lease liabilities	**24,723**	41,884
Deprecation on right-of-use assets	**56,897**	106,700
Gain on modification of leases	**-**	97,206

10. Intangible assets

Cost	
Balance at January 1, 2020	**700,000**
Balance at December 31, 2020	**700,000**
Balance at January 1, 2021	**700,000**
Disposal	**(700,000)**
Balance at December 31, 2021	**-**
Amortization and impairment losses	
Balance at January 1, 2020	**279,975**
Amortization for the year	**69,171**
Balance at December 31, 2020	**349,146**
Balance at January 1, 2021	**349,146**
Disposal	**(349,146)**
Balance at December 31, 2021	**-**
Carrying amounts	
At December 31, 2020	350,854
At December 31, 2021	**-**

In 2015, the Credit Union entered into an agreement to purchase the wealth management relationships of Qajaq Management Limited.

The Credit Union disposed of the intangible asset in exchange for 36 common shares of CU Financial Management Limited. The transaction was completed under subsection 85(1.1) of the the Income Tax Act. The fair value of the consideration received was $367,688. The Credit Union has recognized a gain on disposal of $16,834 in comprehensive income.

11. Member deposits and accrued interest

	2021	*2020*
Chequing and savings	**102,631,472**	85,812,821
RRSP and RRIF	**8,177,945**	8,009,076
Term deposits	**31,904,389**	26,585,912
Accrued interest on deposits	**173,586**	260,419
	142,887,392	120,668,228

12. Income tax

Income tax expense recognized in profit (loss)

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian federal and provincial statutory income tax rates to income before income taxes. This difference results from the following:

	2021	*2020*
Income before income taxes	**1,104,920**	47,403
Combined Canada basic federal and provincial income tax rate	**29.0 %**	29.5 %
Expected income tax	**320,427**	13,984
Effect on income tax of:		
Permanent differences	**(2,781)**	1,706
Other	**(104,395)**	
Tax effect of rate reduction	**(87,500)**	(9,472)
Total income tax expense	**125,751**	6,218

Deferred tax expense recognized in profit (loss)

The components of deferred tax balances are as follows:

	2021	*2020*
Deferred tax assets (liabilities)		
Allowance for impaired loans	**56,841**	12,000
Property and equipment	**(5,280)**	62,000
Atlantic Central shares	**(74,530)**	(31,000)
Capital loss carried forward	**-**	1,000
Intangible asset	**44,996**	10,000
Lease obligations	**142,473**	-
Deferred tax asset	**164,500**	54,000

13. Members' shares

Members are required to hold a minimum of one share. The par value of the share is $25 (2020 - $5). Members are entilted to redeem their shares if they end their membership and, accordingly, members' shares are presented as a liability. The total number of shares issued during the year is 6,779 (2020 - 6,594).

14. Surplus shares

Surplus shares have no par value and may be redeemed, subject to compliance with the Credit Union Act and approval of the Board of Directors, if the member is no longer eligible for or withdraws from membership, or if the member is deceased.

Issued:

	2021	*2020*
1,094,743 Surplus shares (2020 - 1,102,520)	**1,094,734**	1,102,520

During the year, the Credit Union issued 31,484 (2020 - 415,255) Common shares and redeemed 39,270 (2020 - 29,570) Common shares.

15. Commitments

The following amounts represent the maximum amount of additional credit that the Credit Union could be obligated to extend. These amounts are not necessarily indicative of the credit risk as many of these arrangements may expire or terminate without being utilized. The Credit Union as of December 31, 2021 had undrawn lines of credit and overdrafts of $11,979,233 (2020 - $4,400,728), commitments to extend credit $4,501,349 (2020 - $7,956,477), and letters of credit $104,600 (2020 - $84,600).

16. Bank indebtedness

The Credit Union has an authorized line of credit from Atlantic Central with a limit of $5,190,000 (2020 - $2,578,000) bearing interest at 1.95% (2020 - 1.95%). The line of credit is secured by an assignment of book debts and is to be reviewed on an annual basis. Drawings on the line of credit are netted against cash resources. At December 31, 2021 the line of credit balance was nil (2020 - nil).

17. Capital requirements

The Credit Union’s objectives when managing capital are designed to establish a strong base for future growth, to pay dividends on the equity shares and to provide a cushion in the event of market instability. Capital is managed in accordance with poilicies established by the Board of Directors and regulators. The Credit Union has a capital plan to provide long-term forecast of capital requirements. All of the elements of capital are monitored throughout the year and modifications of capital management strategies are made as appropriate.

In accordance with the Credit Union Act, Community Credit Union shall establish and maintain equity at a level equal to 5% of its assets. At December 31, 2021, members equity was 4.58% (2020 - 4.57%) of its assets. For the purposes of this requirement, members' equity consists of members' shares, surplus shares and retained earnings.

As the Credit Union is not in compliance with these capital requirements, it has been asked by the Superintendent to submit an equity building plan that outlines a number of ojectives. These objectives including growing the lending and deposit base of the Credit Union, managing discretionary expenses and selling surplus shares to increase the capital by increasing the financial margin through organized growth and directly increasing capital by the sale of surplus shares.

The Credit Union is required to report its results of its achievement of the capital building plan to the regulator on a regular basis. If the regulator is not satisified as to the Credit Union's achievement of the goals within the plan, the superintendent may request additional actions to be taken by the Credit Union or appoint a supervisor to more closely monitor and supervise the Credit Union's financial performance.

18. Other income

	2021	*2020*
Account and transaction fees	**801,090**	762,027
Commissions	**178,239**	203,800
Other	**564,827**	248,765
	1,544,156	1,214,592

19. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union includes the Chief Executive Officer, Chief Operations Officer, Vice President of Corporate and Lending Services, Branch Managers and members of the Board of Directors. Key management personnel (KMP) remuneration is as follows:

	2021	*2020*
Direct compensation	**749,078**	702,450

Transactions with key management personnel

	2021	*2020*
The total value of the loans outstanding from KMP as at the year end:		
Mortgages	**1,211,841**	1,259,207
Loans and lines of credit	**516,931**	539,166
Revolving credit	**295,572**	174,639
Less: Approved and undrawn lines of credit	**(96,930)**	(96,408)
	1,927,414	1,876,604

	2021	*2020*
Interest and other revenue earned on loans and revolving credit facilities to KMP	**45,450**	22,613

	2021	*2020*
The total value of members' deposits from KMP as at the year-end:		
Chequing, savings and demand deposits	**796,326**	87,215
Registered plans	**345,002**	256,452
Total value of members' deposits due to KMP	**1,141,328**	343,667

Transactions with key management personnel

Deposit accounts are maintained under the same terms and conditions as accounts of other members, and are included in deposit accounts on the balance sheet.

Loans made to key management personnel were made in the normal course of operations with interest rates at regular rates offered to all members of the Credit Union. Interest rates on deposits and dividends on shares were at identical rates offered to all members of the Credit Union.

Directors' fees and expenses

	2021	*2020*
Directors fees and committee remuneration	**38,854**	30,229
Directors expenses	**2,205**	7,123

20. Financial instruments

The Credit Union, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: credit risk, market risk, liquidity risk and foreign currency risk.

20. Financial instruments *(Continued from previous page)*

Accordingly, the Credit Union has established avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows risk management policies approved by its Board of Directors.

The Credit Union's risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Credit Union
- Balance risk and return
- Manage credit, market and liquidity risk through preventative and detective controls
- Ensure credit quality is maintained
- Ensure credit, market, and liquidity risk is maintained at acceptable levels
- Diversify risk in transactions, member relationships and loan portfolios
- Price according to risk taken, and
- Using consistent credit risk exposure tools.

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Audit Committee and Credit Committee.

There have been no significant changes from the previous year in the Credit Union’s risks to which it is exposed or its general policies and procedures for managing risk.

Credit risk *Financial instruments*

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from members' loans and the Credit Union’s lending activities.

Risk management process

Credit risk management is integral to the Credit Union’s activities. The Board of Directors is responsible for developing and implementing the credit risk management practices of the Credit Union by establishing the relevant policies and procedures. Management carefully monitors and manages the Credit Union’s exposure to credit risk by reviewing member credit extension policies and guidelines and reviewing the performance of loan portfolios, including default events and past due status. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The primary credit risk management policies and procedures include the following:

- Loan security (collateral) requirements
- Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge
- Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security
- Borrowing member capacity (repayment ability) requirements
- Borrowing member character requirements
- Limits on aggregate credit exposure per individual
- Limits on concentration of credit risk by loan type, industry and economic sector
- Limits on the types of credit facilities and services offered
- Internal loan approval processes and loan documentation standards
- Loan re-negotiation, extension and renewal processes
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors
- Control and monitoring processes including portfolio risk identification and delinquency tolerances
- Timely loan analysis processes to identify, access and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes

20. Financial instruments *(Continued from previous page)*

The Credit Union’s credit risk policies, processes and methodologies are reviewed periodically to ensure they remain relevant and effective in managing credit risk.

Providing credit facilities to qualified members' is one of the Credit Union’s primary sources of income and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the members' ability to repay principal and interest over the term of the facility which is determined by following Board approved policies and procedures, which includes assessing the members' credit history, character, collateral and debt servicing capacity.

In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with its lending policies and procedures. In addition, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

To meet the needs of its members and to manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of members. These are subject to normal credit standards, financial controls, risk management and monitoring procedures.

The Credit Union makes the following instruments available to its members:

- Guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party
- Commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit and credit cards), guarantees or letters of credit.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Credit Union considers loans and advances to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the Credit Union’s internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Credit Union’s past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Credit Union.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the Credit Union takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort. The Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

The Credit Union uses the expected loss model to record an allowance against members’ loans. The allowance is broken into three stages. Stage 1 contains all loans that are not delinquent and do not have any known additional risk. Stage 2 contains all loans delinquent between 31 and 90 days, and any loan that has been assessed to have additional risk.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its members. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its credit risk policies. Stage 3 contains all loans delinquent over 90 days, bankruptcy, consumer proposals, credit counselling, debt consolidations and accounts that are in serious default with little chance of recovery.

Each stage is broken down into pools of members’ loans that have similar risk characteristics. The probability of default, risk adjustment and loss given default are used to determine the expected credit loss for each pool of members’ loans.

Measurement of expected credit losses

20. Financial instruments *(Continued from previous page)*

The Credit Union measures expected credit losses for members’ loans on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type. Otherwise, expected credit losses are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union utilizes complex modelling, which uses current banking system loan data to assess probability of default, exposure of default, loss given default and present value calculations. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its members' and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

As indicated in Note 3, COVID-19 and the measurements taken by Canadian federal, provincial and municipal governments to limit the spread of COVID-19 have had a material adverse impact on the Canadian economy. To mitigate the economic impact, governments have enacted policy measures to provide economic stimulus and financial support to both individuals and businesses.

The Credit Union has run a number of simulations on its collective allowance incorporating assumptions about the resulting macroeconomic impacts of the COVID-19 pandemic, based on information and facts available at December 31, 2021.

Management had to use judgement in several areas to assess if the estimate the model calculated was reasonable or if an overlay was needed to increase or decrease the allowance. The negative effects of the global economic shutdown has to be weighed against the more positive aspects of government support programs, government loan programs, loan deferrals, and rent deferrals.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

20. Financial instruments *(Continued from previous page)*

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments*. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

Except as noted below, the gross carrying amount of financial assets and exposure amount of loan commitments and financial guarantee contracts represents the maximum exposure to credit risk for that class of financial asset.

	2021			
	Stage 1 12-month ECL	*Stage 2 Lifetime ECL (not credit impaired)*	*Stage 3 Lifetime ECL (credit impaired)*	*Total*
Residential mortgages				
Low risk	**79,152,280**	**812,852**	**-**	**79,965,132**
High risk	**-**	**-**	**183,702**	**183,702**
Total gross carrying amount	**79,152,280**	**812,852**	**183,702**	**80,148,834**
Less: loss allowance	**33,091**	**4,281**	**6,806**	**44,178**
Total carrying amount	**79,119,189**	**808,571**	**176,896**	**80,104,656**
Consumer loans				
Low risk	**13,445,289**	**61,114**	**-**	**13,506,403**
High risk	**-**	**-**	**100,441**	**100,441**
Total gross carrying amount	**13,445,289**	**61,114**	**100,441**	**13,606,844**
Less: loss allowance	**5,807**	**451**	**44,433**	**50,691**
Total carrying amount	**13,439,482**	**60,663**	**56,008**	**13,556,153**
Commercial loans, mortgages and syndications				
Low risk	**28,501,216**	**23,126**	**-**	**28,524,342**
High risk	**-**	**-**	**171,925**	**171,925**
Total gross carrying amount	**28,501,216**	**23,126**	**171,925**	**28,696,267**
Less: loss allowance	**116,409**	**347**	**10,497**	**127,253**
Total carrying amount	**28,384,807**	**22,779**	**161,428**	**28,569,014**
Line of credits				
Low risk	**6,510,844**	**342,176**	**-**	**6,853,020**
High risk	**-**	**-**	**194,563**	**194,563**
Total gross carrying amount	**6,510,844**	**342,176**	**194,563**	**7,047,583**
Less: loss allowance	**10,295**	**25,355**	**17,145**	**52,795**
Total carrying amount	**6,500,549**	**316,821**	**177,418**	**6,994,788**
Total				
Low risk	**127,609,628**	**1,239,269**	**-**	**128,848,897**
High risk	**-**	**-**	**650,631**	**650,631**
Total gross carrying amount	**127,609,628**	**1,239,269**	**650,631**	**129,499,528**
Less: loss allowance	**165,571**	**30,434**	**78,881**	**274,886**
Total carrying amount	**127,444,057**	**1,208,835**	**571,750**	**129,224,642**

20. Financial instruments *(Continued from previous page)*

	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Residential mortgages				
Low risk	59,212,749	24,383	-	59,237,132
High risk	-	-	203,188	203,188
Total gross carrying amount	59,212,749	24,383	203,188	59,440,320
Less: loss allowance	10,298	94	234	10,626
Total carrying amount	59,202,451	24,289	202,954	59,429,694
Consumer loans				
Low risk	11,340,379	35,037	-	11,375,416
High risk	-	-	144,666	144,666
Total gross carrying amount	11,340,379	35,037	144,666	11,520,082
Less: loss allowance	3,937	193	378	4,508
Total carrying amount	11,336,442	34,844	144,288	11,515,574
Commercial loans, mortgages, and syndications				
Low risk	24,398,956	34,182	-	24,433,138
High risk	-	-	173,534	173,534
Total gross carrying amount	24,398,956	34,182	173,534	24,606,672
Less: loss allowance	111,333	8,694	3,845	123,872
Total carrying amount	24,287,623	25,488	169,689	24,482,800
Lines of Credit				
Low risk	3,816,800	16,436	-	3,833,235
High risk	-	-	371,722	371,722
Total gross carrying amount	3,816,800	16,436	371,722	4,204,957
Less: loss allowance	4,267	848	415	5,530
Total carrying amount	3,812,533	15,588	371,307	4,199,427
Total				
Low risk	98,768,885	110,037	-	98,878,922
High risk	-	-	893,110	893,110
Total gross carrying amount	98,768,885	110,037	893,110	99,772,032
Less: loss allowance	129,835	9,829	79,561	219,225
Total carrying amount	98,639,050	100,208	813,549	99,552,807

Concentrations of credit risk

Concentration of credit risk exists if a number of borrowers are exposed to similar economic risks by being engaged in similar economic activities or being located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Credit Union due to its primary service area being Truro and Amherst Nova Scotia and surrounding areas in Nova Scotia.

20. Financial instruments *(Continued from previous page)*

Amounts arising from expected credit losses

Reconciliation of the loss allowance

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument.

	Stage 1 12-month ECL	***Stage 2 Lifetime ECL (not credit impaired)***	***Stage 3 Lifetime ECL (credit impaired)***	***Total***
Members' loans				
Balance at January 1, 2020	89,948	-	153,346	243,294
Transfer to (from) lifetime ECL (not credit impaired)	(9,829)	9,829	-	-
Transfer to lifetime ECL (credit impaired)	13,992	-	(13,992)	-
Provision for impaired loans	35,724	-	26,859	62,583
Accounts written off, net of recoveries	-	-	(86,652)	(86,652)
Balance at December 31, 2020	129,835	9,829	79,561	219,225
Balance at January 1, 2021	**129,835**	**9,829**	**79,561**	**219,225**
Transfer to (from) lifetime ECL (not credit impaired)	**(20,605)**	**20,605**	**-**	**-**
Transfer to (from) lifetime ECL (credit impaired)	**680**	**-**	**(680)**	**-**
Provision for impaired loans	**62,622**	**-**	**-**	**62,622**
Accounts written off, net of recoveries	**(6,961)**	**-**	**-**	**(6,961)**
Balance at December 31, 2021	**165,571**	**30,434**	**78,881**	**274,886**

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices and credit spreads. The Credit Union's exposure changes depending on market conditions. Market risks that have a significant impact on the Credit Union include fair value risk and interest rate risk.

Market risk arises from changes in interest rates that affect the Credit Union's net interest income. Exposure to this risk directly impacts the Credit Union's income from its loan and deposit portfolios. The Credit Union's objective is to earn an acceptable net return on these portfolios, without taking unreasonable risk, while meeting member needs.

Risk measurement

The Credit Union's risk position is measured and monitored each month to ensure compliance with policy. Management provides monthly reports on these matters to the Credit Union's Board of Directors.

Objectives, policies and processes

Management is responsible for managing the Credit Union's interest rate risk, monitoring approved limits and compliance with policies. The Credit Union manages market risk by developing and implementing asset and liability management policies, which are approved and periodically reviewed by the Board.

The Credit Union's goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Credit Union's investment and asset liability management policies periodically to ensure they remain relevant and effective in managing and controlling risk.

20. Financial instruments *(Continued from previous page)*

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of the Credit Union’s financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Interest margins reported in the profit or loss may increase or decrease in response to changes in market interest rates. The Credit Union incurs interest rate risk on the loans and other interest bearing financial instruments.

In managing interest rate risk, the Credit Union relies primarily upon use of asset - liability and interest rate sensitivity simulation models, which is monitored by management and reported to the Board of Directors which is responsible for managing interest rate risk.

Sensitivity analysis is used to assess the change in value of the Credit Union’s financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a monthly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union's risk related to a 1% decrease in rates was 9 basis points or approximately $142,000 decrease in income before income taxes.

Other types of interest rate risk are basis risk (the risk of loss arising from changes in the relationship of interest rates which have similar but not identical characteristics; for example, the difference between prime rates and the Canadian Deposit Offering Rate) and prepayment risk (the risk of loss of interest income arising from the early repayment of fixed rate mortgages and loans), both of which are monitored on a regular basis and are reported to the Board of Directors.

The Credit Union's major source of income is financial margin which is the difference between interest earned on investments and loans to members and interest paid to members on their deposits. The objective of managing the financial margin is to match re–pricing or maturity dates of loans and investments and members' savings and deposits within policy limits. These limits are intended to limit the Credit Union's exposure to changing interest rates and to wide fluctuations of income during periods of changing interest rates. The differential represents the net mismatch between loans and investments and members' savings and deposits for those particular maturity dates. Certain items on the statement of financial position, such as non-interest bearing member deposits and equity do not provide interest rate exposure to the Credit Union. These items are reported as non-interest rate sensitive in the table below.

Amounts with variable interest rates, or due on demand, are classified as non-interest bearing.

A significant amount of members' loans receivable and members' savings and deposits can be settled before maturity on payment of a penalty. No adjustment has been made for repayments that may occur prior to maturity.

Interest rate sensitivity

Interest rate risk is the sensitivity of the Credit Union’s financial condition to movements in interest rates. In the table below, the carrying amounts of financial instruments are presented in the periods in which they next re–price to market rates or mature and are summed to show the net interest rate sensitivity gap.

20. Financial instruments *(Continued from previous page)*

Contractual repricing and maturity

All financial instruments are reported in the schedule below based on the earlier of their contractual repricing date or maturity date. The schedule below does not identify management's expectations of future events where repricing and maturity dates differ from contractual dates.

('000s)	Assets	*Average yield %*	Liabilities	*Average costs %*	Net Asset Liability Mismatch (000's) ***2021***	*2020*
Within 1 year	36,210	*2.75 %*	(100,620)	*0.32 %*	**(64,410)**	(56,558)
1 to 2 years	13,885	*3.57 %*	(3,025)	*1.45 %*	**10,860**	5,807
2 to 3 years	14,286	*3.87 %*	(4,114)	*1.93 %*	**10,172**	11,859
3 to 4 years	28,569	*3.21 %*	(691)	*2.07 %*	**27,878**	12,598
4 to 5 years	33,695	*3.38 %*	(2,630)	*2.91 %*	**31,065**	32,417
Over 5 years	1,003	*3.79 %*	-	*- %*	**1,003**	645
Non-interest sensitive	19,273	*- %*	(32,248)	*- %*	**(12,975)**	(4,297)
	146,921		**(143,328)**		**3,593**	2,471

Foreign currency risk

The Credit Union’s foreign exchange risk is related to US dollars deposits and cash on hand denominated in US dollars. At year end, the Credit Union’s holdings in foreign currency were 0.15% (2020 – 0.20%) of the total members’ deposits portfolio.

The Credit Union limits its exposure to foreign exchange risk by maintaining only minimal levels of US dollars deposits and cash on hand.

There have been no significant changes from the previous year in the exposure to foreign exchange risk or procedures used to limit the risk.

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such capital for operating and regulatory purposes. Refer to Note 17. for further information about the Credit Union's regulatory capital requirement.

The Credit Union’s liquidity management framework is designed to ensure that adequate sources of reliable and cost-effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal contemplated stress conditions.

To mitigate this risk, the Act requires that the Credit Union maintain, at all times liquidity that is adequate in relation to the business carried on. The Credit Union is required to maintain liquidity levels as defined in Regulation 19 of the Act, which include maintaining a minimum of 9% (2020 - 9%) of total deposits and borrowings in deposit and eligible investment accounts. 90% of the amount of liquidity reserves required must be held in eligible financial instruments of Atlantic Central.

The Credit Union manages its liquidity position from three perspectives:

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudent limits on net fund outflows;

20. Financial instruments *(Continued from previous page)*

- Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union's responses thereto.

The primary liquidity risk policies and procedures include the following:
- Liquidity risk management framework to measure and control liquidity risk exposure;
- Measurement of cash flows;
- Maintain a line of credit and borrowing facility with Atlantic Central
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits.

The Board of Directors receives quarterly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with liquidity requirements throughout the year and at year-end.

As at December 31, 2021:

	2021	2020
Required liquidity	**(12,859,865)**	(10,860,141)
Liquid assets	**14,596,151**	21,449,467
Excess liquidity	**1,736,286**	10,589,326

Liquid assets comprise:

	2021	2020
Cash held at Atlantic Central and on hand	**1,186,229**	7,248,609
Liquidity and short-term deposits held at Atlantic Central	**13,409,922**	14,200,858
	14,596,151	21,449,467

The Credit Union manages liquidity risk on a net asset and liability basis. The following table details contractual maturities of financial liabilities:

As at December 31, 2021

	< 1 year	1-3 years	> 3 years	Total
Member deposits	**132,427,492**	**7,139,100**	**3,320,800**	**142,887,392**
Payables and accruals	**293,660**	**-**	**-**	**293,660**
Lease liabilities	**109,286**	**217,071**	**218,286**	**544,643**
Total	**132,830,438**	**7,356,171**	**3,539,086**	**143,725,695**

20. Financial instruments *(Continued from previous page)*

As at December 31, 2020

	< 1 year	1-3 years	> 3 years	Total
Member deposits	112,005,928	6,889,600	1,772,700	120,668,228
Payables and accruals	249,746	-	-	249,746
Lease liabilities	75,466	118,072	235,829	429,367
Total	112,331,140	7,007,672	2,008,529	121,347,341

21. Fair value measurements

The Credit Union classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for which there is little or no market data and which require the Credit Union to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

The Credit Union considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

In determining fair value measurements, the Credit Union uses valuation techniques including taking into account changes in interest rates and credit risk that have occurred since the assets and liabilities were acquired. These calculations represent management's best estimates based on a range of methods and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instruments. Interest rate changes are the main cause of changes in the value for the Credit Union's cash resources, demand deposits, certain other assets and certain other liabilities, due to their short-term nature.

Financial assets and financial liabilities measured at fair value

The Credit Union's financial assets and financial liabilities measured at fair value in the statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

				2021
	Fair Value	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Cash	**1,186,229**	**1,186,229**	**-**	**-**
Investments at fair value through profit and loss	**2,928,178**	**-**	**2,560,490**	**367,688**
Total financial assets	**4,114,407**	**1,186,229**	**2,560,490**	**367,688**

21. Fair value measurements *(Continued from previous page)*

				2020
	Fair Value	*Level 1*	*Level 2*	*Level 3*
Financial assets				
Cash	7,248,609	7,248,609	-	-
Investments at fair value through profit and loss	1,917,015	-	1,917,015	-
Total financial assets	9,165,624	7,248,609	1,917,015	-

For fair value measurements of Level 2 investments at fair value through profit and loss, the Credit Union has assumed the fair value of the amounts is comparable to their amortized cost, which equals the par value of the shares. The shares are not quoted or traded, however when new shares are offered the price remains the same as the par value of all currently available shares. There was no impact of the measurement on profit or loss for the year. There have been no transfers between Level 1, 2 and 3 during the year.

Financial instruments not measured at fair value

The carrying amount, fair value, and categorization into the fair value hierarchy of all other financial assets and financial liabilities held by the Credit Union and not measured at fair value on the statement of financial position are as follows:

					2021
	Carrying amount	***Fair Value***	***Level 1***	***Level 2***	***Level 3***
Financial assets measured at amortized cost					
Cash resources	**11,409,922**	**11,409,922**	**-**	**11,409,922**	**-**
Investments	**2,004,625**	**2,004,625**	**-**	**2,004,625**	**-**
Member loans	**129,392,314**	**126,626,968**	**-**	**126,626,968**	**-**
Total financial assets	**142,806,861**	**140,041,515**	**-**	**140,041,515**	**-**
Financial liabilities measured at amortized cost					
Payables and accruals	**293,661**	**293,661**	**-**	**293,661**	**-**
Members' deposits and accrued interest	**142,887,392**	**143,294,002**	**-**	**143,294,002**	**-**
Total financial liabilities	**143,181,053**	**143,587,663**	**-**	**143,587,663**	**-**

					2020
	Carrying amount	*Fair Value*	*Level 1*	*Level 2*	*Level 3*
Financial assets measured at amortized cost					
Cash resources	12,200,858	12,200,858	-	12,200,858	-
Investments	2,025,815	2,025,815	-	2,025,815	-
Members' loans	99,680,184	98,631,981	-	98,631,981	-
Total financial assets	113,906,857	112,858,654	-	112,858,654	-
Financial liabilities measured at amortized cost					
Payables and accruals	249,747	249,747	-	249,747	-
Members' deposits and accrued interest	120,668,228	119,985,014	-	119,985,014	-
Total financial liabilities	120,917,975	120,234,761	-	120,234,761	-

22. Other legal and regulatory risk

Legal and regulatory risk is the risk that the Credit Union has not complied with the requirements set out in terms of compliance such as standards of sound business practice, anti-money laundering legislation or their code of conduct/conflict of interest requirements. In seeking to manage these risks, the Credit Union has established policies and procedures and monitors to ensure ongoing complaince. Please refer to Note 17 for capital management and requirements.

23. Canada Emergency Business Account Program

Under the Canada Emergency Business Account ("CEBA") Program, with funding provided by the Government of Canada and Export Development Canada ("EDC") as the Government of Canada's agent, the Credit Union provides loans to its business banking members. In June 2020, eligibility for the CEBA loan program was expanded to include businesses that did not meet the payroll requirements of the initial program but had other eligible non-deferrable expenses. Under the CEBA Program, eligible businesses receive up to $60,000 interest-free loan until December 31, 2022. If $40,000 is repaid on or before December 31, 2022, the remaining amount of the loan is eligible for complete forgiveness. If the loan is not repaid by December 31, 2022, it will be extended for an additional 3-year term bearing an interest rate of 5% per annum. The funding provided to the Credit Union by the Government of Canada in respect of the CEBA Program represents an obligation to pass-through collections on the CEBA loans and is otherwise non-recourse to the Credit Union. Accordingly, the Credit Union is required to remit all collections of principal and interest on the CEBA loans to the Government of Canada but is not required to repay amounts that its members fail to pay or that have been forgiven. The Credit Union receives an administration fee to recover the costs to administer the program for the Government of Canada. Loans issued under the program are not recognized on the Credit Union's consolidated statement of financial position, as the Credit Union transfers substantially all risks and rewards in respect of the loans to the Government of Canada. As of December 31, 2021, the Credit Union had provided approximately 125 (2020 - 114) members with CEBA loans and had funded approximately $6,262,953 (2020 - $5,214,980) in loans under the program.

As of January 12, 2022, the government announced an extension of the deadline for businesses to repay loans under this program to December 31, 2023.

24. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

- Payables and accruals of $716,127 have been reclassified to member deposits as at December 31, 2020 as amounts relate to transactions with members and their associated accounts.
- An investment of $2,000,000 has been reclassified from cash resources to investments as at December 31, 2020 as the maturity of the investment was longer than 3 months after year-end. This amount matured in May 2021.
- Property and equipment additions of $357,323 have been reclassified from buildings to leasehold improvements as at December 31, 2020 as amounts relate to a property that is under lease.

Community Credit Union of Colchester Limited
Schedule 1 - Schedule of Administrative Expenses
For the year ended December 31, 2021

	2021	*2020*
Administrative expenses		
Advertising	**157,983**	176,224
Bank fees	**455,611**	367,214
Board and committee costs	**59,916**	62,462
Computer costs	**366,493**	321,802
Courier and postage	**5,126**	3,065
Credit Union Central	**117,128**	103,401
Office	**305,403**	340,944
Other	**91,708**	50,990
Professional fees	**106,312**	201,572
Staff training	**33,898**	104,822
	1,699,578	1,732,496

Community Credit Union of Colchester Limited
Schedule 2 - Schedule of Occupancy Expenses
For the year ended December 31, 2021

	2021	2020
Occupancy		
Insurance	**17,625**	16,784
Utilities	**51,176**	70,237
Rent	**7,215**	25,995
Property taxes	**94,453**	88,334
Repairs and maintenance	**105,194**	81,747
	275,663	283,097