Sydney Credit Union Limited

Financial Statements

December 31, 2021

Contents

For the year ended December 31, 2021

Independent Auditor's Report

To the Members of Sydney Credit Union Limited:

Opinion

We have audited the financial statements of Sydney Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income, changes in equity, 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 in Canada, 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.

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.

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.

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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.

MNP LLP

Sydney, Nova Scotia
March 25, 2022

Chartered Professional Accountants

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

	2021	2020
Assets		
Cash and cash equivalents *(Note 5)*	**16,478,461**	37,834,839
Investments and deposits *(Note 6)*	**50,311,088**	28,256,947
Loans to members *(Note 7)*	**203,668,102**	179,801,557
Income taxes receivable	**50,552**	-
Property, building and equipment *(Note 8)*	**3,265,918**	3,294,568
Other assets *(Note 9)*	**810,502**	842,122
Total assets	**274,584,623**	250,030,033
Liabilities		
Member deposits *(Note 11)*	**248,728,055**	225,116,847
Accrued interest on deposits	**577,530**	706,400
Accrued patronage rebate *(Note 12)*	**253,800**	287,874
Trade payables and accrued liabilities	**1,028,758**	1,023,418
Income taxes payable	**-**	261,761
Deferred tax liability *(Note 10)*	**86,400**	65,000
Total liabilities	**250,674,543**	227,461,300
Members' equity		
Equity shares *(Note 13)*	**84,415**	84,850
Retained earnings	**22,502,120**	21,160,338
Contributed surplus	**1,323,545**	1,323,545
Total Members' equity	**23,910,080**	22,568,733
	274,584,623	250,030,033

Approved on behalf of the Board

Director **Director**

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

	2021	*2020*
Income		
Interest on loans	**7,416,666**	7,696,158
Investment income	**489,788**	554,551
	7,906,454	8,250,709
Interest expense		
Interest on member deposits *(Note 14)*	**1,424,493**	1,678,624
Loan interest and referral fees	**186,970**	106,744
	1,611,463	1,785,368
Gross financial margin	**6,294,991**	6,465,341
Other income	**2,429,794**	2,165,457
	8,724,785	8,630,798
Operating Expenses		
Personnel	**3,027,317**	3,105,505
Member security *(Schedule 1)*	**229,240**	203,890
General business *(Schedule 2)*	**2,712,401**	2,490,712
Occupancy *(Schedule 3)*	**398,745**	407,618
Depreciation	**164,465**	158,479
	6,532,168	6,366,204
Income before undernoted	**2,192,617**	2,264,594
Patronage refund	**253,800**	287,874
Provision for loan losses	**157,455**	(2,366)
	411,255	285,508
Income before income taxes	**1,781,362**	1,979,086
Provision for income taxes *(Note 10)*		
Current	**418,180**	468,737
Deferred	**21,400**	24,400
	439,580	493,137
Comprehensive income	**1,341,782**	1,485,949

Sydney Credit Union Limited
Statement of Changes in Equity
For the year ended December 31, 2021

	Member shares	*Contributed surplus*	*Retained earnings*	*Total equity*
Balance January 1, 2020	**86,560**	**1,323,545**	**19,674,389**	**21,084,494**
Comprehensive income	**-**	**-**	**1,485,949**	**1,485,949**
Issuance of member shares	**3,840**	**-**	**-**	**3,840**
Redemption of member shares	**(5,550)**	**-**	**-**	**(5,550)**
Balance December 31, 2020	**84,850**	**1,323,545**	**21,160,338**	**22,568,733**
Comprehensive income	**-**	**-**	**1,341,782**	**1,341,782**
Issuance of member shares	**5,240**	**-**	**-**	**5,240**
Redemption of member shares	**(5,675)**	**-**	**-**	**(5,675)**
Balance December 31, 2021	**84,415**	**1,323,545**	**22,502,120**	**23,910,080**

The accompanying notes are an integral part of these financial statements

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

	2021	*2020*
Cash provided by (used for) the following activities		
Operating activities		
Comprehensive income	**1,341,782**	1,485,949
Depreciation	**164,465**	158,479
Deferred taxes	**21,400**	24,400
Gain on disposal of property, building and equipment	**(1,431)**	-
Changes in working capital accounts		
Increase (decrease) in income taxes payable	**(261,761)**	261,761
Increase in trade payables and accrued liabilities	**5,340**	289,714
Increase (decrease) in accrued patronage rebate	**(34,074)**	77,871
Increase in loans to members	**(23,866,545)**	(1,273,514)
Decrease (increase) in other assets	**31,620**	(77,154)
Increase in member deposits	**23,611,208**	33,269,572
Decrease in accrued interest on deposits	**(128,870)**	(39,344)
Decrease (increase) in income taxes recoverable	**(50,552)**	114,297
	832,582	34,292,031
Financing activities		
Decrease in membership shares, net	**(435)**	(1,710)
Investing activities		
Purchases of property, building and equipment	**(137,384)**	(162,328)
Increase in investments and deposits	**(22,054,141)**	(5,790,319)
Proceeds on sale of property, building and equipment	**3,000**	-
	(22,188,525)	(5,952,647)
Increase (decrease) in cash and cash equivalents	**(21,356,378)**	28,337,674
Cash and cash equivalents, beginning of year	**37,834,839**	9,497,165
Cash and cash equivalents, end of year	**16,478,461**	37,834,839

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Sydney Credit Union Limited *(the "Credit Union")* was formed pursuant to the Credit Union Act of Nova Scotia *("the Act")*. The address of the Credit Union's registered office is 95 Townsend Street, Sydney, Nova Scotia.

The Credit Union operates as one segment principally in personal and commercial banking in Sydney, Nova Scotia.

The Credit Union conducts its principal operations through three 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.

Statement of compliance

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

These financial statements for the year ended December 31, 2021 were approved by the Board of Directors on March 22, 2022.

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: disclosures*
- *IFRS 9 Financial instruments*

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.

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.

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

Covid-19 pandemic consideration

The Canadian economy has experienced significant disruption and market volatility related to the ongoing global COVID-19 pandemic. 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. The COVID-19 pandemic continues to evolve and the economic environment in which the Credit Union operates in continues to be subject to sustained volatility, which could continue to negatively impact the Credit Union's financial results, as the duration of the COVID-19 pandemic and the effectiveness of steps undertaken by governments and central banks in response to the COVID-19 pandemic remain uncertain. 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, there is a higher level of uncertainty with respect to management's judgments and estimates. 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.

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

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.

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.

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)*

Key assumptions in determining the allowance for expected credit losses *(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
- 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.

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 that have an indefinite useful life or are not subject to amortization, such as goodwill, are tested annually for impairment or more frequently if impairment indicators exist. Other 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. Deferred tax recorded is also subject to uncertainty regarding the balances in various tax pools as the corporate tax returns have not been prepared as of the date of financial statement preparation. By their nature, these estimates are subject to measurement uncertainty, and the effect of the financial statements from changes in such estimates in future years could be material.

Useful lives of property, building and equipment

Estimates must be utilized in evaluating the useful lives of all property, building and equipment for calculation of the depreciation for each class of assets. For further discussion of the estimation of useful lives, refer to the heading property, building and equipment contained in Note 4.

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.

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.

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

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

Financial assets are 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 cash and cash equivalents, debentures, segregated liquidity deposits, loans to members, and accrued receivables.
- 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. Financial assets measured at fair value through other comprehensive income are comprised of share investments.
- 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 to the financial assets' carrying amount are recognized in profit or loss. The Credit Union does not hold any financial assets designated to be measured mandatorily at fair value through profit or loss.
- 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 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 or loss.

Refer to Note 19 for more information about financial instruments held by the Credit Union, their measurement basis, and their carrying amount.

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.

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

Financial instruments *(Continued from previous page)*

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 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.

For loans to members 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 applies the simplified approach for trade receivables and/or contract assets that do not contain a significant financing component. Using the simplified approach, 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. 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 19 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)*

Financial instruments *(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.

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.

Classification and subsequent measurement

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

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

Financial instruments *(Continued from previous page)*

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 and cash equivalents

Cash and cash equivalents 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 deposits

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.

Share investments

Share investments are measured at fair value through other comprehensive income with adjustments to fair value recognized in other comprehensive income.

Debentures

Investments in debentures and term deposits are measured at amortized cost.

Loans to members

Loans are initially recognized at their fair value and subsequently measured at amortized cost. Amortized cost is calculated as the loans' principal amount, less any allowance for anticipated losses. Interest revenue is recorded on the accrual basis using the effective interest method. Loan administration fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

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 other assets.

Property, building and equipment

Property, building 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, building and equipment have different useful lives, they are accounted for as separate items of property, building and equipment.

All assets having limited useful lives are depreciated using their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition.

The methods of depreciation and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Method	***Rate***
Buildings	declining balance	2 to 4 %
Parking lot	declining balance	5 %
Furniture and fixtures	declining balance	10 %
Automotive	declining balance	30 %

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, building 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 operating income or other operating costs, respectively.

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 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.

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.

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.

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. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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 enacted 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.

Member shares

Membership shares, consisting of equity shares, are presented in the statement of financial position as equity instruments in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. Payments of dividends on membership shares presented as equity are recognized as a distribution directly in equity.

Dividends are recorded when declared by the Board of Directors.

Revenue recognition

The following describes the Credit Union's principal activities from which it generates revenue.

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

Revenue recognition *(Continued from previous page)*

Service charges, fees, commissions and other revenue

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 earned when the products are 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 the 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 is included in the financial instruments section of Note 4.

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.

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 year, entitling them to the contributions.

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Credit Union by the employees and is recorded as an expense under the personnel expenses. Unpaid contributions at year end are recorded as a liability.

Short-term employee benefits include salaries and wages, employee benefits, allowances, bonuses and burdens. Short-term employee benefits are expected to be paid in exchange for services rendered by employees in the year are expensed as the related services is provided.

5. Cash and cash equivalents

	2021	*2020*
Cash on hand	**1,638,922**	2,092,559
Accounts held at Atlantic Central	**717,411**	1,785,210
Cash management liquidity	**4,122,128**	20,957,070
Short-term deposits	**10,000,000**	13,000,000
	16,478,461	37,834,839

The Credit Union has an authorized operating line of credit of $6,240,000 (2020- $5,362,000) with Atlantic Central at prime rate of 2.45% (2020 - 2.45%), which is secured by an assignment of members' loans. The line of credit was unutilized as of December 31, 2021 (2020 - $Nil).

6. Investments and deposits

	2021	2020
Measured at amortized cost		
Debentures with Atlantic Central	**15,000,000**	5,000,000
Segregated liquidity deposits	**20,363,046**	17,877,239
Debentures with League Savings and Mortgage	**3,000,000**	-
Debentures with Concentra Bank	**5,777,703**	772,587
	44,140,749	23,649,826
Measured at fair value through other comprehensive income		
Atlantic Central - Common	**2,723,670**	1,925,380
Atlantic Central - Class Nova Scotia Provincial	**441,000**	441,000
Atlantic Central - Class League Savings and Mortgage	**1,951,284**	1,185,556
League Data Limited	**54,100**	54,100
Concentra Bank - Common	**10**	10
Concentra Bank - Class A Preferred	**1,000,000**	1,000,000
Other	**275**	1,075
	6,170,339	4,607,121
	50,311,088	28,256,947

7. Loans to members

Principal and allowance by loan type:

2021

	Principal performing	**Principal impaired**	**Allowance specific**	**Allowance collective**	**Net carrying value**
Personal loans	**26,385,769**	**300,039**	**94,672**	**275,142**	**26,315,994**
Lines of credit	**11,666,062**	**42,587**	**35,630**	**24,906**	**11,648,113**
Residential mortgages	**122,887,892**	**690,719**	**1,649**	**119,212**	**123,457,750**
Commercial loans	**40,180,970**	**151,533**	-	**84,084**	**40,248,419**
Commercial mortgages	**1,997,826**	-	-	-	**1,997,826**
	203,118,519	**1,184,878**	**131,951**	**503,344**	**203,668,102**

7 Loans to members *(Continued from previous page)*

2020

	Principal performing	Principal impaired	Allowance specific	Allowance collective	Net carrying value
Personal loans	26,432,245	426,084	153,966	288,905	26,415,458
Lines of credit	12,180,089	64,784	52,309	23,078	12,169,486
Residential mortgages	108,061,631	770,037	567	83,104	108,747,997
Commercial loans	29,906,956	-	-	74,897	29,832,059
Commercial mortgages	2,636,557	-	-	-	2,636,557
	179,217,478	1,260,905	206,842	469,984	179,801,557

Loan commitments

The Credit Union has authorized lines of credit in the amount of $17,000,115 which are unutilized at December 31, 2021 (2020 - $16,924,420).

The Credit Union was committed to the issuance of new loans to members in the amount of $4,097,498 at December 31, 2021 (2020 - $nil).

Allowance for loan impairment

The allowance for loan impairment changed as follows:

	2021	*2020*
Balance, beginning of year	**676,826**	937,265
Provision for loan losses	**157,455**	(2,366)
	834,281	934,899
Less: accounts written off, net of recoveries	**198,986**	258,073
Balance, end of year	**635,295**	676,826

8. Property, building and equipment

	2021	*2020*
Cost	**7,287,906**	7,189,392
Accumulated depreciation	**4,021,988**	3,894,824
	3,265,918	3,294,568
Land	**855,767**	855,767
Buildings	**1,945,556**	1,980,756
Automotive	**-**	1,569
Furniture and fixtures	**421,390**	410,997
Parking lot	**43,205**	45,479
	3,265,918	3,294,568

8. Property, building and equipment *(Continued from previous page)*

	Land	*Buildings*	*Vehicle*	*Furniture and fixtures*	*Parking lot*	*Total*
Cost						
Balance, beginning of prior year	**855,767**	**3,363,705**	**38,870**	**2,686,458**	**82,264**	**7,027,064**
Additions	**-**	**23,202**	**-**	**139,126**	**-**	**162,328**
Balance, ending of prior year	**855,767**	**3,386,907**	**38,870**	**2,825,584**	**82,264**	**7,189,392**
Balance, beginning of current year	**855,767**	**3,386,907**	**38,870**	**2,825,584**	**82,264**	**7,189,392**
Additions	**-**	**28,942**	**-**	**108,442**	**-**	**137,384**
Disposals	**-**	**-**	**(38,870)**	**-**	**-**	**(38,870)**
Balance, ending of current year	**855,767**	**3,415,849**	**-**	**2,934,026**	**82,264**	**7,287,906**

	Buildings	*Vehicle*	*Furniture and fixtures*	*Parking lot*	*Total*
Accumulated depreciation					
Balance, beginning of prior year	**1,340,646**	**36,629**	**2,324,678**	**34,392**	**3,736,345**
Depreciation	**65,505**	**672**	**89,909**	**2,393**	**158,479**
Balance, ending of prior year	**1,406,151**	**37,301**	**2,414,587**	**36,785**	**3,894,824**
Balance, beginning of current year	**1,406,151**	**37,301**	**2,414,587**	**36,785**	**3,894,824**
Depreciation	**64,142**	**-**	**98,049**	**2,274**	**164,465**
Disposals	**-**	**(37,301)**	**-**	**-**	**(37,301)**
Balance, ending of current year	**1,470,293**	**-**	**2,512,636**	**39,059**	**4,021,988**

9. Other assets

	2021	*2020*
Accrued interest on loans to members	**220,130**	211,067
Accrued interest on investments	**84,921**	14,675
Accounts receivable	**196,353**	242,177
Prepaid expenses	**84,098**	89,203
Referral agreement	**225,000**	285,000
	810,502	842,122

10. Income tax

Income tax expense recognized in profit (loss)

The applicable tax rate is the aggregate of the federal and provincial income tax rates of 29.0% (2020 - 29.5%).

Deferred tax expense recognized in profit (loss)

The deferred tax recovery recognized in profit (loss) for the current year is a result of the following changes:

	2021	*2020*
Deferred tax liability		
Property, building and equipment, difference in net book value and undepreciated cost	**(182,500)**	(157,800)
Investments, difference in cost bases of shares	**(127,900)**	(130,100)
Deferred tax asset		
Loans to members, principally due to allowance for financial reporting purposes	**135,500**	135,800
Service awards, principally due to accrual for financial reporting purposes	**88,500**	87,100
	224,000	222,900
Net deferred tax liability	**(86,400)**	(65,000)

Reconciliation between income tax expense and pre-tax net profit

	2021	*2020*
Income before income taxes	**1,781,362**	1,979,086
Income tax expense calculated at 29.00% (2020 - 29.50%)	**516,595**	583,830
Tax effect resulting from application of rate reduction for small business income	**(87,500)**	(89,400)
Non-deductible expenses	**863**	526
Other	**10,721**	145
Tax effect of change in enacted tax rates	**(1,099)**	(1,964)
Income tax expense reported in profit	**439,580**	493,137

11. Member deposits

	2021	*2020*
Chequing	**76,929,485**	66,784,979
Savings	**92,119,340**	83,920,607
Registered retirement savings plans	**16,478,934**	16,093,214
Registered retirement income funds	**6,971,478**	6,931,172
Tax-free savings	**26,343,880**	23,766,986
Term deposits	**29,884,938**	27,619,889
	248,728,055	225,116,847

Member deposits are subject to the following terms:

- Members' deposits are insured by the Nova Scotia Credit Union Deposit Insurance Corporation.

Term deposits are subject to the following terms:

- Term deposits for periods of one to five years generally may not be withdrawn, prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

11. Member deposits *(Continued from previous page)*

Registered retirement savings plans are subject to the following terms:

- Concentra Bank (operating as Wyth Financial) is a trustee for the registered retirement savings plans offered to members. Under an agreement with Concentra Bank (operating as Wyth Financial), members' contributions to these plans, as well as income earned on them, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made to the members, or the parties designated by them, by the Credit Union, on behalf of Concentra Bank (operating as Wyth Financial).

12. Accrued patronage rebate

The patronage rebate is authorized by the Board of Directors and is allocated to members annually based on volume of business transacted by each member with the Credit Union during the year.

13. Member shares

Authorized:

Unlimited number of equity shares, at an issue price of $5. Equity shares have no entitlement to interest or dividends. Dividends may be paid at the discretion of the Board of Directors. Equity shares are not insured by the Nova Scotia Credit Union Deposit Insurance Corporation.

	2021	*2020*
Member shares classified as equity		
Member shares, beginning of year	**16,970**	17,312
Issued during the year	**1,048**	768
Redeemed during the year	**(1,135)**	(1,110)
	16,883	16,970

14. Interest on members' deposits

	2021	*2020*
Chequing	**2,288**	846
Savings	**170,810**	216,955
Term deposits	**586,191**	636,585
Registered retirement savings plan	**258,053**	319,204
Registered retirement income funds	**121,365**	136,934
Tax-free savings account	**285,786**	368,100
	1,424,493	1,678,624

15. Pension plan

The Credit Union maintains a defined contribution pension plan for its current and retired employees. The total expense recognized in the statement of comprehensive income for the defined contribution plan is $197,553 (206,906 - 2020), which represents the total cash amount paid or payable by the Credit Union to the plan during the year.

16. Supplemental cash flow information

Interest and income taxes received (paid):

	2021	2020
Interest on members' deposits	**(1,615,665)**	(1,766,297)
Income taxes	**(730,493)**	(92,679)
Dividends and interest on investments	**419,542**	559,853
Interest on loans to members	**7,548,679**	7,510,509

17. Capital management

The Credit Union's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for members and benefits for other stakeholders.

The Credit Union manages its capital through a set of formalized management policies and through corporate governance at the level of the Board of Directors and related committees. Due to the nature of the Credit Union, capital is also managed by maintaining of liquidity deposits at Atlantic Central.

The Credit Union is required to maintain a prescribed capital base, consisting of membership shares and retained earnings, of 5% of total assets. At year end the Credit Union had a capital base equal to 8.7% (2020 – 9.0%) of total assets.

18. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union includes the Chief Executive Officer, Chief Operating Officer, and members of the Board of Directors. Key management personnel (KMP) remuneration includes the following expenses:

	2021	2020
Salaries and other short-term employee benefits	**327,283**	315,302
Post-employment benefits	**25,653**	24,149
Total remuneration	**352,936**	339,451

Transactions with key management personnel

The interest rates charged on balances outstanding from directors and their related parties are the same as those charged in an arm's length transaction. The interest rates charged on balances outstanding from key management and their related parties are 1% less than those charged in an arm's length transaction, subject to a minimum equal to prime rate. Loan and mortgage balances are secured as per the Credit Union's lending policies. There are no loans that are impaired in relation to the loan balances with family or relatives of KMP.

	2021	2020
The total value of balances of KMP as at the year-end:		
Loans to members	**661,528**	800,294
Members' deposits	**901,501**	472,969
Membership shares	**165**	155

Directors, management and staff

Deposit accounts are maintained under the same terms and conditions as accounts of other members, and are included in member deposits on the statement of financial position.

18. Related party transactions *(Continued from previous page)*

Directors' fees and expenses

	2021	*2020*
Directors' remuneration	**32,350**	32,565

19. 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.

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

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

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

Credit Risk *(Continued from previous page)*

- 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, assess and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes
- Loan syndication processes.

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

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. Details of loan commitments are outlined in Note 7.

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 risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management (e.g., through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers). The Credit Union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming.

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

Credit Risk *(Continued from previous page)*

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 internal credit risk policies. In making this assessment, the Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings.

Measurement of expected credit losses

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.

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.

The Credit Union has taken into consideration the macroeconomic impacts of COVID-19 pandemic on its collective allowance. Based on information and facts available at December 31, 2021, management provided a 10% (2020 - 10%) risk adjustment increase to its collective allowance for expected credit losses.

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 security relating to the loan has been sold and there are remaining amounts outstanding, 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.

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		
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Personal loans				
Low-fair risk	**26,256,006**	**-**	**-**	**26,256,006**
Watch list	**-**	**129,763**	**-**	**129,763**
Doubtful or impaired	**-**	**-**	**300,039**	**300,039**
Total gross carrying amount	**26,256,006**	**129,763**	**300,039**	**26,685,808**
Less: loss allowance	**252,911**	**22,231**	**94,672**	**369,814**
Total carrying amount	**26,003,095**	**107,532**	**205,367**	**26,315,994**

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

Lines of credit				
Low-fair risk	**11,660,990**	**-**	**-**	**11,660,990**
Watch list	**-**	**5,072**	**-**	**5,072**
Doubtful or impaired	**-**	**-**	**42,587**	**42,587**
Total gross carrying amount	**11,660,990**	**5,072**	**42,587**	**11,708,649**
Less: loss allowance	**13,564**	**-**	**35,630**	**49,194**
Total carrying amount	**11,647,426**	**5,072**	**6,957**	**11,659,455**
Residential mortgages				
Low-fair risk	**121,807,591**	**-**	**-**	**121,807,591**
Watch list	**-**	**1,080,301**	**-**	**1,080,301**
Doubtful or impaired	**-**	**-**	**690,719**	**690,719**
Total gross carrying amount	**121,807,591**	**1,080,301**	**690,719**	**123,578,611**
Less: loss allowance	**86,548**	**32,664**	**1,649**	**120,861**
Total carrying amount	**121,721,043**	**1,047,637**	**689,070**	**123,457,750**
Commercial loans				
Low-fair risk	**40,180,970**	**-**	**-**	**40,180,970**
Watch list	**-**	**-**	**-**	**-**
Doubtful or impaired	**-**	**-**	**151,533**	**151,533**
Total gross carrying amount	**40,180,970**	**-**	**151,533**	**40,332,503**
Less: loss allowance	**84,084**	**-**	**-**	**84,084**
Total carrying amount	**40,096,886**	**-**	**151,533**	**40,248,419**
Commercial mortgages				
Low-fair risk	**1,997,826**	**-**	**-**	**1,997,826**
Watch list	**-**	**-**	**-**	**-**
Doubtful or impaired	**-**	**-**	**-**	**-**
Total gross carrying amount	**1,997,826**	**-**	**-**	**1,997,826**
Less: loss allowance	**-**	**-**	**-**	**-**
Total carrying amount	**1,997,826**	**-**	**-**	**1,997,826**
Loan commitments				
Low-fair risk	**21,097,613**	**-**	**-**	**21,097,613**
Watch list	**-**	**-**	**-**	**-**
Doubtful or impaired	**-**	**-**	**-**	**-**
Total gross carrying amount	**21,097,613**	**-**	**-**	**21,097,613**
Less: loss allowance	**11,342**	**-**	**-**	**11,342**
Total carrying amount	**21,086,271**	**-**	**-**	**21,086,271**
Total				
Low-fair risk	**223,000,996**	**-**	**-**	**223,000,996**
Watch list	**-**	**1,215,136**	**-**	**1,215,136**
Doubtful or impaired	**-**	**-**	**1,184,878**	**1,184,878**
Total gross carrying amount	**223,000,996**	**1,215,136**	**1,184,878**	**225,401,010**
Less: loss allowance	**448,449**	**54,895**	**131,951**	**635,295**
Total carrying amount	**222,552,547**	**1,160,241**	**1,052,927**	**224,765,715**

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

Credit Risk *(Continued from previous page)*

			2020	
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Personal loans				
Low-fair risk	26,204,346	-	-	26,204,346
Watch list	-	227,899	-	227,899
Doubtful or impaired	-	-	426,084	426,084
Total gross carrying amount	26,204,346	227,899	426,084	26,858,329
Less: loss allowance	258,581	30,324	153,966	442,871
Total carrying amount	25,945,765	197,575	272,118	26,415,458
Lines of credit				
Low-fair risk	12,180,089	-	-	12,180,089
Watch list	-	-	-	-
Doubtful or impaired	-	-	64,784	64,784
Total gross carrying amount	12,180,089	-	64,784	12,244,873
Less: loss allowance	12,167	-	52,309	64,476
Total carrying amount	12,167,922	-	12,475	12,180,397
Residential mortgages				
Low-fair risk	106,637,918	-	-	106,637,918
Watch list	-	1,423,713	-	1,423,713
Doubtful or impaired	-	-	770,037	770,037
Total gross carrying amount	106,637,918	1,423,713	770,037	108,831,668
Less: loss allowance	79,778	3,326	567	83,671
Total carrying amount	106,558,140	1,420,387	769,470	108,747,997
Commercial loans				
Low-fair risk	29,906,956	-	-	29,906,956
Watch list	-	-	-	-
Doubtful or impaired	-	-	-	-
Total gross carrying amount	29,906,956	-	-	29,906,956
Less: loss allowance	74,897	-	-	74,897
Total carrying amount	29,832,059	-	-	29,832,059
Commercial mortgages				
Low-fair risk	2,636,557	-	-	2,636,557
Watch list	-	-	-	-
Doubtful or impaired	-	-	-	-
Total gross carrying amount	2,636,557	-	-	2,636,557
Less: loss allowance	-	-	-	-
Total carrying amount	2,636,557	-	-	2,636,557

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

Loan commitments				
Low-fair risk	16,924,420	-	-	16,924,420
Watch list	-	-	-	-
Doubtful or impaired	-	-	-	-
Total gross carrying amount	16,924,420	-	-	16,924,420
Less: loss allowance	10,911	-	-	10,911
Total carrying amount	16,913,509	-	-	16,913,509
Total				
Low-fair risk	194,490,286	-	-	194,490,286
Watch list	-	1,651,612	-	1,651,612
Doubtful or impaired	-	-	1,260,905	1,260,905
Total gross carrying amount	194,490,286	1,651,612	1,260,905	197,402,803
Less: loss allowance	436,334	33,650	206,842	676,826
Total carrying amount	194,053,952	1,617,962	1,054,063	196,725,977

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 Sydney, Nova Scotia and surrounding areas.

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 of loans to members.

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Balance at January 1, 2020	**447,865**	**104,820**	**384,580**	**937,265**
Transfer to 12-month ECL	**131,715**	**(41,544)**	**(90,171)**	**-**
Transfer to lifetime ECL (not credit impaired)	**(5,791)**	**6,893**	**(1,102)**	**-**
Transfer to lifetime ECL (credit impaired)	**(58,272)**	**(46,620)**	**104,892**	**-**
Net remeasurement of loss allowance	**(6,558)**	**14,341**	**(10,149)**	**(2,366)**
Write-offs	**(207,636)**	**(4,240)**	**(181,208)**	**(393,084)**
Recoveries of amounts previously written off	**135,011**	**-**	**-**	**135,011**
Balance at December 31, 2020	**436,334**	**33,650**	**206,842**	**676,826**
Balance at January 1, 2021	**436,334**	**33,650**	**206,842**	**676,826**
Transfer to 12-month ECL	**40,980**	**(2,315)**	**(38,665)**	**-**
Transfer to lifetime ECL (not credit impaired)	**(3,950)**	**3,950**	**-**	**-**
Transfer to lifetime ECL (credit impaired)	**(29,256)**	**(708)**	**29,964**	**-**
Net remeasurement of loss allowance	**143,627**	**25,411**	**(11,583)**	**157,455**
Write-offs	**(215,274)**	**(5,093)**	**(54,607)**	**(274,974)**
Recoveries of amounts previously written off	**75,988**	**-**	**-**	**75,988**
Balance at December 31, 2021	**448,449**	**54,895**	**131,951**	**635,295**

Financial instruments for which the impairment requirements of IFRS 9 do not apply

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

Credit Risk *(Continued from previous page)*

The carrying amount of Atlantic Central, League Data Limited and Concentra Bank shares, as disclosed in Note 6, best represents the Credit Union's maximum exposure to credit risk for those items. The Credit Union holds no collateral or other credit enhancements for these balances.

Foreign Currency Risk

Foreign currency risk is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency positions or hold significant excess foreign currency denominated financed investments for an extended period. Based on current differences between foreign currency financial assets and financial liabilities as at year-end, the Credit Union estimates that a positive/adverse change in the US – Canadian foreign currency exchange rates of 1% would not result in a significant change.

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.

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 the 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 quarterly 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 estimates that an immediate and sustained 100 basis point increase in interest rates would increase after-tax net income by $394,100 over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease after-tax net income by $344,000 over the next 12 months.

Other types of interest rate risk are 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 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 repricing or maturity dates of loans and investments and member 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 member 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.

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

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

Interest rate risk *(Continued from previous page)*

Contractual repricing and maturity

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

	Assets	Average yield %	Liabilities	Average costs %	2021	2020
Under 1 year	124,050,174	2.47 %	(146,865,865)	0.38 %	**(22,815,691)**	(3,857,771)
1 to 2 years	35,878,972	4.00 %	(14,021,305)	1.88 %	**21,857,667**	28,837,993
2 to 3 years	34,239,520	3.90 %	(10,085,519)	1.82 %	**24,154,001**	16,629,447
3 to 4 years	25,335,547	3.58 %	(929,788)	0.21 %	**24,405,759**	16,889,032
4 to 5 years	40,435,997	2.90 %	(100,976)	0.01 %	**40,335,021**	23,899,126
Over 5 years	2,473,858	4.44 %	-	- %	**2,473,858**	1,814,526
Non-interest sensitive	8,544,987	- %	(78,584,690)	- %	**(70,039,703)**	(64,985,630)
	270,959,055		**(250,588,143)**		**20,370,912**	19,226,723

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. To mitigate this risk, Atlantic Central requires the Credit Union to maintain, at all times, liquidity that is adequate in relation to the business carried on. The level of liquidity is based on a prescribed percentage of total deposit liabilities. At December 31, 2021 the prescribed liquidity requirement was 9% and the actual liquidity was 24.0% (2020 - 27.1%).

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 prudential limits on net fund outflows;
- 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 cashflows;
- 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.

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 owner needs.

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

Market risk *(Continued from previous page)*

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. See Note 18 to additional information on the asset liability matching policy.

20. Fair Value Measurement

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 beginning of the reporting period, 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 net present value techniques and inputs consisting of actual balances, actual results, market values (for similar instruments) and pay frequency.

Assets and liabilities measured at fair value

The Credit Union’s assets and 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***
Fair value through other comprehensive income				
Investments and deposits- shares	**6,170,339**	**-**	**-**	**6,170,339**
	6,170,339	**-**	**-**	**6,170,339**

20. Fair Value Measurement *(Continued from previous page)*

				2020
	Fair Value	*Level 1*	*Level 2*	*Level 3*
Fair value through other comprehensive income				
Investments and deposits - shares	4,607,121	-	-	4,607,121
	4,607,121	-	-	4,607,121

Financial instruments not measured at fair value

The carrying amount, fair value, and categorization into the fair value hierarchy of 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 and cash equivalents	**16,478,461**	**16,478,461**	**16,478,461**	**-**	**-**
Segregated liquidity deposits	**20,363,046**	**20,363,046**	**20,363,046**	**-**	**-**
Loans to members	**203,668,102**	**204,585,353**	**-**	**204,585,353**	**-**
Accrued interest on investments	**84,921**	**84,921**	**-**	**84,921**	**-**
Accounts receivable	**196,353**	**196,353**	**-**	**196,353**	**-**
Accrued interest on loans to members	**220,130**	**220,130**	**-**	**220,130**	**-**
Investments and deposits - debentures	**23,777,703**	**23,765,026**	**-**	**23,765,026**	**-**
	264,788,716	**265,693,290**	**36,841,507**	**228,851,783**	**-**
Financial liabilities measured at amortized cost					
Member deposits	**248,728,055**	**249,430,942**	**-**	**249,430,942**	**-**
Accrued interest on deposits	**577,530**	**577,530**	**-**	**577,530**	**-**
Accrued patronage rebate	**253,800**	**253,800**	**-**	**253,800**	**-**
Trade payable and accrued liabilities	**1,028,758**	**1,028,758**	**-**	**1,028,758**	**-**
	250,588,143	**251,291,030**	**-**	**251,291,030**	**-**

20. Fair Value Measurement *(Continued from previous page)*

2020

	Carrying amount	*Fair Value*	*Level 1*	*Level 2*	*Level 3*
Financial assets measured at amortized cost					
Cash and cash equivalents	37,834,839	37,834,839	37,834,839	-	-
Segregated liquidity deposits	17,877,239	17,877,239	17,877,239	-	-
Loans to members	179,801,557	181,036,979	-	181,036,979	-
Accrued interest on investments	14,675	14,675	-	14,675	-
Accounts receivable	242,177	242,177	-	242,177	-
Accrued interest on loans to members	211,067	211,067	-	211,067	-
Investments and deposits - debentures	5,772,587	5,766,347	-	5,766,347	-
	241,754,141	242,983,323	55,712,078	187,271,245	-
Financial liabilities measured at amortized cost					
Member deposits	225,116,847	226,532,280	-	226,532,280	-
Accrued interest on deposits	706,400	706,400	-	706,400	-
Accrued patronage rebate	287,874	287,874	-	287,874	-
Trade payable and accrued liabilities	1,023,418	1,023,418	-	1,023,418	-
	227,134,539	228,549,972	-	228,549,972	-

Level 2 fair value measurements for financial instruments not measured at fair value

Valuation techniques and inputs for Level 2 fair value measurements are as follows:

All Level 2 fair value measurements use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

21. 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. 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 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 $5,755,041 (2020 - $5,167,700) in loans under the program.

Subsequent to year end, the Government of Canada extended the repayment date to December 31, 2023.

22. Other legal and regulatory risk

Legal and regulatory risk is the risk that the Credit Union has not complied with 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 compliance.

23. Comparative figures

During the year, management changed the presentation of the patronage refund expense to present as a single line item in the amount of $287,874. As a result, the previously reported balances for the year ended December 31, 2020 for interest on loans increased by $141,076, interest on members' deposits decreased by $62,302, and other income increased by $84,496.

Sydney Credit Union Limited

Schedule 1 - Member Security Expenses

For the year ended December 31, 2021

	2021	2020
Member security		
Bonding insurance	**47,540**	45,256
Deposit insurance	**181,700**	158,634
	229,240	203,890

Schedule 2 - General Business Expenses

For the year ended December 31, 2021

	2021	2020
General business		
Advertising and promotion	**194,870**	242,112
Service fees and charges	**1,125,623**	1,050,162
Central assessment and dues	**258,126**	249,684
Service contracts and maintenance	**71,139**	67,322
Courier and postage	**39,181**	48,970
Office	**48,984**	51,207
Scholarships	**15,000**	10,000
Professional fees	**78,128**	45,555
Telephone	**40,588**	39,417
Data processing	**438,447**	365,827
Educational	**50,570**	33,395
Miscellaneous	**121,090**	107,942
Security	**115,906**	82,568
Risk management and compliance	**70,081**	55,632
Administrative fees - RRSP	**8,387**	8,404
Courier	**14,485**	12,499
Credit Bureaus	**21,796**	20,016
	2,712,401	2,490,712

Schedule 3 - Occupancy Expenses

For the year ended December 31, 2021

	2021	2020
Occupancy		
Municipal taxes	**121,903**	123,601
Repairs and maintenance	**69,636**	84,221
Heat, lights and water	**70,005**	65,072
Janitorial and cleaning supplies	**102,214**	94,967
Insurance	**34,987**	39,757
	398,745	407,618