Compensation Employees Credit Union
Financial Statements
December 31, 2020

Management's Responsibility

To the Members of Compensation Employees Credit Union:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

E-SIGNED by Carol de Haas

General Manager

Independent Auditor's Report

To the Members of Compensation Employees Credit Union:

Opinion

We have audited the financial statements of Compensation Employees Credit Union (the "Credit Union"), which comprise the statement of financial position as at December 31, 2020, and the statements of comprehensive income, changes in members' equity and cash flows 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, 2020, and its financial performance 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.

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.

Abbotsford, British Columbia

MNP LLP

February 23, 2021

Chartered Professional Accountants

Compensation Employees Credit Union
Statement of Financial Position
As at December 31, 2020

	2020	*2019*
Assets		
Cash and cash equivalents *(Note 5)*	**12,425,320**	2,912,449
Investments *(Note 6)*	**142,742**	2,555,298
Member loans receivable *(Note 7)*	**21,562,219**	23,056,547
Income taxes receivable	**9,357**	11,746
Intangible assets *(Note 9)*	**169,590**	187,715
	34,309,228	28,723,755
Liabilities		
Member deposits *(Note 11)*	**31,763,348**	26,226,528
Accounts payable and accrued liabilities	**31,003**	28,245
Deferred tax liabilities *(Note 10)*	**15,000**	14,000
	31,809,351	26,268,773

Events after the reporting period *(Note 18)*

Members' equity		
Equity shares *(Note 13)*	**626,007**	620,257
Retained earnings	**1,873,870**	1,834,725
	2,499,877	2,454,982
	34,309,228	28,723,755

Approved on behalf of the Board

E-SIGNED by Andrew Yiu
Director

E-SIGNED by Farhard Mistry
Director

Compensation Employees Credit Union
Statement of Comprehensive Income
For the year ended December 31, 2020

	2020	*2019*
Interest income		
Member loans	**875,810**	935,074
Investments	**71,728**	78,644
	947,538	1,013,718
Interest expense		
Member deposits	**145,490**	133,547
Member shares	**204,287**	270,748
	349,777	404,295
Financial margin	**597,761**	609,423
Other income	**28,347**	38,593
Financial margin and other income	**626,108**	648,016
Operating expenses		
Advertising and promotion	**19,392**	14,876
Building occupancy	**7,559**	7,559
Data processing	**76,383**	80,713
Depreciation	**18,125**	18,429
Dues and assessments	**41,389**	42,831
Office	**40,966**	42,974
Professional and consulting	**26,850**	32,150
Salaries and employee benefits	**290,399**	305,685
	521,063	545,217
Income before provision for impaired loans	**105,045**	102,799
Provision for impaired loans *(Note 16)*	**32,486**	15,000
Income before income taxes	**72,559**	87,799
Income taxes (recovery) *(Note 10)*		
Current	**1,643**	(746)
Deferred	**1,000**	12,000
	2,643	11,254
Comprehensive income	**69,916**	76,545

Compensation Employees Credit Union
Statement of Changes in Members' Equity
For the year ended December 31, 2020

	Equity shares	*Retained earnings*	*Total members' equity*
Balance December 31, 2018	**649,196**	**1,788,675**	**2,437,871**
Comprehensive income	**-**	**76,545**	**76,545**
Equity share dividends	**-**	**(30,495)**	**(30,495)**
Net redemption of equity shares	**(28,939)**	**-**	**(28,939)**
Balance December 31, 2019	**620,257**	**1,834,725**	**2,454,982**
Comprehensive income	**-**	**69,916**	**69,916**
Equity share dividends	**-**	**(30,771)**	**(30,771)**
Net issuance of equity shares	**5,750**	**-**	**5,750**
Balance December 31, 2020	**626,007**	**1,873,870**	**2,499,877**

Compensation Employees Credit Union
Statement of Cash Flows
For the year ended December 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating activities		
Comprehensive income	**69,916**	76,545
Depreciation	**18,125**	18,429
Deferred income tax expense	**1,000**	12,000
Provision for impaired loans	**32,486**	15,000
Changes in working capital accounts:		
Income taxes receivable	**2,389**	6,410
Accounts payable and accrued liabilities	**2,758**	(30,772)
Accured interest on member loans receivable	**18,770**	1,362
Accrued interest on member deposits	**(21,617)**	(45,621)
	123,827	53,353
Financing activities		
Net change in member deposits	**5,558,436**	(825,141)
Net change in equity shares	**5,750**	(28,939)
Equity share dividends	**(30,771)**	(30,495)
	5,533,415	(884,575)
Investing activities		
Net change in member loans receivable	**1,443,072**	2,677,238
Net change in investments	**2,412,557**	4,003
	3,855,629	2,681,241
Increase in cash and cash equivalents	**9,512,871**	1,850,019
Cash and cash equivalents, beginning of year	**2,912,449**	1,062,430
Cash and cash equivalents, end of year	**12,425,320**	2,912,449

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Compensation Employees Credit Union (the “Credit Union”) was formed pursuant to the Credit Union Incorporations Act of the British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia (“the Act”).

The Credit Union serves members in the Lower Mainland area of British Columbia and the surrounding areas. The address of the Credit Union’s registered office is 6951 Westminster Highway, Richmond, BC.

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, 2020 were approved by the Board of Directors on February 23, 2021.

2. 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

Since a determination of some assets and liabilities is dependent upon uncertain future events, the preparation of these financial statements requires the use of estimates and assumptions, which have been made by management using careful judgement. Actual results may differ from these estimates. The estimates, assumptions and judgments used in preparation of these financial statements include the measurement of the allowance for loan impairment, the estimate of fair value of financial instruments not traded on active markets, income taxes, and key assumptions in determining the allowance for expected credit losses.

During the current year, the global COVID-19 pandemic and its related economic impacts have resulted in heightened measurement uncertainty, primarily related to the estimates, assumptions and judgements used in the measurement of the allowance for loan impairment. For the year ended December 31, 2020, the Credit Union has included all information available to the date of these financial statements in these estimates. The situation remains fluid and certain impacts continue to remain unknown and may reasonably require adjustment within the next twelve months.

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

Financial instruments not traded on active markets

For financial instruments not traded in active markets, fair values are determined using valuation techniques such as the discounted cash flow model that rely on assumptions that are based on observable active markets or rates. Certain assumptions take into consideration liquidity risk, credit risk and volatility.

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.

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

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, interest rates
- 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

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
- Inflation
- Loan to Value ratios

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.

Impact of the COVID-19 pandemic

As a result of COVID-19, there is a higher degree of uncertainty in determining reasonable and supportable forward-looking information used in assessing significant increase in credit risk and measuring expected credit losses. The impact of the pandemic on the long-term outlook remains fluid and uncertain, and forward looking information has been updated to the best of the Credit Union's knowledge based on external economic data. The Credit Union introduced relief programs during the year that allow borrowers to temporarily defer payments of principal on their loans. Under these retail and non-retail programs and notwithstanding any other changes in credit risk, opting into a payment deferral program does not in and of itself trigger a significant increase in credit risk since initial recognition and does not result in additional days past due.

The current environment is subject to rapid change and to the extent that certain effects of COVID-19 are not fully incorporated into the model calculations, increased temporary quantitative and qualitative adjustments have been considered and applied where necessary. This includes borrower credit scores, industry and geography specific COVID-19 impacts, payment support initiatives introduced by the Credit Union and governments, and the persistence of the economic shutdown, the effects of which are not yet fully reflected in the quantitative models. The Credit Union has performed certain additional qualitative portfolio and loan level assessments if significant changes in credit risk were identified.

3. Change in accounting policies

Standards and Interpretations effective in the current period

The Credit Union adopted amendments to the following standards, effective January 1, 2020. Adoption of these amendments had no effect on the Credit Union's financial statements.

- IFRS 3 Business combinations
- IAS 1 Presentation of financial statements
- IAS 8 Accounting policies, changes in accounting estimates and errors

4. Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits. Other investments (term deposits and certificates of deposit) purchased with a maturity date of three months or less are also reported as cash.

Investments

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.

Central 1 term deposits

Central 1 term deposits are accounted for at amortized cost.

Central 1 shares and portfolio investments

Investments in securities are measured at fair value, with adjustments recognized in profit or loss.

Member loans receivable

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, plus accrued interest. 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.

Equipment

Equipment is 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 equipment have different useful lives, they are accounted for as separate items of equipment.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Assets are depreciated from the date capitalized. The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Years
Furniture and fixtures	3-15 years

The residual value, useful life and depreciation method is reassessed at each reporting date.

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

Intangible assets

The Credit Union's only intangible asset is computer software which is amortized to comprehensive income on a straight-line basis over 10 years. The useful life of computer software will be reviewed on an annual basis and the useful life is altered if estimates have changed significantly.

Gains or losses on the disposal of intangible assets will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognised in comprehensive income as other operating income or other operating costs, respectively.

Impairment of non-financial assets

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

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

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

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 comprehensive income.

Member deposits

Member deposits are initially recognized at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities

Accounts payable are initially recorded at fair value and are subsequently carried at amortized cost, which approximates fair value due to the short term nature of these liabilities.

Equity shares

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

Income taxes

Current tax and deferred tax are recognized in comprehensive income 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.

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

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.

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 comprehensive income 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 comprehensive income.

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

Financial assets 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 member loans and Central 1 term deposits.
- 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 charges in the financial assets' carrying amount are recognized in profit or loss. The Credit Union measures all equity investments at fair value with changes in fair value are recorded in profit or loss. Included in this classification are cash and cash equivalents, Central 1 shares and investments in other co-operative entities.

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

- 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. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.

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. 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 member loans receivable 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, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. 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 asset.

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

Derecognition of financial assets

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.

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.

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

Classification and subsequent measurement

Financial instruments classified as other financial liabilities include all member deposits, borrowings, and accounts payable and accrued liabilities. All financial liabilities are initially measured at fair value.

Subsequent to initial recognition, financial liabilities are measured at amortized cost or fair value through profit or loss.

Derecognition of financial liabilities

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

Revenue recognition

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

Investment income

Investment income is recognized as interest is earned on interest-bearing investments, and when dividends are declared on shares.

Interest

Interest income is recognized in comprehensive income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Fees related to the origination or renewal of a loan are considered an integral part of the yield earned on a loan and are recognized using the effective interest method over the estimated repayment term of the related loan.

Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

Pension plan

The Credit Union participates in a multi-credit union defined contribution pension plan and recognizes contributions as an expense in the year to which they relate.

Fair value measurements

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

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, 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 significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

5. Cash and cash equivalents

	2020	*2019*
Cash on hand	**10,024,922**	2,912,449
Central 1 term deposits maturing in less than three months	**2,400,398**	-
	12,425,320	2,912,449

On January 4, 2021 the term deposits maturing in less than 3 months, totalling $2,400,398, were redeemed and reinvested in high quality liquid assets (Note 18).

Liquidity reserve deposit

As a condition of maintaining membership in Central 1, the Credit Union is required to maintain on deposit with Central 1 an amount equal to 8% of the Credit Union's total deposits and borrowings, less any cash on hand. The liquidity reserve deposit bears interest at a rate which is fixed periodically and is callable by the Credit Union on ninety days notice. At December 31, 2020, the Credit Union liquidity deposits equal 39.16% (2019 - 20.28%) of the Credit Union's total deposits and borrowings, less any cash on hand. The Credit Union liquidity deposits exceeded the minimum required by $9,886,714 (2019 - $3,221,405).

6. Investments

	2020	*2019*
Central 1 term deposits and portfolio investments:		
Central 1 term deposits maturing beyond three months	**-**	2,407,078
Portfolio investments	**142,742**	148,220
	142,742	2,555,298

7. Member loans receivable

Principal and allowance by loan type:

2020

	Principal	**Allowance for loan impairment** *(Note 16)*	**Net carrying value**
Personal and other	2,680,337	52,000	**2,628,337**
Real estate secured	18,917,850	-	**18,917,850**
Accrued interest	16,032	-	**16,032**
Total	21,614,219	52,000	**21,562,219**

7. Member loans receivable *(Continued from previous page)*

2019

	Principal	Allowance for loan impairment	Net carrying value
Personal and other	3,086,807	19,514	3,067,293
Real estate secured	19,954,453	-	19,954,453
Accrued interest	34,801	-	34,801
Total	23,076,061	19,514	23,056,547

8. Furniture and equipment

Furniture and equipment with a cost of $141,915 (2019 - $141,915) has been fully depreciated, however it is still in use.

9. Intangible assets

	Banking system software
Cost	
Balance at January 1, 2019	**297,412**
Balance at December 31, 2019	**297,412**
Balance at January 1, 2020	**297,412**
Balance at December 31, 2020	**297,412**
Depreciation and impairment losses	
Balance at January 1, 2019	**91,268**
Depreciation	**18,429**
Balance at December 31, 2019	**109,697**
Balance at January 1, 2020	**109,697**
Depreciation	**18,125**
Balance at December 31, 2020	**127,822**
Net book value	
At December 31, 2019	187,715
At December 31, 2020	**169,590**

10. Income tax

Reasons for the difference between income tax expense (recovery) for the year and the expected income taxes based on the statutory tax rate of 27% (2019 - 27%) are as follows:

	2020	*2019*
Income tax expense on the statutory rate	**19,591**	23,706
Small business deduction	**(2,390)**	-
Items not deductible for tax purposes	**68,822**	43,707
Items deductible for tax purposes	**(84,380)**	(68,905)
Non-capital loss carryback	**-**	746
Income tax expense (recovery)	**1,643**	(746)

The movement in 2020 deferred income tax assets (liabilities) are:

	Jan 1, 2020	**Recognized in comprehensive income**	**Dec 31, 2020**
Deferred income tax assets (liabilities):			
Allowance for impaired loans	(2,000)	-	**(2,000)**
Equipment	2,300	(300)	**2,000**
Intangible asset	(14,300)	(700)	**(15,000)**
	(14,000)	(1,000)	**(15,000)**

The movement in 2019 deferred income tax assets (liabilities) are:

	Jan 1, 2019	Recognized in comprehensive income	Dec 31, 2019
Deferred income tax assets (liabilities):			
Allowance for impaired loans	2,000	(4,000)	(2,000)
Equipment	2,800	(500)	2,300
Intangible asset	(6,800)	(7,500)	(14,300)
	(2,000)	(12,000)	(14,000)

11. Member deposits

	2020	*2019*
Demand	**21,248,561**	17,772,506
Terms	**4,204,623**	2,340,899
Registered savings plans	**5,960,889**	5,742,232
Accrued interest savings and deposits	**349,275**	370,891
	31,763,348	26,226,528

12. Borrowings

The Credit Union has available an operating line of credit and a term loan agreement to a maximum borrowing position of $1,500,000 (2019 - $1,500,000) with Central 1. Borrowings are secured by an assignment, hypothecation, charge and pledge of all book debts and accounts to Central 1 and bear an annual interest rate based on the Chartered Banks overnight funds rate, with no fixed repayment dates.

13. Equity shares

Authorized:

Unlimited number of equity shares, at an issue price of $1

Issued:

	2020	*2019*
Member shares classified as equity		
Equity shares	**626,007**	620,257

Terms and conditions
Equity shares are as provided for by the Credit Union Act and administered according to the terms of the Credit Union Bylaws which set out the rights, privileges, restrictions, and conditions to those shares. The authorized share capital is unlimited in amount, consists of shares with a par value of $1 each. Members are required to have a minimum of 25 equity shares. The maximum equity shares per member is 500.

14. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union are defined by IAS 24 Related Party Disclosures as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

Key management personnel ("KMP") remuneration includes the following expenses:

	2020	*2019*
Salary and short term benefits	**100,220**	98,203

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

Transactions with key management personnel

There are no loans that are impaired in relation to loan balances with KMP.

There are no benefits or concessional terms and conditions applicable to the KMP and their family members. There are no loans that are impaired in relation to the loan balances with family or relatives of KMP.

	2020	*2019*
Aggregate of loans to KMP	**530,745**	574,541

	2020	*2019*
During the year the aggregate value of loans disbursed to KMP amounted to:		
Term Loans	**97,790**	57,890

	2020	*2019*
Interest and other revenue earned on loans to KMP	**15,569**	17,332
Total interest paid on deposits to KMP	**3,598**	4,480
The total value of member deposits from KMP as at the year-end	**459,505**	144,161

15. Capital management

The Credit Union requires capital to fund existing and future operations and to meet regulatory capital requirements.

The Credit Union is required under provincial legislation to maintain a capital base equal to 8% of the total risk-weighted value of assets; each asset being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset. At December 31, 2020, the Credit Union had a capital base approximating 34.01% (2019 - 28.61%) of the risk-weighted value.

The Credit Union employs a forward looking capital plan that is reviewed by management and the Board of Directors. The capital plan forecasts the Credit Union’s capital position over a five year period. The capital plan dictates management’s approach to growth, loan mix, credit quality, fixed assets, profitability objectives, and dividend/patronage rebate policy, and has a significant influence on member service objectives. It also establishes the criteria to maintain a cushion beyond the minimum statutory capital requirements. Management and the Board of Directors ensure the Credit Union’s investment and lending policy and credit risk profile reflect loan portfolio composition and levels of risk that are consistent with the Credit Union’s capital resources and objectives.

15. Capital management *(Continued from previous page)*

There has been no change in the overall capital requirements strategy employed during the year ended December 31, 2020.

	2020	*2019*
Primary capital		
Retained earnings	**1,873,870**	1,834,725
Equity shares	**626,007**	620,257
Deferred income tax liability	**15,000**	14,000
	2,514,877	2,468,982
Secondary capital		
Share of system retained earnings	**332,172**	282,939
Deductions from capital	**(169,590)**	(187,715)
Capital base	**2,677,459**	2,564,206

16. Financial instruments

The Credit Union as part of its operations carries a number of financial instruments. It is management's opinion that the Credit Union is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

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 member loans receivable, investments in debt securities, and the Credit Union’s lending activities. Overall monitoring and processes will change as deemed necessary in response to the on-going economic impact of COVID-19. This has and will include changes to the current processes to ensure that the overall portfolio is secured and the Credit Union will continue to support the members and find their optimal credit solutions. The stages of expected credit loss within the loan portfolio, if affected by COVID-19, will be adjusted as necessary as we progress through the pandemic.

Risk management process

Credit risk management is integral to the Credit Union’s activities. The Board of Directors are 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 and related parties
- 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

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

- Timely loan analysis processes to identify, access and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes
- 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 customers. These are subject to normal credit standards, financial controls, risk management and monitoring procedures.

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 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.

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 dealings.

Measurement of expected credit losses

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

When measuring 12-month and lifetime expected credit losses, the Credit Union considers items such as the contractual period of the financial asset or the period for which the entity is exposed to credit risk, determination of appropriate discount rates used in incorporating the time value of money, assumptions about prepayments, timing and extent of missed payments or default events, how probabilities of default and other assumptions and inputs used in calculating the amount of cash short falls depending on the type or class of financial instrument. 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 customers 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.

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

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.

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.

Significant Increase in Credit Risk - COVID 19 Impact

There are judgments involved in determining whether or not there is a significant increase in credit risk resulting in loans moving between stages of expected credit loss and, therefore, being subject to different expected credit loss models. Due to the ongoing pandemic, the Credit Union has implemented programs that allowed for the deferral of payments on loans to members in certain circumstances. With respect to those loans where the member has taken advantage of the loan payment deferral programs, the Credit Union has assessed whether this is indicative of a significant increase in credit risk, including consideration on whether this is indicative of a short-term change or an increase in the risk the member will default over the life of the loan.

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.

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

Except as noted below, the gross carrying amount represents the maximum exposure to credit risk for that class of financial asset.

2020

	12-month ECL	***Lifetime ECL (not credit impaired)***	***Lifetime ECL (credit impaired)***	***Total***
Personal loans				
Low risk	**2,586,171**	**-**	**-**	**2,586,171**
Medium risk	**-**	**-**	**-**	**-**
Default	**-**	**-**	**94,166**	**94,166**
Mortgages	**-**	**-**	**-**	**-**
Low risk	**18,917,850**	**-**	**-**	**18,917,850**
Medium risk	**-**	**-**	**-**	**-**
Default	**-**	**-**	**-**	**-**
Total gross carrying amount	**21,504,021**	**-**	**94,166**	**21,598,187**
Less: allowance for impaired loans	**10,963**	**-**	**41,037**	**52,000**
Add: accrued interest	**15,331**	**-**	**701**	**16,032**
Total carrying amount	**21,508,389**	**-**	**53,830**	**21,562,219**

2019

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Personal loans				
Low risk	3,077,760	-	-	3,077,760
Medium risk	-	9,047	-	9,047
Default	-	-	-	-
Mortgages				
Low risk	19,954,453	-	-	19,954,453
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	23,032,213	9,047	-	23,041,260
Less: allowance for impaired loans	10,439	9,075	-	19,514
Add: accrued interest	34,773	28	-	34,801
Total carrying amount	23,056,547	-	-	23,056,547

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

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Member loans receivable				
Balance at January 1, 2019	9,000	-	133,301	142,301
Provision for loan impairment	1,439	9,075	4,486	15,000
Loan write-offs	-	-	(137,787)	(137,787)
Balance at December 31, 2019	10,439	9,075	-	19,514
Transfer to 12-month ECL	**524**	**(9,075)**	**8,551**	**-**
Provision for loan impairment	**-**	**-**	**32,486**	**32,486**
Balance at December 31, 2020	**10,963**	**-**	**41,037**	**52,000**

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. The resulting impact from COVID-19 to the Credit Union’s margin has been and will continue to be monitored constantly.

Interest rate risk

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments. The Credit Union does not hedge its interest rate risk. See below for further information on interest rate sensitivity.

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

Contractual repricing and maturity

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

	Within one year	One to four years	Greater than four years	Non-Interest Sensitive	2020 Total	2019 Total
Assets						
Cash and cash equivalents	12,379,301	-	-	46,019	**12,425,320**	2,912,449
Average yield %	*0.40*	-	-	-	*0.40*	*0.98*
Investments	-	-	-	142,742	**142,742**	2,555,298
Average yield %	-	-	-	-	-	*2.06*
Member loans receivable	5,194,594	8,872,434	7,479,159	16,032	**21,562,219**	23,056,547
Average yield %	*3.43*	*3.84*	*3.06*	-	*3.47*	*3.62*
	17,573,895	**8,872,434**	**7,479,159**	**204,793**	**34,130,281**	28,524,294
Liabilities						
Member deposits	28,578,030	2,836,043	-	349,275	**31,763,348**	26,226,528
Average yield %	*0.51*	*1.87*	-	-	*0.63*	*1.13*
Accounts payable and accrued liabilities	-	-	-	31,003	**31,003**	28,245
	28,578,030	**2,836,043**	**-**	**380,278**	**31,794,351**	26,254,773
Mismatch	**(11,004,135)**	**6,036,391**	**7,479,159**	**(175,485)**	**2,335,930**	2,269,521

Based on the current financial instruments, it is estimated that a 1.0% increase in the interest rate would increase financial margin by approximately $55,000 (2019 - $12,000). A 1.0% decrease in the interest rate would decrease financial margin by approximately $22,000 (2019 - $12,000).

Liquidity risk

Liquidity risk arises from the inability to generate or obtain the necessary cash or cash equivalents in a timely manner, at a reasonable price, to meet commitments as they come due. In particular, the risk arises from failure to meet the Credit Union's day-to-day obligations, including claims on the Credit Union and operational demands.

The Credit Union uses different risk management processes to manage liquidity risk. The acceptable amount of risk is defined by policies approved by the board and monitored by the Investment & Lending Committee.

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgment pertaining to current and prospective specific and market conditions and the related behaviour of its members and counterparties.

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

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

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 Central 1;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits.

17. Fair value measurements

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:

	Fair Value	***Level 1***	***Level 2***	***2020 Level 3***
Assets				
Cash on hand	**10,024,922**	**10,024,922**	**-**	**-**
Investments - shares	**142,742**	**-**	**142,742**	**-**
Total recurring fair value measurements	**10,167,664**	**10,024,922**	**142,742**	**-**

	Fair Value	*Level 1*	*Level 2*	*2019 Level 3*
Assets				
Cash on hand	2,912,449	2,912,449	-	-
Investments - shares	148,220	-	148,220	-
Total recurring fair value measurements	3,060,669	2,912,449	148,220	-

Level 2 fair value measurements

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

Fair value measurement	***Valuation technique(s)***	***Inputs***
Investments - shares	Fair value approximates par value for shares as transactions occur at par value on a regular and recurring basis.	Value of shares

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

Assets and liabilities for which fair value is only disclosed

The following table analyses within the fair value hierarchy the Credit Union’s assets and liabilities (by class) not measured at fair value, but for which fair value is disclosed:

	Fair Value	***Level 1***	***Level 2***	***2020 Level 3***
Assets				
Cash and cash equivalents - Central 1 term deposits	**2,400,398**	**-**	**2,400,398**	**-**
Member loans receivable	**22,043,203**	**-**	**22,043,203**	**-**
Total assets	**24,443,601**	**-**	**24,443,601**	**-**
Liabilities				
Member deposits	**31,831,337**	**-**	**31,831,337**	**-**
Accounts payable and accrued liabilities	**31,003**	**-**	**31,003**	**-**
Total liabilities	**31,862,340**	**-**	**31,862,340**	**-**

	Fair Value	*Level 1*	*Level 2*	*2019 Level 3*
Assets				
Investments - Central 1 term deposits	2,405,611	-	2,405,611	-
Member loans receivable	22,345,350	-	22,345,350	-
Total assets	24,750,961	-	24,750,961	-
Liabilities				
Member deposits	26,493,528	-	26,493,528	-
Accounts payable and accrued liabilities	28,245	-	28,245	-
Total liabilities	26,521,773	-	26,521,773	-

18. Event after the reporting period

On January 4, 2021, the segregation of the mandatory liquidity pool maintained by Central 1 Credit Union was finalized. The deposits held in the mandatory liquidity pool by the Credit Union of $2.4 million were redeemed in exchange for a portfolio of high quality liquid assets invested through the Credit Union's Trust.

Subsequent to segregation, Central 1 Class F shares of $119,804 were redeemed at par in cash to the Credit Union.

The segregation of the mandatory liquidity pool on January 4, 2021 resulted in an insignificant gain on redemption recorded in income in the 2021 fiscal year.