CREDIT UNION
DEPOSIT GUARANTEE CORPORATION

Protecting Credit Union Member Deposits for Over 30 Years

ANNUAL BUSINESS REPORT 2021

TABLE OF CONTENTS

CHAIRPERSON'S REPORT

On behalf of the Board of Directors of the Credit Union Deposit Guarantee Corporation (the Corporation), I am pleased to report on the results of the Business Plan of the Corporation for the calendar year ended 2021.

The mandate of the Credit Union Deposit Guarantee Corporation is to protect the qualifying investments of credit union members. The Corporation facilitates the financial stability of the credit union system by monitoring credit unions to ensure they comply with legislation and exercise sound business practices.

The Board of the Corporation acknowledges it is accountable for the actual results reported. This report provides an overview of the Corporation and results achieved for 2021.

This year has continued to be very challenging for us all. While the "new normal" has allowed us to be more casual in interacting with each other, the presence of Covid-19 and its variants continues to challenge us in the way we approach our daily lives. On behalf of the Board of the Corporation, I would like to acknowledge the credit unions' continued efforts to meet the needs and expectations of its members despite these challenges. While the public health concerns will continue, I am sure that the excellent service to members will remain at the forefront for credit unions. Board members of the Corporation are looking forward to another year of cooperation and good relationships with credit unions. The Board thanks the directors, management and staff of the Corporation for their dedication, support and their important role in ensuring a strong credit union system in this province.

On behalf of the Board of Directors,

Joan Marie Gatherall
Chair

OVERVIEW

The Corporation is responsible for the administration of the **Credit Union Act, 2009** and its regulations, for the stabilization of the credit union system and for providing deposit insurance to credit union members. It monitors and examines the financial affairs of credit unions and works with credit unions to resolve deficiencies identified through this process. The Corporation may impose financial and governance standards for credit unions and enforce sound business practices. It has the authority to place credit unions under supervision and to act as administrator and/or liquidator, pursuant to the **Credit Union Act, 2009**.

In 2021, the Credit Union Deposit Guarantee Corporation had six (6) employees; four (4) located in Marystown and two (2) in St. John's. The Board of Directors of the Corporation is comprised of industry and government representatives and has six members (one vacancy in 2021), including three selected from credit union system nominees. The Chief Executive Officer is the Secretary/Treasurer for the Board and was the Superintendent of Credit Unions until December 2021. The current membership of the Corporation's Board is identified in Appendix B. The Board functions are to oversee the regulation of the province's credit union industry and make key decisions that are critical to the Corporation achieving its mandate. Board decisions are achieved through consensus or a majority vote, as necessary. The Board held five official Board meetings during 2021. In addition, the Board had multiple informal update sessions with the Chief Executive Officer to receive updates in relation to operations during the public health emergency. Individual directors of the Corporation also attended nine Annual General Meetings of credit unions (four in person AGMs and five virtual AGMs were held).

The Corporation is self-funded with revenues generated from deposit insurance assessments received from credit unions, premiums received on insurance programs and investment income. The Corporation's primary operating expenses include salaries and benefits, bonding insurance and other operating costs such as travel and administration. The Board plays a key role in the budgetary process of the Corporation.

Mandate

The mandate of the Credit Union Deposit Guarantee Corporation is outlined in Section 134 of the **Credit Union Act, 2009** as contained in Appendix A. Its mandate is to protect the qualifying investments of all credit union members. The Corporation facilitates the financial stability of the credit union system by requiring credit unions to comply with legislation and exercise sound business practices.

Lines of Business

The Credit Union Deposit Guarantee Corporation provides the following lines of business to its primary clients:

1. Regulation of Credit Unions

The Corporation regulates credit unions through its examination, monitoring and enforcement activities.

Examination
Credit union examinations are completed through a risk based process with an emphasis on compliance with legislation and sound business practices

Monitoring
Monthly, quarterly and annually, the Corporation receives financial statements and other regulatory reports from credit unions which are reviewed and, if required, remedial action is taken. Annually the Corporation also reviews independent audited statements of credit unions prepared by accountants licensed under Chartered Professional Accountants and Public Accountants Act.

Enforcement
Credit Unions who remain non-compliant will be assessed fines and penalties pursuant to legislation and/or will be placed under supervision by the Corporation.

2. **Deposit Insurance**

The Corporation provides deposit insurance on deposits of credit union members equal to a maximum CDN$250,000 per insured deposit (foreign deposits are included in Canadian dollar equivalency). There are six insured deposits, including:

- Basic deposits
- Joint deposits
- Registered Retirement Savings Plans (RRSP'S)
- Registered Retirement Income Funds (RRIF'S)
- Tax Free Savings Accounts (TFSA'S)
- Trust accounts

3. Stabilization

The Corporation stabilizes credit unions through supervision, training and risk management activities.

Supervision
Credit Unions experiencing on-going difficulties are placed under supervision. The degree of supervision depends on the severity of the problem. The supervision process could involve requiring a credit union to prepare a plan to address the problem creating the difficulty and monitoring for compliance, replacing the Board of Directors, merging the credit union with another credit union or eventually winding up a credit union.

Training
Under legislation, the Corporation may prescribe the minimum level of training for a director or officer of a credit union. During the past number of years the Corporation has been encouraging training of directors in good corporate governance practices by financially supporting director training.

Risk Management
The Corporation administers six insurance policies on behalf of the credit union system. The six policies are Bonding, Directors Liability and Corporate Reimbursement, Corporate Errors and Omissions, Employment Practices Liability, Privacy Liability and On-line Banking.

Vision

Newfoundlanders and Labradorians have access to a credit union system that is strong, stable and successful.

HIGHLIGHTS AND PARTNERSHIPS

The Credit Union Deposit Guarantee Corporation continued to perform well in 2021.

Financial:

The Corporation's reported net income was $1,206,133 in 2021 as compared to $1,303,390 in 2020. Although assessment income increased in 2021, net income decreased based on the following:

- Investment income decreased due to unfavorable interest rates.
- Salary expense increased as a vacant position in 2020 was filled in 2021 and contracted pay raises came into effect.
- Travel costs for examinations and meetings increased over 2020 as more in-person meetings and onsite examinations took place with more relaxed Covid-19 protocols.

The Deposit Guarantee Fund Balance at the end of 2021 was $15,326,704 as compared to $14,120,571 at the end of 2020. The Corporation reported assets of $15,365,480 in 2021 compared to $14,236,892 in 2020.

The audited financial statements of the Corporation are contained in Appendix "C" of this report.

Operational:

In accordance with its legislative mandate, the Corporation continued to monitor and examine credit unions in 2021.

The Corporation completed a modified examination process during 2021 as its ability to travel continued to be limited in 2021 due to COVID–19 Public Health restrictions. Four

(4) of the nine (9) credit unions operating with in Newfoundland and Labrador experienced an examination in 2021. The Corporation completed two (2) credit based on-site examinations, and two (2) remote examinations. In addition to the credit based examinations, all nine (9) credit unions were part of the Corporation's consultative review of Corporate Governance (continued from 2020) which focused on Structure, Reporting and Monitoring. Phase two of this engagement is expected to begin in late 2022 or early 2023. Overall for 2021, there were no deficiencies or non-compliance issues identified that posed significant risk to the credit unions.

The Corporation continued its focus on good governance and risk management practices by continuing its sponsorship of credit union directors training (covered 50% of training cost) which amounted to $8,056.50 in 2021.

The Corporation is Master Policy Holder for six insurance policies. In 2021, there were a total of eight (8) claims filed with a net payout of $63,661.

The Corporation processed 68 bonding applications (65 staff and 3 directors) in 2021. Fifty-eight (58) were approved unconditionally, seven (7) were approved conditionally and three (3) were withdrawn before final approval was granted.

BUSINESS ISSUES

The following section presents the business issues in fulfilling the requirements outlined in the Transparency and Accountability Act which designates the Corporation a Category 2 entity, to report to the people of Newfoundland and Labrador on its 2020-2022 three year business plan.

Issue: Examination Review

The Credit Union Deposit Guarantee Corporation believes national and international guidance together with current legislation will provide valuable insight to current prudent oversight practices. This will support Government's strategy to create a robust and stable economy.

Goal

By December 31, 2022, the Credit Union Deposit Guarantee Corporation will have completed a comprehensive review of our current Examination Program that supports effective prudential oversight of the credit union system in Newfoundland and Labrador.

Indicators:

- Reviewed national guidance
- Reviewed international guidance
- Reviewed **Credit Union Act, 2009** and its regulations
- Discussions were held with Credit Union Director's Association (CUDA) and Credit Union Managers Association (CUMA) about the proposed changes to the Examination Program.

- Applicable changes to the Examination Program were implemented.
- Changes to the **Credit Union Act, 2009** and its regulations were proclaimed in the House of Assembly in December 2021.

Objective for the year 2021:

By December 31, 2021, the Credit Union Deposit Guarantee Corporation will have consulted with stakeholders and implemented changes to the Examination Program where possible.

Indicators:
- Changes to the Examination Program have been outlined and implemented where possible.
- Feedback from stakeholders has been received, considered and discussed.
- Changes to the **Credit Union Act, 2009** and its regulations have been proclaimed.

Results Achieved:

Throughout 2021, to further support our objective to have an Examination Program that supports effective prudential oversight of the credit union system in Newfoundland and Labrador, the Corporation began to implement changes to the Examination Program.

These changes focused on:
- Implementation of a risk based examination program
- the internal control framework vs risk weighting of loans/portfolio
- sampling based on International Internal Audit (IIA) standards
- a new style of report.

Examination findings were reviewed with stakeholders with actionable items noted. Amendments to the **Credit Union Act, 2009** and its regulations were completed in 2021.

Objective for the year 2022:

By December 31, 2022, the Credit Union Deposit Guarantee Corporation will have completed changes to the Examination Program, held regional meetings with credit unions, and obtained final Board approval.

Indicators:
- Changes to the Examination Program have been completed
- Regional meetings with credit unions have taken place
- CUDGC Board has given final approval to the changes to the Examination Program

OPPORTUNITIES AND CHALLENGES AHEAD

Opportunities

1. To support the development of credit union directors, management and staff in the Newfoundland and Labrador credit union system by financially supporting training initiatives.

2. To maintain and enhance communication with credit union directors by attending annual general meetings, board on board meetings and attending provincial and regional credit union system meetings.

3. To support the continued prosperity of the credit union system by ensuring legislation is appropriate to the needs of a growing and ever changing credit union system.

4. To ensure our credit union system is prepared for cyber threats and be as prepared as we can to respond in the event one occurs.

Challenges

1. To ensure legislation is appropriate to the needs of a growing and ever-changing credit union system.

2. To ensure the Corporation's staff and directors undertake educational opportunities to enable the Corporation to satisfactorily respond to new issues that may result from the rapid changes taking place in the financial industry.

3. The continuation of the COVID19 pandemic, which required further adjustments to both examination plans and resources in order to fulfill our mandate, both remotely and onsite, so as to meet Public Health Directives.

4. Through continued consultation and partnering with other stakeholders, ensure we are doing the best we can to prevent cyber events.

Appendix A – Mandate

Legislated Mandate (Source: **Credit Union Act, 2009** Chapter C-37.2)

134. The duties of the guarantee corporation are

(a) to provide, for the benefit of persons having deposits with credit unions in the province, deposit insurance against loss of part or all of those deposits by making payments to the depositors to the extent and in the manner authorized by this Act;

(b) in those circumstances that the guarantee corporation considers appropriate, to provide assistance to credit unions for the purpose of stabilization or for the orderly liquidation of a credit union;

(c) to protect deposits in credit unions against impairment arising from financial losses and insolvency by

(i) promoting the development and implementation of sound business practices and sound financial policies and procedures by credit unions, and

(ii) establishing and implementing loss prevention programs and other controls;

(c.1) to ensure that credit union by-laws comply with this Act and the regulations;

(c.2) to notify the superintendent of the matters prescribed in the regulations that may impact credit unions, credit union members or the guarantee corporation;

(d) to act as supervisor of a credit union; and

(e) to do those other things that may be required or authorized by this Act or the regulations.

APPENDIX B - DIRECTOR PROFILES

Joan Marie Gatherall
Chair

Joan Marie Gatherall has 30 years of progressive and diverse financial, business and volunteer experience. She graduated with a Bachelor of Commerce (Hons) and received her Chartered Accountant designation in 1990. Over her career, she has worked in public practice, the Provincial Government, the Credit Union System and private industry in various management roles. For 6 years, she was General Manager of the Credit Union Central of NL working with credit unions to improve performance and governance. She has been an active member of EasternEdge Credit Union for over 25 years. Her volunteer experience ranges from the local school community, The Kids Eat Smart Foundation and School Board Trustee. Ms. Gatherall is credit union system nominee.

Maureen McCarthy
Vice Chair

Maureen McCarthy is a retired employee of the Government of Newfoundland and Labrador. Prior to her retirement Ms. McCarthy was Director of Pensions, Department of Finance, Government of Newfoundland and Labrador. She is a Chartered Professional Accountant and has a Bachelor of Commerce (Honors) degree from Memorial University. Ms. McCarthy has been on the Board of the Credit Union Deposit Guarantee Corporation since 2000 as a Government appointee.

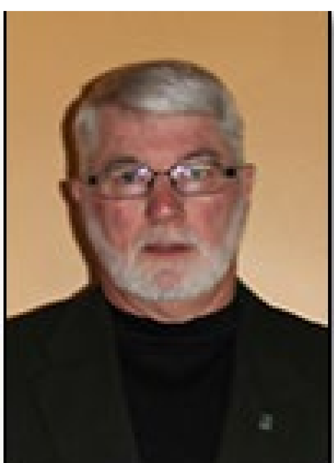
Robert Dicks

Robert Dicks is a retired employee of Newfoundland Power where he had worked 36 years as an Electrical Engineer Technologist. He was an active volunteer with the Reddy Kilowatt Credit Union for over 40 years, 20 years as president /chair of the Board of Directors. Mr. Dicks is a credit union system nominee and was appointed as a director of the Corporation on August 22, 2018.

APPENDIX B - DIRECTOR PROFILES (cont.)

Michael Delaney

Michael Delaney joined the Government of Newfoundland and Labrador in 2011. Mr. Delaney has served as the Superintendent of Pensions with the Department of Digital Government and Service NL for over seven years being responsible for the regulation of the Newfoundland and Labrador Pension Benefits Act and the associated regulations. As the Superintendent of Pensions, he has been Government's representative on the Canadian Association of Pension Supervisory Authorities (CAPSA). In addition to serving as a Vice-Chair, he has been involved on a number of CAPSA committees; including the DC Pension Plan Committee and the Actuarial Standards Committee. Prior to joining the provincial government, he worked for 10 years as a pension consultant with Morneau Shepell providing actuarial services to a number of organizations throughout Atlantic Canada. He has a Bachelor of Science in Actuarial Mathematics and Statistics from Heriot-Watt University, Edinburgh, Scotland. He has attained fellowships in both the Canadian Institute of Actuaries and Society of Actuaries in 2008. Mr. Delaney is a Government appointee.



Brendan Doyle
Vice-Chair & Interim
Chair for 2021

Brendan Doyle is a retired educator, with tenure as a teacher, department head, guidance counsellor, administrator, program specialist, and President of Newfoundland and Labrador Teachers' Association. He holds a Bachelor of Arts degree from St. Francis Xavier University, a Bachelor of Education and Master of Education in Administration degrees from Memorial University, and a Master of Education in Guidance and Counselling from the University of New Brunswick. Mr. Doyle served ten years on the Board of Directors of Codroy Valley/Leading Edge Credit Union. Mr. Doyle is credit union system nominee and has been on the Board of the Credit Union Deposit Guarantee Corporation for six (6) years.

Note: one Board position was vacant during 2021

APPENDIX C - AUDITED FINANCIAL STATEMENTS

Financial Statements of

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Year Ended December 31, 2021

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Financial Statements

Year Ended December 31, 2021

BRIAN T. SCAMMELL CPA CBV
ASSURANCE VALUATION & ADVISORY

P.O. Box 29024
St. John's, NL A1A 5B5
T: 709.754.7009
F: 709.754.5314
E: brian@briantscammell.ca

INDEPENDENT AUDITOR'S REPORT

To the Directors of Credit Union Deposit Guarantee Corporation

Opinion

I have audited the financial statements of Credit Union Deposit Guarantee Corporation (the Corporation), which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income and fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)

Basis for Opinion

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

(continues)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Brian Scammell

St. John's, NL
April 14, 2022

Brian T. Scammell Professional Corporation
Chartered Professional Accountant

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Statement of Financial Position

December 31, 2021

		2021		2020
ASSETS				
Cash	**$**	**15,339,104**	$	1,778,390
Marketable securities *(Note 4)*		**110**		12,329,250
Interest receivable		**-**		97,113
Harmonized sales tax recoverable		**16,898**		19,517
Prepaid expenses		**489**		2,103
Property, plant and equipment *(Net of accumulated amortization) (Note 5)*		**8,879**		10,519
	$	**15,365,480**	$	14,236,892
LIABILITIES AND DIRECTORS' EQUITY				
Accounts payable and accrued liabilities	**$**	**38,776**	$	116,321
RETAINED EARNINGS		**15,326,704**		14,120,571
LIABILITIES AND DIRECTORS' EQUITY	**$**	**15,365,480**	$	14,236,892

ON BEHALF OF THE BOARD

__________________ *Director*

__________________ *Director*

See notes to financial statements

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Statement of Comprehensive Income and Fund Balance

Year Ended December 31, 2021

		2021		2020
FEES				
Assessments	**$**	**1,911,372**	$	1,757,604
Bonding insurance		**323,503**		312,018
Interest		**113,555**		211,466
Other		**1,151**		952
		2,349,581		2,282,040
EXPENSES				
Salaries and wages		**701,905**		517,552
Insurance		**274,525**		262,489
Rental		**36,810**		36,810
Travel		**30,581**		17,127
Professional fees		**21,671**		34,511
Meetings and conventions		**16,377**		14,048
Data access costs		**13,349**		13,061
Training		**12,056**		40,446
Telephone		**9,626**		12,302
Directors fees		**9,100**		9,860
Office		**8,875**		6,969
Examinations		**5,787**		2,685
Amortization		**2,786**		2,910
Advertising and promotion		**-**		7,880
		1,143,448		978,650
NET INCOME		**1,206,133**		1,303,390
RETAINED EARNINGS - BEGINNING OF YEAR		**14,120,571**		12,817,181
RETAINED EARNINGS - END OF YEAR	**$**	**15,326,704**	$	14,120,571

See notes to financial statements

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Statement of Cash Flows

Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Net income	**$ 1,206,133**	$ 1,303,390
Items not affecting cash:		
Amortization of property, plant and equipment	**2,786**	2,910
Interest revenue	**(113,555)**	(211,466)
	1,095,364	1,094,834
Changes in non-cash working capital:		
Interest received	**210,668**	353,070
Accounts payable and accrued liabilities	**(77,545)**	(36,312)
Prepaid expenses	**1,614**	3,114
Harmonized sales tax recoverable	**2,619**	5,653
	137,356	325,525
Cash flow from operating activities	**1,232,720**	1,420,359
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,146)**	(3,274)
Proceeds from sale of marketable securities	**12,329,140**	12,650,000
Purchase of marketable securities	**-**	(12,329,140)
Cash flow from investing activities	**12,327,994**	317,586
INCREASE IN CASH FLOW	**13,560,714**	1,737,945
Cash - beginning of year	**1,778,390**	40,445
CASH - END OF YEAR	**$ 15,339,104**	$ 1,778,390

See notes to financial statements

1. REPORTING ENTITY

The Credit Union Deposit Guarantee Corporation (the "Corporation") is established as a corporation without share capital under the provisions of Section 133 of the Credit Union Act, 2009.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements for the year ended December 31, 2021 were authorized for issue by the Corporation's Board of Directors on April 14, 2022.

Basis of preparation

These financial statements are presented in Canadian dollars which is the Corporation's functional currency. They are prepared on the historical cost basis except for financial instruments at fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVTOCI"), which are stated at their fair values.

Use of significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from estimates made in these financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Judgements made by management in the application of IFRS have a significant effect on these financial statements. Outlined below are areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the Corporation's financial statements:

(continues)

2. BASIS OF PREPARATION *(continued)*

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from observable markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives, discount rates and prepayment rates. The valuation of financial instruments is discussed in more detail in Note 6.

(b) Provisions

The amount recognized as accounts payable and accrued liabilities is the best estimate of the consideration required to settle the related liability, taking into account the risks and uncertainties surrounding the obligation.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing these financial statements are reasonable. Actual results in the future may differ materially from those reported.

Assistance to credit unions, which is included in accounts payable and accrued liabilities, is management's best estimate of the consideration required to settle the related liability, taking into account the risks and uncertainties surrounding the obligation.

(c) Economic lives of property, plant and equipment

Management determines the estimated useful lives of its property, plant and equipment based on historical experience of the actual lives of property, plant and equipment of similar nature and functions, and reviews these estimates at the end of each reporting period.

(d) New standards implemented

There were no standards implemented in 2021 that were relevant to the Corporation.

3. OTHER SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(continues)

3. OTHER SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, are subsequently measured at amortized cost;

The measurement and classification categories of financial assets in accordance with IFRS 9 are outlined below. The Corporation has no debt instruments that are subsequently measured at FVTOCI.

Financial Instrument	Classification
Cash	Amortized cost
Marketable securities	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Corporation determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Corporation's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Corporation has business models for managing its financial instruments which reflect how the Corporation manages its financial assets in order to generate cash flows. The Corporation's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

(continues)

3. OTHER SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Corporation considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Corporation does not reasonably expect to occur, such as so-called "worst case" or "stress case" scenarios.

(b) Debt instruments at amortized cost

The Corporation assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Corporation's business model for managing the asset.

For an asset to be classified and measured at amortized cost, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

At initial recognition of a financial asset, the Corporation determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Corporation reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period, the Corporation has not identified a change in business models.

Debt instruments are measured at amortized cost using the effective interest method, and are subject to impairment. Interest income on debt instruments at amortized cost is recognized in interest income on the statement of comprehensive income.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability, and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(c) Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note.6.

(d) Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified, the Corporation assesses whether this modification results in derecognition. In accordance with the Corporation's policy, a modification results in derecognition when it gives rise to substantially different terms.

(continues)

3. OTHER SIGNIFICANT ACCOUNTING POLICIES *(continued)*

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Corporation determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

-the remaining lifetime probability of default estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime probability of default at the reporting date based on the modified terms.

The Corporation derecognizes a financial asset only when the contractual rights to the asset's cash flows expire, or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost other than in its entirety (e.g. when the Corporation retains an option to repurchase part of a transferred asset), the Corporation allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized is recognized in income.

(e) Financial liabilities

The Corporation is required to classify all financial liabilities as either financial liabilities 'at FVTPL' or 'other financial liabilities'. All of the Corporation's financial liabilities are classified as other financial liabilities.

(f) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

(g) Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Cash

Cash consists of balances with banks.

(continues)

3. OTHER SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Signage	20%	declining balance method
Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method

The Corporation regularly reviews its property, plant and equipment to eliminate obsolete items.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

The Corporation recognizes assessment revenue based on a percentage of insured deposits of individual credit unions operating within the Province of Newfoundland & Labrador. Interest revenue is recognized based on the investment interest collected and accrued during the year, and bonding revenue is recognized based on a percentage of individual credit unions' assets plus a $60,000 fee that is allocated to the Newfoundland and Labrador credit unions based on a pre-determined formula.

Assistance to credit unions

Assistance to credit unions is recorded only when it can be reasonably determined by the Corporation that such a payment will be required and when the Board of Directors has assessed the reasonableness of such a charge and authorized the assistance as a commitment of the Fund. The determination of the assistance requires the exercise of judgement because the precise amount, method and timing of such assistance is dependent on future events. The amount of actual assistance paid and possible future assistance is disclosed in the financial statements.

Pension costs

Employees of the Corporation are included in the Public Service Pension Plan of the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Corporation. The annual contributions for pension are recognized in the accounts on a current basis. The Corporation's contributions to this plan plus the Corporation's contributions to registered retirement savings plans totalled $ 58,726 (2020 - $42,920).

Future income taxes

Income taxes are reported using the future income taxes method, as follows: current income tax expense is the estimated income taxes payable for the current year after any refunds or the use of losses incurred in previous years, and future income taxes reflect:

- the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes;
- the benefit of unutilized tax losses that will more likely than not be realized and carried forward to future years to reduce income taxes.

Future income taxes are estimated using the rates enacted by tax law and those substantively enacted for the years in which future income taxes assets are likely to be realized, or future income tax liabilities settled. The effect of a change in tax rates on future income tax assets and liabilities is included in earnings in the period when the change is substantively enacted.

4. MARKETABLE SECURITIES

	2021	2020
BMO term deposit, 1.25%, maturing May 14, 2021	**$ -**	$ 10,000,000
BMO term deposit, 1.25%, maturing May 14, 2021	**-**	2,329,140
Newfoundland and Labrador Credit Union share	**100**	100
Concentra share	**10**	10
	$ 110	$ 12,329,250

5. PROPERTY, PLANT AND EQUIPMENT

2021

	Computers	**Signage**	**Furniture and Fixtures**	**Total**
	$	**$**	**$**	**$**
Cost				
Balance, beginning of year	88,555	1,547	39,865	129,967
Additions	1,146	-	-	1,146
Disposals	-	-	-	-
Balance, end of year	89,701	1,547	39,865	131,113
Accumulated Depreciation				
Balance, beginning of year	83,455	1,313	34,680	119,448
Reductions on disposal	-	-	-	-
Amortization expense	1,702	47	1,037	2,786
Balance, end of year	85,157	1,360	35,717	122,234
				-
Net book value	**4,544**	**187**	**4,148**	**8,879**

(continues)

5. PROPERTY, PLANT AND EQUIPMENT *(continued)*

2020

	Computers	Signage	Furniture and Fixtures	Total
	$	$	$	$
Cost				
Balance, beginning of year	86,081	1,547	39,065	126,693
Additions	2,474	-	800	3,274
Disposals	-	-	-	-
Balance, end of year	88,555	1,547	39,865	129,967
Accumulated Depreciation				
Balance, beginning of year	81,799	1,255	33,484	116,538
Reductions on disposal	-	-	-	-
Amortization expense	1,656	58	1,196	2,910
Balance, end of year	83,455	1,313	34,680	119,448
Net book value	**5,100**	**234**	**5,185**	**10,519**

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's financial instruments are comprised of cash, marketable securities, receivables and accounts payable and accrued liabilities.

Cash is reported at fair value on the balance sheet. Receivables and accounts payable are reported at amortized cost which approximates fair value due to their short term nature. Investments are reported at amortized cost using the effective interest method which approximates their fair value.

7. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The Corporation is exposed to the following risks as a result of holding financial instruments: credit risk, market risk and liquidity risk. The following is a description of those risks and how the Corporation manages the exposure to them.

Credit Risk

Credit risk is the risk that a financial loss will occur due to the failure of a counterparty to discharge its contractual commitment or obligation to the Corporation. Credit risk may arise principally through its investments included in the Corporation's asset portfolio.

(continues)

7. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

The Corporation manages this risk by making investments in accordance with the investment policy established by the Board of Directors which permits the Corporation to invest in high quality, liquid short-term investments. Equity investments are not permitted.

Market Risk

Market risk arises from changes in interest rates on investments in its portfolio that affect the Corporation's net interest income. The Corporation's goal is to maximize its return on these portfolios, without taking unreasonable risk and retaining a high degree of liquidity.

The Corporation manages this risk by investing in securities that are not susceptible to significant changes in rates of return to the Corporation caused by changes in market values of the investments.

Liquidity Risk

Liquidity risk is the risk of having insufficient financial resources to meet the Corporation's funding requirements.

The Corporation's liquidity policies and practices include the measurement and forecast of cash flows and maintenance of a pool of high quality liquid assets.

8. INCOME TAXES

Credit union assessments and assistance to credit unions are excluded from the calculation of taxable income.

The undepreciated capital cost for income tax purposes of the Corporation's depreciable assets exceeds the net book value by $150,447.

The Corporation has the following non-capital losses available, listed by year of expiry, which can be used to reduce future years' taxable income. The potential income tax benefits associated with these items have not been recognized in the financial statements.

$	**255,907**	2027
	387,654	2028
	434,292	2029
	575,432	2030
	654,705	2031
	658,896	2032
	631,274	2033
	565,881	2034
	607,889	2035
	598,445	2036
	589,009	2037
	571,067	2038
	381,627	2039
	447,197	2040
	696,225	2041
	$8,055,500	$ -

9. COMMITMENTS

The Corporation has entered into a lease agreement for office space which expires December 31, 2023. The amount of the annual rent payable is $ 39,019 plus HST.

10. RELATED PARTY TRANSACTIONS

The Corporation's compensation, including the employers' portion of benefits, to key management personnel in 2020, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, including directors and management was $ 339,911 (2020 - $215,710).