CREDIT UNION
DEPOSIT GUARANTEE CORPORATION

Protecting Credit Union Member Deposits for Over 30 Years

ANNUAL BUSINESS REPORT 2022-23

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CHAIRPERSON'S REPORT

On behalf of the Board of Directors of the Credit Union Deposit Guarantee Corporation (the Corporation), I am pleased to submit the Annual Business Report for the fiscal period ended March 31, 2023.

The mandate of the 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 the fiscal period ended March 31, 2023.

The 2022-23 fiscal period was one of significant change for the Corporation. On November 9, 2022, **An Act to Amend the Credit Union Act, 2009** received Royal Assent. This amendment impacted the Corporation's approach to governance, its policies and guidelines, the Corporation's fiscal year end, and the budget approval process.

The Board thanks the management and staff of the Corporation for their dedication, support and their important role in ensuring a strong credit union system in this province.

The Board would like to acknowledge the cooperation of credit union directors and management in supporting the work of the Corporation.

On behalf of the Board of Directors,

Joan Marie Gatherall

Chairperson

OVERVIEW

The Corporation is responsible for the administration of the **Credit Union Act, 2009** (the Act) and the **Credit Union Regulations, 2009**, 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 Act.

For 2022-23, the Corporation had six employees: four located in Marystown and two in St. John's. The composition of the Board of Directors (the Board) was revised as part of amendments to the Act and now consists of eight directors. Five directors are selected from credit union system nominees, two directors represent government departments, and one director is appointed by the Minister of Digital Government and Service NL to represent the public interest. The current membership of the Board can be found in Appendix A. The Chief Executive Officer (CEO) is the Secretary/Treasurer of the Board but is not a voting member. During the fiscal year, the CEO position was vacant for an extended period and the Corporation's operations were overseen by the Board Chair.

The Board's 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. The Board is responsible for submitting a budget for the approval of the Minister. Board decisions are achieved through consensus or a majority vote, as necessary. There were six Board meetings held during 2022-23. In addition, Directors and staff represented the Corporation at a number of credit union annual general meetings as well as meetings and conferences of various Atlantic and national stakeholders.

The Corporation is self-funding and does not receive any public grants for its operating needs. Revenues are generated from deposit insurance assessments received from credit unions, premiums received from credit unions on insurance programs, and investment income. The Corporation's primary operating expenses include salaries and benefits, insurance premiums and other operating costs such as travel and administration.

VISION

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

MANDATE

The mandate of the Credit Union Deposit Guarantee Corporation is to protect the qualifying investments of credit union members and to facilitate the financial stability of the credit union system by requiring credit unions to comply with legislation and exercise sound business practices. The legislative duties of the Corporation are outlined in section 134 of the Act as contained in Appendix B.

LINES OF BUSINESS

The 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.

<u>Examination</u>

The Corporation examines credit unions for compliance with legislation and sound business practices. The Corporation utilizes a risk based approach to determine credit unions that will be examined.

The Corporation also performs regular desk audits.

<u>Monitoring</u>

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

Enforcement

Credit Unions that are non-compliant (after the expiry of any approved exemption) are assessed fines and penalties pursuant to legislation and/or are placed under supervision by the Corporation.

2. Deposit Insurance

The Corporation provides deposit insurance on deposits of credit union members equal to a maximum $250,000 per insured deposit. There are four insured deposit categories:

- Basic deposits
- Joint deposits
- Registered deposits
- Trust accounts

3. Stabilization

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

Supervision

Pursuant to the legislation, credit unions experiencing on-going difficulties may be 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, or replacing the Board of Directors and merging the credit union with another credit union or eventually winding up a credit union.

Training

In accordance with the Regulations, the Corporation may prescribe the minimum level of training for a director or officer of a credit union. The Corporation encourages training of directors in good corporate governance practices by financially supporting director training.

Risk Management

The Corporation directly administers five insurance policies on behalf of the credit union system. The five policies are Bonding, Directors & Officers Liability, Corporate Errors and Omissions, Employment Practices Liability and On-line Banking. The Corporation also serves as the provincial representative on the Master Policy Holder Committee and the National Risk Management Committee. The Corporation ensures that minimum coverage levels are maintained by credit unions where the insurance is not directly administered by the Corporation (e.g. Privacy and Cyber).

HIGHLIGHTS AND PARTNERSHIPS

The Corporation's financial and operational performance for the fiscal period of January 1, 2022 to March 31, 2023 is outlined below:

Financial

Amendments to the Act changed the year end of the Corporation from December 31 of each year to March 31 of each year. As a transitional provision, a fifteen month fiscal period from January 1, 2022 to March 31, 2023 was specified in the Act.

The Corporation's reported net income was $3,453,263 at the end of March 31, 2023 as compared to $1,206,133 in 2021. Net income increased in 2022-2023 based on the following:

- Assessment revenue increased significantly as a result of the change in the Corporation's fiscal year end. Credit unions maintained their statutory December 31 year ends, resulting in two years of assessments being recorded during the Corporation's fiscal period.
- Investment revenue increased due to more favorable interest rates and the 15 month fiscal period.
- A number of expenses increased due to the 15 months reporting period which offset the increase in revenue.

The Deposit Guarantee Fund Balance at the end of March 31, 2023 was $18,779,967 as compared to $15,326,704 as of December 31, 2021. The Corporation reported assets of $19,293,193 at the end of March 31, 2023 compared to $15,365,480 as of December 31, 2021.

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

Operational:

The Corporation resumed onsite examinations as COVID related restrictions were eased. During the reporting period, four of the eight credit unions operating within Newfoundland and Labrador were subject to credit based on-site examinations. In addition to the credit based examinations, all eight credit unions were part of the Corporation's consultative review of Corporate Governance which focused on Structure, Reporting and Monitoring. The Corporation also resumed desk audits. Overall during this time, there were no deficiencies or non-compliance issues identified that posed significant risk to the credit unions.

The financial markets experienced turbulence during the period. Interest rates in Canada increased in response to inflationary pressures. Bank issues that appeared in the US and Europe were closely monitored for any potential negative impacts in Canada. The Corporation worked closely with other financial market regulators, and other stakeholders, to ensure that regulatory processes considered existing and expected future financial market conditions.

Financial markets are recognizing risks posed by climate change and the Corporation is engaged with other financial market regulators in determining the appropriate regulatory response to the risks posed by climate change.

The Corporation is monitoring and responding to the evolution of information technology (IT) used by credit unions. Promoting the security of credit union member deposits and information is a priority for the Corporation. The Corporation is supporting a strong credit union system by ensuring credit unions respond to the risks posed by IT as well as by cyber threats.

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 $6,234 during the fiscal period.

The Corporation is Master Policy Holder for six insurance policies. During the fiscal period, there were a total of four claims filed. The total net payout for the fiscal period was $6,475.

The Corporation processed 125 bonding applications during the fiscal period.

In consultation with the Credit Union Manager's Association, the Corporation revised its brochures, and other materials, that outline the revised coverage details. The updated materials were distributed to all credit unions in the Province.

The Corporation was actively engaged with credit unions that proposed a merger during the period. Corporation staff reviewed and responded to filings provided as part of the merger process. Regular meetings were held with the credit unions involved to provide respective updates.

REPORT ON PERFORMANCE

The Report is prepared in compliance with the **Transparency and Accountability Act,** which requires the Corporation to prepare a yearly report based on its categorization as a Category 2 Government entity. The following section outlines the Corporation's activities from January 1, 2022 to March 31, 2023 including the objectives achieved as outlined in the Corporation's 2020-2022 Business Plan.

Issue: Examination Review

Business plan 2020-2022 focused on one issue, ensuring the examination program remains relevant. The purpose was to ensure effective regulatory oversight of the credit union sector and to ensure the examination program was updated and in keeping with the changing risk environment that supports effective prudential oversight of the credit union system in Newfoundland and Labrador. There has been a direct correlation between effective prudential oversight, the success of the Corporation, and the credit union system over the years. The Corporation believed there was a need to complete the examination program review given ever-changing financial services as well as recent legislative changes.

The Corporation believed national and international guidance, together with current legislation, would provide valuable insight to current prudent oversight practices. This would 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.

Objective:

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

Results Achieved:

During the 2022-23 fiscal period, the changes to the Examination Program were completed. The revised Examination Program was utilized for the examinations that commenced during 2022-23.

As COVID restrictions were still in place for a portion of the period, credit unions were notified of the changes via virtual meetings, with one in-person meeting in March 2022. Additional discussions about the changes were also communicated to credit unions that were subject to an examination.

The Board was updated on the changes to the Examination Program throughout the process and agreed with the changes. The Board noted that minor revisions to the updated examination program could be made by staff but any major changes would need to come back to the Board for approval.

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 and management by attending annual general meetings, meetings between Corporation board members and credit union board meetings and attending provincial and regional credit union system meetings.

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

4. To support the provincial credit union system while the system implements major updates to their IT environments.

5. To assist credit unions to ensure that their insurance coverage is appropriate.

Challenges

1. To ensure that credit union legislation and regulations 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. To ensure the Corporation's examination and insurance programs adequately addresses risks arising from the increasingly complex and evolving IT environments at credit unions.

4. To ensure that credit unions consider risks related to climate change.

APPENDIX A - DIRECTOR PROFILES

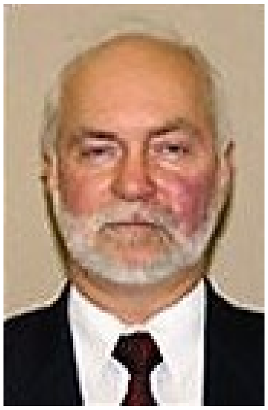
Joan Marie Gatherall
Chair

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 a credit union system nominee and was appointed as Chair of the Corporation in June 2022 for a two-year term.

Allison Chaytor-Loveys
Vice Chair

Allison Chaytor-Loveys retired as Chief Executive Officer at Newfoundland and Labrador Credit Union (NLCU) in December 2021. Ms. Chaytor-Loveys has 49 years' experience in the credit union system in Newfoundland and Labrador. She has also served as a Board Director nationally with Canadian Credit Union Association (CCUA) and with the World Organization of Co-Operative Credit Unions (WOCCU). Ms. Chaytor-Loveys is a credit union system nominee and was appointed as a director of the Corporation in June 2022 for a two-year term.

APPENDIX A - DIRECTOR PROFILES (cont.)



William Langthorne

William Langthorne, after working for forty-five years in the public and private sectors in various financial and management positions, retired in 2019. Mr. Langthorne worked the last thirty years as an employee of the Credit Union Deposit Guarantee Corporation and ended his career as Chief Executive Officer, board member and Superintendent of Credit Unions. He has been a member of a credit union for over thirty five years. Mr. Langthorne was a licensed professional accountant (CPA-CGA) for over thirty years and has a Bachelor of Arts degree with a major in Economics and a minor in business from Memorial University. Mr. Langthorne is a credit union system nominee and was appointed as a director of the Corporation in June 2022 for a three-year term.

Natalie Templeman

Natalie Templeman is currently the Chief Information Officer of Newfoundland and Labrador Hydro and has over 24 years of experience in various leadership roles in the public sector. Ms. Templeman has a Bachelor of Commence degree from Memorial University. Ms. Templeman was appointed as the Public Interest Representative in June 2022 for a three-year term.

Jennifer Quilliam

Jennifer Quilliam is the Director of Policy, Planning, Accountability and Information Management with the Department of Finance. She is a Chartered Professional Accountant (CPA) and has a Master of Business Administration (MBA) from Memorial University. Ms. Quilliam has been an employee of the Government of Newfoundland and Labrador since 2012 and was appointed as the Department of Finance representative in June 2022.

APPENDIX A - DIRECTOR PROFILES (cont.)

Julian McCarthy

Julian McCarthy retired from the Newfoundland and Labrador civil service in 2019 after a successful 33 year career. He was the Assistant Deputy Minister of Consumer and Commercial Affairs, Department of Service NL, for 8 years prior to his retirement and also served as Chair of the Board for the Credit Union Deposit Guarantee Corporation during the same period. He spent most of his career regulating and auditing various sectors of the financial services, pensions and consumer affairs industries. He served on several national boards and organizations related to the regulation of the financial services and pensions industry during his career. Mr. McCarthy holds a Bachelor of Commerce (honors) Degree from Memorial University. Mr. McCarthy is a credit union system nominee and was appointed as a director of the Corporation in June 2022 for a three-year term.

Brian Sparkes

Brian Sparkes leads the team for Load Forecasting and Market Analysis within NL Hydro. Prior to this role, Brian worked within the Energy Marketing team at Nalcor Energy, and held the roles of Team Lead of Analytics and Energy Trader. Before joining NL Hydro, Brian spent twelve years working as a manager in the Credit Union system, both in Newfoundland and Alberta. He holds a Bachelor of Business Administration from Memorial University. Brian has previously sat on the Board for League Savings and Mortgage. Mr. Sparkes is a credit union system nominee and was appointed as a director of the Corporation in September 2022 for a three-year term.

APPENDIX A - DIRECTOR PROFILES (cont.)

Michael Delaney

Michael Delaney joined the Government of Newfoundland and Labrador in May 2011, and has served as the Superintendent of Pensions with the Department of Digital Government and Service NL for over 10 years. In this role, he is responsible for the regulation of the Newfoundland and Labrador Pension Benefits Act, 1997. In addition to his role as Superintendent of Pensions, he has assumed other regulatory roles within the department on an interim basis, including the role of Assistant Deputy Minister of Regulatory Affairs in 2019 when he also served as chair of the CUDGC Board of Directors. Prior to joining the provincial government, Michael worked for 10 years as a pension consultant providing actuarial services to a number of organizations throughout Atlantic Canada. Michael has a Bachelor of Science in Actuarial Mathematics and Statistics and he attained fellowships in the Canadian Institute of Actuaries and Society of Actuaries in 2008. Mr. Delaney was appointed as the Department of Digital Government and Service NL representative in June 2022.

APPENDIX B – MANDATE

Legislated Mandate (Source: **Credit Union Act, 2009,** SNL 2009, c.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 C - AUDITED FINANCIAL STATEMENTS

Financial Statements of

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Period Ended March 31, 2023

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Financial Statements

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OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Credit Union Deposit Guarantee Corporation
St. John's, Newfoundland and Labrador

Opinion

I have audited the financial statements of the Credit Union Guarantee Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2023 and the statements of comprehensive income and fund balance, and cash flows for the period then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2023 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

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 the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

Other Matter

The financial statements of the Corporation for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on April 14, 2022.

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 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:

- 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.

DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General

July 28, 2023
St. John's, Newfoundland and Labrador

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Statement of Financial Position

As at March 31, 2023

		2023		2021 (Note I)
ASSETS				
Cash	$	2,480,891	$	15,339,104
Investments *(Note 4)*		16,200,110		110
Interest receivable		329,903		-
Harmonized sales tax recoverable		22,658		16,898
Prepaid expenses		221,560		489
Property, plant and equipment *(Note 5)*		9,658		8,879
Right to use asset *(Note 6)*		28,413		-
	$	19,293,193	$	15,365,480
LIABILITIES AND FUND BALANCE				
Accounts payable and accrued liabilities	$	19,016	$	38,776
Employee leave payable		208,118		-
Unearned insurance revenue		257,129		-
Lease liability- right to use		28,963		-
		513,226		38,776
FUND BALANCE		18,779,967		15,326,704
	$	19,293,193	$	15,365,480

ON BEHALF OF THE BOARD

Director

Director

See notes to financial statements

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Statement of Comprehensive Income and Fund Balance

For the 15 month period ended March 31, 2023

	2023	2021 (Note 1)
FEES		
Assessments	$ 4,048,768	$ 1,911,372
Bonding insurance	417,355	323,503
Interest	652,728	113,555
Other	950	1,151
	5,119,801	2,349,581
EXPENSES		
Salaries and wages	1,105,109	701,905
Insurance	357,112	274,525
Amortization	51,059	39,596
Professional fees	30,310	21,671
Travel	24,214	30,581
Directors fees	20,830	9,100
Office	16,585	8,875
Data access costs	16,124	13,349
Meetings and conventions	14,103	16,377
Training	9,357	12,056
Telephone	7,692	9,626
Examinations	6,750	5,787
Advertising and promotion	5,326	-
Right to use interest	1,967	-
	1,666,538	1,143,448
NET INCOME	3,453,263	1,206,133
FUND BALANCE - BEGINNING OF PERIOD	15,326,704	14,120,571
FUND BALANCE - END OF PERIOD	$ 18,779,967	$ 15,326,704

See notes to financial statements

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Statement of Cash Flows

For the 15 month period ended March 31, 2023

	2023	2021 (Note 1)
OPERATING ACTIVITIES		
Net income	$ 3,453,263	$ 1,206,133
Items not affecting cash:		
Amortization	51,059	39,596
Interest revenue	(652,728)	(113,555)
Loss on disposal of property, plant and equipment	399	-
	2,851,993	1,132,174
Changes in non-cash working capital:		
Interest received	322,825	210,668
Accounts payable and accrued liabilities	(19,760)	(114,355)
Employee leave payable	208,118	-
Prepaid expenses	(221,071)	1,614
Harmonized sales tax recoverable	(5,760)	2,619
Unearned insurance revenue	257,129	-
	541,481	100,546
Cash flow from operating activities	3,393,474	1,232,720
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,881)	(1,146)
Acquisition of right to use	(75,769)	-
Proceeds from investments	-	12,329,140
Purchase of investments	(16,200,000)	-
Cash flow (used in) from investing activities	(16,280,650)	12,327,994
FINANCING ACTIVITIES		
Lease liability – right to use	28,963	-
Cash flow from financing activities	28,963	-
(DECREASE) INCREASE IN CASH FLOW	(12,858,213)	13,560,714
CASH - BEGINNING OF PERIOD	15,339,104	1,778,390
CASH - END OF PERIOD	$ 2,480,891	$15,339,104

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 (the Act). The Corporation is the deposit guarantor and the primary regulator for Newfoundland and Labrador credit unions.

The Corporation is domiciled in Canada. The address of the Corporation's office is P. O. Box 340, Marystown, NL. A0E 2M0.

As a result of amendments to the Act, the fiscal year of the Corporation was changed to March 31 of each year from December 31 of each year. As a transitional provision the Act specifies that the 2023 fiscal period shall commence on January 1, 2022 and end on March 31, 2023.

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 period ended March 31, 2023 were authorized for issue by the Corporation's Board of Directors on July 26, 2023.

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 period. 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 7.

(b) Provisions

The amount recognized as accounts payable and accrued liabilities, employee leave payable, and lease liability – right to use, 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.

The useful life of the right to use asset is based on the terms of the lease associated with the asset.

(d) New standards implemented

There were no standards implemented during the period that were relevant to the Corporation.

(e) Future standards

There were no future standards that are expected to have a significant impact on 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
Investments	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Employee leave payable	Amortized cost
Lease liability – right to use	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.

(continues)

3. OTHER SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 7.

(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.

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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.

Prepaid expense

Prepaid expenses are charged to the expense over the periods expected to benefit from it.

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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 period but not placed into use are not amortized until they are placed into use.

Right to use

Right to use assets represent the area that is leased for office space valued at the present value of all lease payments during the contract term. The Corporation does not recognize right to use assets or lease liabilities for short-term leases with a term of less than 12 months.

Revenue recognition

The Corporation recognizes assessment revenue based on a percentage of insured deposits of individual credit unions operating within the Province of Newfoundland and Labrador.

Interest revenue is recognized based on the investment interest earned during the period.

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.

Unearned insurance revenue is recorded to revenue in the period that it is earned.

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 totaled $68,448 (2021 - $58,726).

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 period after any refunds or the use of losses incurred in previous periods, and future income taxes reflect:

i. the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes; and

ii. the benefit of unutilized tax losses that will more likely than not be realized and carried forward to future periods to reduce income taxes.

Future income taxes are estimated using the rates enacted by tax law and those substantively enacted for the periods 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. Investments

	2023	2021
BMO term deposit, 3.93%, maturing November 30, 2023	$ 5,000,000	$ -
Concentra term deposit, 2.62%, maturing May 1, 2023	500,000	-
Concentra term deposit, 4.30%, maturing May 30, 2024	5,700,000	-
Concentra term deposit, 4.40%, maturing December 2, 2024	5,000,000	-
Newfoundland and Labrador Credit Union share	100	100
Concentra share	10	10
Total	$ 16,200,110	$ 110

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	2023 Computers	Signage	Furniture and Fixtures	Total
	$	$	$	$
Cost				
Balance, beginning of period	89,701	1,547	39,865	131,113
Additions	4,881	-	-	4,881
Disposals	(77,379)	-	(22,648)	(100,027)
Balance, end of period	17,203	1,547	17,217	35,967
Accumulated Amortization				
Balance, beginning of period	85,157	1,360	35,717	122,234
Reductions on disposal	(76,980)	-	(22,648)	(99,628)
Amortization expense	2,619	47	1,037	3,703
Balance, end of period	10,796	1,407	14,106	26,309
Net book value	**6,407**	**140**	**3,111**	**9,658**

(continues)

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

2021	Computers	Signage	Furniture and Fixtures	Total
	$	$	$	$
Cost				
Balance, beginning of period	88,555	1,547	39,865	129,967
Additions	1,146	-	-	1,146
Disposals	-	-	-	-
Balance, end of period	89,701	1,547	39,865	131,113
Accumulated Amortization				
Balance, beginning of period	83,455	1,313	34,680	119,448
Reductions on disposal	-	-	-	-
Amortization expense	1,702	47	1,037	2,786
Balance, end of period	85,157	1,360	35,717	122,234
Net book value	**4,544**	**187**	**4,148**	**8,879**

6. RIGHT TO USE ASSET

	2023	2021
	$	$
Cost		
Balance, beginning of period	-	-
Additions	75,769	-
Amortization	(47,356)	-
Balance, end of period	28,413	-

The right to use asset represents the area that is leased for office space.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's financial instruments are comprised of cash, investments, receivables, accounts payable and accrued liabilities, employee leave payable, and lease liability – right to use.

Cash is reported at fair value on the balance sheet. Receivables, accounts payable and accrued liabilites, employee leave payable, and lease liability – right to use 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.

8. 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.

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.

9. 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 $151,271.

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
	351,676	2042
$	8,407,176	

10. COMMITMENTS

The Corporation has entered into a lease agreement for office space which expires December 31, 2023. The remaining amount payable (including interest) is $ 29,264 plus HST.

The Corporation has entered into a lease agreement for vehicle which expires June 23, 2023. The remaining amount payable is $1,661 plus HST.

The Corporation has entered into a lease agreement for photocopier which expires April 30, 2024. The annual lease is $954 plus HST.

11. RELATED PARTY TRANSACTIONS

The Corporation's compensation, including the employers' portion of benefits, to key management personnel in 2022-2023, 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 $424,533 (2021 - $339,911).

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.