



Annual REPORT

2019



Our mission at Provincial Government Employees Credit Union is to provide a full range of financial services and products to our valued members in an ethical and professional manner to enhance their financial well-being and that of our community.



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Agenda

- Welcome
- In Memoriam
- Minutes of Last Meeting
- Report of the Board of Directors
- Report of the Auditor
- Report of the Chief Executive Officer
- Report of the Marketing and Member Relations Committee
- Report of the Credit Committee
- Report of the Audit Committee
- Report of the Nomination Committee



2019 Annual Meeting Minutes

For the year ending 2018

Call to Order

The annual meeting of Provincial Government Employees Credit Union Limited was held Tuesday, April 16, 2019 at our new location at 1718 Argyle Street, Halifax, NS.

Mr. Jim Sherry called the meeting to order at 5:00PM.

Moment of Silence for Departed Members

Mr. Sherry welcomed all those in attendance, and called for a moment of silence as a tribute of respect to the members who passed away during the year 2018.

Minutes of the 2018 Annual Meeting

The minutes of the 2018 Annual Meeting were read quietly by those in attendance. Mr. Sherry asked for the adoption of these minutes, which was moved by Mr. Matthew Dubois and seconded by Mrs. Meredith Cowan.

Motion carried.

Board of Directors Report

Mr. Sherry then presented the Board of Directors report. There being no questions, Mr. Mark Peck motioned to accept the report which was moved by Mrs. Diane Sturdy and seconded by Mrs. Linda Fraser.

Motion carried.

Report of the Auditors

Mr. Sherry called upon Mr. Ian Stanley of Bakertilly to present the financial statements for the year ending December 31, 2018. Mr. Stanley explained various areas and indicated once again that Provincial Government Employees Credit Union's equity is very financially healthy and he was pleased to present an

unqualified report. He explained that revenue has been down due to insurance costs, less mortgage payouts and less NSF cheques. Our operating costs are up by \$100K due to our move to a new location. Mr. Stanley indicated the report is also somewhat longer this year due to standard changes and more information in the background. Mr. Alex Langille questioned this change and Mr. Stanley explained that these are just general changes brought down by the institute. Mr. Langille also asked why there is an allowance for impaired loans at \$34K. Mrs. Ingrid Foshay Murphy explained that each year, we set aside allowance for possible losses. We anticipated having more write offs in 2018, however, had less. Mr. Stanley further explained that most mortgages are insured, so there is less potential for loss on that product.

Mr. Stanley also highlighted that our members equity is over 3.8 million with a percentage of total assets at 10.17%, a very healthy amount. Mr. Matthew Dubois questioned whether PGECU staff had been paid out their service awards and Ingrid Foshay Murphy answered that this was done in 2017.

Mr. Langille questioned whether a graph could be provided to further explain Member Shares, page 24, number 11. Mr. Stanley explained this is not an audit function, however, Meredith Cowan then indicated this is a marketing issue and stated they will provide. Mr. Langille questioned how the pension plan could appear in the financial statements if the plan is in deficit. Mrs. Foshay Murphy explained this is a Provincial Plan. Mr. Stanley explained that the fund has always been covered, and if it being underfunded ever materializes, we will have time to get out.

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For the year ending 2018

Mr. Matthew Dubois asked if shares can be re-purchased, or are the accounts closed. Mrs. Foshay Murphy explained the accounts can be reopened and the shares deposited again.

There being no further questions, Mr. Sherry called for the adoption of the report. This was moved by Mr. Alex Langille and seconded by Mrs. Meredith Cowan.

Motion carried.

Report of the CEO

Mrs. Ingrid Foshay Murphy presented the Report of the CEO and she welcomed all in attendance to our new venue. There being no further comments or questions, Mr. Sherry called on the membership to accept the report as read. This was moved by Mr. Matthew Dubois and seconded by Mrs. Dianne Sturdy.

Motion carried.

Report of the Marketing and Member Relations Committee

Mr. Jim Sherry called upon Mrs. Meredith Cowan to read the report of the Marketing and Member Relations Committee. Mrs. Cowan introduced two new members to the Committee, Kathleen Trott and Tracey Taweel and advised that Mrs. Miriam Murray has left the committee. Ms. Valerie Bobyk asked if Mrs. Cowan is employed by the credit union and the answer was no. Mr. Matthew Dubois asked how involved we are with social media. Mrs. Cowan indicated we advertise through lunch and learns, social media posts, Gover-Next (new Public Servants) and that we pay a portion towards the larger credit union advertising. Mr. Alex Langille questioned if there are lunch and learns provided for pensioners

and Mrs. Ingrid Foshay Murphy answered that these are being provided. There being no questions, Mrs. Cowan then asked for the adoption of the report. This was moved by Mrs. Sandra McKenzie and seconded by Mr. Matthew Dubois.

Motion carried.

Report of the Credit Committee

Mr. Sherry then called upon Mr. Gerald Langille to read the Credit Committee report. There being no questions, Mr. Langille asked to adopt the report. This was seconded by Mr. Alex Langille.

Motion carried.

Report of the Audit Committee

Mr. Sherry called upon Mrs. Miriam Murray to read the Report of the Audit Committee. There being no questions, Mrs. Murray called for the adoption of the report. This was moved by Mr. Matthew Dubois and seconded by Mrs. Linda Fraser.

Motion carried.

Report of the Nomination Committee

Mr. Sherry called upon Mrs. Gwen Beazley to read the report of the Nomination Committee. There being no questions or comments, Mr. Sherry called for the adoption of the report. This was moved by Mrs. Miriam Murray and seconded by Ms. Valerie Bobyk.

Motion carried.

Notably Mentioned

Mr. Matthew Dubois once again thanked the staff and management for being considerate to his financial needs over the past year. In addition, Ms. Valerie Bobyk thanked the credit union on behalf of

2019 Annual Meeting Minutes

For the year ending 2018

Family Services and other non-profit organizations for our donations. Mrs. Bobyk encouraged our board and committees to also consider volunteerism for these causes.

All staff briefly stood and introduced themselves to those in attendance.

Door Prizes

The door prizes were then drawn with the following winners:

1. Linda Fraser – Credit Union Promotional Package
2. Sarah Urquhart – 81 Toonies

Adjournment

There being no further business, Mr. Jim Sherry adjourned the meeting at 5:49pm.

A social, appetizers and desserts then followed.



Board of Directors' Report

I am pleased to report on behalf of the Board of Directors that your Credit Union continues to be very financially successful.

Many factors have contributed to our success, namely the commitment of our members, the dedication of our volunteers on the Board and various committees, and the exceptional employees on staff.

We thank our Chief Executive Officer, Ingrid Foshay Murphy, for her excellent leadership. Through her experience and knowledge, our Credit Union thrives. We also thank the dedicated staff for their continued service.

I personally thank the board members and the various committees for their services, time, and effort over the past year.

On behalf of the Board, I thank our greatest asset, OUR MEMBERS. Your continued support is very much appreciated.

Thank you and take care.

Respectfully submitted,

James Sherry, President
Mark Peck, Vice President
Linda Fraser, Secretary
Gwen Beazley, Director
Meredith Cowan, Director
Gerald Langille, Director
Stephen McManus, Director
Miriam Murray, Director
Sandra McKenzie, Director



Independent Auditor' Report



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To the Members of:
Provincial Government Employees Credit Union Limited

Opinion

We have audited the financial statements of **Provincial Government Employees Credit Union Limited** ("the Credit Union"), which comprise the statement of financial position as at December 31, 2019 and the statements of comprehensive income and changes in retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2019, and results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Baker Tilly Nova Scotia is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All Members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

Independent Auditor' Report (con't)

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor' Report (con't)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Baker Tilly Nova Scotia Inc

Dartmouth, Nova Scotia
May 19, 2020

**Chartered Professional Accountants
Licensed Public Accountants**

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	\$	\$
INTEREST INCOME	1,479,495	1,404,788
INTEREST EXPENSE	<u>404,196</u>	<u>331,693</u>
GROSS FINANCIAL PROFIT	1,075,299	1,073,095
SERVICE CHARGES AND OTHER REVENUE (Note 19)	<u>250,471</u>	<u>242,369</u>
FINANCIAL MARGIN	<u>1,325,770</u>	<u>1,315,464</u>
OPERATING EXPENSES		
Amortization	29,860	22,502
Charitable donations and education awards	8,023	13,663
General and administrative	437,156	469,509
Members' security	48,166	45,782
Occupancy	37,524	33,421
Personnel salaries and benefits	644,168	609,570
Allowance for impaired loans (Note 5)	<u>22,372</u>	<u>17,384</u>
	<u>1,227,269</u>	<u>1,211,831</u>
EARNINGS BEFORE SHARE DIVIDEND	98,501	103,633
SHARE DIVIDEND	<u>704</u>	<u>701</u>
EARNINGS BEFORE INCOME TAXES	<u>97,797</u>	<u>102,932</u>
PROVISION FOR INCOME TAXES		
Current	9,870	12,185
Deferred	<u>1,623</u>	<u>-</u>
	<u>11,493</u>	<u>12,185</u>
COMPREHENSIVE INCOME	86,304	90,747
RETAINED EARNINGS - beginning of year	<u>3,830,772</u>	<u>3,740,025</u>
RETAINED EARNINGS - end of year	<u>3,917,076</u>	<u>3,830,772</u>

The accompanying notes are an integral part of these financial statements

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
	\$	\$
ASSETS		
MEMBERS' LOANS (Note 5)		
Mortgages under administration	4,830,531	6,056,628
Mortgages	16,992,783	16,101,075
Personal	9,265,442	9,782,614
Accrued interest	<u>38,226</u>	<u>37,888</u>
	31,126,982	31,978,205
Allowance for impaired loans (Note 5a)	(<u>161,091</u>)	(<u>160,000</u>)
	30,965,891	31,818,205
INVESTMENTS (Note 6)	1,304,242	780,924
PROPERTY AND EQUIPMENT (Note 7)	<u>254,680</u>	<u>282,698</u>
	<u>32,524,813</u>	<u>32,881,827</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 8)	5,349,244	4,201,815
Income taxes recoverable	-	165
Other assets (Note 9)	<u>1,042,657</u>	<u>567,031</u>
	<u>6,391,901</u>	<u>4,769,011</u>
	<u>38,916,714</u>	<u>37,650,838</u>
LIABILITIES		
MEMBERS' DEPOSITS (Note 10)		
Savings and chequing	13,791,705	13,746,185
Deferred salary deposits	1,143,564	907,877
Term deposits	19,741,248	18,886,855
Accrued interest	<u>194,389</u>	<u>150,507</u>
	34,870,906	33,691,424
MEMBERS' SHARES (Note 11)	<u>14,330</u>	<u>14,245</u>
	<u>34,885,236</u>	<u>33,705,669</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	112,932	113,696
Income taxes payable	766	-
Share dividend payable	<u>704</u>	<u>701</u>
	<u>114,402</u>	<u>114,397</u>
	<u>34,999,638</u>	<u>33,820,066</u>
MEMBERS' EQUITY		
RETAINED EARNINGS (Note 13)	<u>3,917,076</u>	<u>3,830,772</u>
	<u>38,916,714</u>	<u>37,650,838</u>

COMMITMENTS (Note 20) and SUBSEQUENT EVENT (Note 21)

Approved by the Board of Directors

_____ Director _____ Director

The accompanying notes are an integral part of these financial statements

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Net earnings and comprehensive income	86,304	90,747
Item not affecting cash		
Amortization	<u>29,860</u>	<u>22,502</u>
	116,164	113,249
Changes in non-cash working capital items		
Other assets	(475,625)	(104,327)
Accounts payable and accrued liabilities	(765)	1,410
Income taxes payable	931	14,426
Share dividend payable	<u>3</u>	<u>(590)</u>
	<u>(359,292)</u>	<u>24,168</u>
FINANCING		
Members' shares issued	835	1,790
Members' shares redeemed	(750)	(680)
Net change in members' deposits	<u>1,179,482</u>	<u>3,029,386</u>
	<u>1,179,567</u>	<u>3,030,496</u>
INVESTING		
Net change in members' loans	852,314	(3,011,084)
Acquisition of investments	(523,318)	(13,980)
Acquisition of property and equipment	<u>(1,842)</u>	<u>(289,704)</u>
	<u>327,154</u>	<u>(3,314,768)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,147,429	(260,104)
CASH AND CASH EQUIVALENTS - beginning of year	<u>4,201,815</u>	<u>4,461,919</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>5,349,244</u></u>	<u><u>4,201,815</u></u>

The accompanying notes are an integral part of these financial statements

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. NATURE OF OPERATIONS

Provincial Government Employees Credit Union Limited ("the Credit Union") is incorporated under the Companies Act of Nova Scotia and its operations are subject to the Nova Scotia Credit Union Act.

The Credit Union operates a closed bond credit union, where the only members are employees or retirees of the Nova Scotia public service or members of the Nova Scotia Government Employees Union and their spouses, dependents, or former members of these groups. The Credit Union office is located in Halifax, Nova Scotia.

These financial statements have been authorized for issue by the Board of Directors on May 19, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("the IASB"). The principal accounting policies applied in the preparation of these financial statements are set out below.

These financial statements were prepared under the historical cost principal using a going concern basis, with the exception of financial assets which are accounted for at fair value through profit and loss.

The Credit Union's functional and presentation currency is the Canadian dollar.

The Credit Union classifies its expenses by the nature of expenses method.

The Credit Union presents its statement of financial position on a classified basis in order of liquidity (least to most liquid).

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies

The Credit Union has adopted IFRS 16 Leases issued in January 2016 with a date of initial application of January 1, 2019. The requirements of IFRS 16 represent a change from IAS 17 Leases. As a lessee, the Credit Union previously classified leases as either operating or finance leases based on its assessment of whether the lease transferred significantly all of the risk and rewards associated with ownership of the underlying asset. Under IFRS 16, the Credit Union now recognizes right-of-use lease assets and lease liabilities.

As of January 1, 2019 there was no impact of adopting this standard.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with Atlantic Central.

Members' loans

All members' loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as financial assets at amortized cost.

Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Members' loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the carrying amount of the loan.

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

Provision for impairment

Members' loans are reviewed by management at each reporting period to assess the significance of the change in credit risk since the initial recognition of the member loan.

If there is objective evidence that the change in the credit risk of a member loan since original recognition is significant, an impairment loss equal to the lifetime expected credit loss is recognized in net earnings and comprehensive income.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Members' loans (Continued)

Provision for impairment (Continued)

If the change in the credit risk of a member loan since original recognition is not significant, an impairment loss equal to the 12-month expected credit loss is recognized in net earnings and comprehensive income.

If, in a subsequent period, the assessment of the significance of change in credit risk since original recognition changes, the resulting adjustment to expected credit loss is recognized in net earnings and comprehensive income.

Investments

Short-term investments, initially recorded at fair value, include a guaranteed investment certificate ("GIC") with a maturity of a year or less and is subsequently measured at amortized cost.

Investments, initially recorded at fair value, include non-controlling share investments and a guaranteed investment certificate ("GIC") with a maturity of greater than a year. The share investments are not quoted in an active market. Long-term investments are subsequently measured at amortized cost.

Bad debts

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the allowance for impaired loans, if a provision for impairment had previously been recognized. If no allowance had been recognized, the write offs are recognized as expenses in net earnings and comprehensive income.

Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax expense (Continued)

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for temporary differences arising on the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting or taxable profit or loss.

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

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date and are expected to apply when the assets are recovered.

Members' deposits

All members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

Accounts payable and accrued liabilities

Liabilities for trade creditors and accrued liabilities are initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Members' shares

Members' shares issued by the Credit Union are classified as debt as the member receives a refund of paid-up capital amount when account is closed.

Mortgages under administration

The Credit Union, under a Mortgage Origination Program, has the ability to refer certain mortgages to a third party. No gain or loss on the initial sale is recorded by the Credit Union as a result of these transactions. Fees earned by the Credit Union to service these mortgages are recognized as the related services are provided and reported in comprehensive income as other income.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

The Credit Union recognizes interest income on members' loans on the accrual basis using the effective interest rate method. The effective rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the net carrying amount of the loan. When estimating the future cash flows, the Credit Union considers all contractual terms of the loan excluding any future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When the loan is classified as uncollectable the interest income continues to be accrued, with the allowance for impaired loans also increased by the same amount.

Service charges and other revenue are recognized when earned, the amount is fixed or determinable and collection is reasonably assured.

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in comprehensive income, except to the extent they reverse gains previously recognized in other comprehensive income.

Property and equipment

Property and equipment are recorded at cost and subsequently measured at cost less accumulated amortization. Amortization method, useful lives and residual values are reviewed annually. Amortization is recognized in comprehensive earnings and is provided for using the following rates and method over their estimated useful lives as follows:

Computer equipment	2 years	Straight-line
Furniture and equipment	5 years	Straight-line
Leasehold improvements	Term of lease	Straight-line

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share dividends

The Credit Union's policy is to accrue share dividends when approved by the Board of Directors, which are recorded in comprehensive income in the year to which they relate.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

As at December 31, 2019, a number of standards, interpretations and amendments thereto have been issued by the IASB, which are not effective for these financial statements. None of these new standards are expected to have a significant effect on the financial statements of the Credit Union.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Credit Union makes estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities. These estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market using valuation techniques. The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note 15.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

5. MEMBERS' LOANS

Terms and conditions

Members' loans can have either a variable or fixed rate of interest with varying maturity dates. The interest rate sensitivity is disclosed in Note 17.

Variable rate loans are based on a 'prime rate' formula, ranging from prime less 1.95% to prime plus 15.3%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2019 was 3.95% (2018 - 3.95%).

The interest rate offered on fixed rate loans being advanced at December 31, 2019 ranges from 2% to 16.5% (2018 - 2% to 21%).

The Credit Union loans consists of mortgages under administration, residential mortgages and personal loans. Residential mortgages are loans secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only. Personal loans consist of term loans and lines of credit and, as such, have various repayment terms. Some of the personal loans are secured by personal property or investments or hold no security.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

5. MEMBERS' LOANS (Continued)

Average Yields to Maturity

Loans bear interest at variable and fixed rates with the following average yields:

	2019		2018	
	Principal	Yield	Principal	Yield
	\$	%	\$	%
Variable rate	9,175,956	5.93	9,702,014	6.26
Fixed rate due less than 1 year	5,433,400	3.44	4,045,503	3.65
Fixed rate due between 1 and 5 years	16,479,400	3.68	18,153,200	3.62
Fixed rate due more than 5 years	-	-	39,600	4.65
	<u>31,088,756</u>	<u>4.30</u>	<u>31,940,317</u>	<u>4.43</u>

Concentration of risk

Concentration risk does exist, as generally members are required to be a member of the Nova Scotia Government Employees Union, or an employee or related to an employee of the Province of Nova Scotia or its agencies.

As at year-end, the Credit Union had 7 (2018 - 6) accounts in excess of 10% of members' equity totaling \$5,359,186 (2018 - \$5,207,237) or 17% (2018 - 16%) of the loan portfolio. Overall, the loan portfolio is diversified among members. Given this management feels the Credit Union does not have a material exposure to concentration risk relating to its portfolio.

Allowance for impaired loans

The Credit Union has determined the significance of the change in credit risk of member loans' since initial recognition and the resulting impairment loss has been recorded in the statement of earnings and comprehensive income.

In assessing the change in credit risk the Credit Union considers the loan type, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5. MEMBERS' LOANS (Continued)

Allowance for impaired loans (continued)

The analysis of loans, by class, together with related allowances for doubtful loans is as follows:

	2019		2018	
	Impaired loans	Impairment allowance	Impaired loans	Impairment allowance
	\$	\$	\$	\$
Residential mortgages	356,230	21,000	681,373	54,000
Personal	<u>314,372</u>	<u>140,091</u>	<u>144,040</u>	<u>106,000</u>
	<u><u>670,602</u></u>	<u><u>161,091</u></u>	<u><u>825,413</u></u>	<u><u>160,000</u></u>

a) Continuity of allowance for impaired loans

	2019	2018
	\$	\$
Balance - beginning of year	160,000	172,257
Current provision for impaired loans	22,372	17,384
Loans written off as uncollectable	(23,907)	(33,862)
Bad debts recovered (net)	<u>2,626</u>	<u>4,221</u>
Balance - end of year	<u><u>161,091</u></u>	<u><u>160,000</u></u>

6. INVESTMENTS

	2019	2018
	\$	\$
Concentra term deposit, interest at 2.38%, maturing November 2021	500,000	-
Atlantic Central common shares	320,930	320,050
Atlantic Central preferred shares	97,000	97,000
League Savings and Mortgage Company - Preference A shares	367,642	345,204
League Data Limited Preferred 'B' shares	18,660	18,660
COOP EFT Development	<u>10</u>	<u>10</u>
	<u><u>1,304,242</u></u>	<u><u>780,924</u></u>

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

6. INVESTMENTS (Continued)

The shares in Atlantic Central are required as condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Atlantic Central. These shares are issued and redeemable at par value.

The Credit Union is not intending to dispose of any Atlantic Central shares as the services supplied by Atlantic Central are relevant to the day to day activities of the Credit Union. Dividends on these shares are at the discretion of the Board of Directors of Atlantic Central.

The shares in League Savings and Mortgage Company and League Data Limited are issued and redeemable at par value.

7. PROPERTY AND EQUIPMENT

Cost	Computer equipment \$	Furniture and equipment \$	Leasehold improvements \$	Total \$
December 31, 2017	105,383	102,808	56,227	264,418
2018 additions	8,351	89,151	192,202	289,704
2018 disposals	(105,383)	(390)	(56,227)	(162,000)
December 31, 2018	8,351	191,569	192,202	392,122
2019 additions	<u> -</u>	<u> 1,842</u>	<u> -</u>	<u> 1,842</u>
December 31, 2019	<u> 8,351</u>	<u> 193,411</u>	<u> 192,202</u>	<u> 393,964</u>
Accumulated amortization				
December 31, 2017	103,307	89,388	56,227	248,922
2018 amortization	3,820	12,230	6,452	22,502
2018 disposals	(105,383)	(390)	(56,227)	(162,000)
December 31, 2018	1,744	101,228	6,452	109,424
2019 amortization	<u> 4,175</u>	<u> 12,688</u>	<u> 12,997</u>	<u> 29,860</u>
December 31, 2019	<u> 5,919</u>	<u> 113,916</u>	<u> 19,449</u>	<u> 139,284</u>
Net book value				
December 31, 2018	<u> 6,607</u>	<u> 90,341</u>	<u> 185,750</u>	<u> 282,698</u>
December 31, 2019	<u> 2,432</u>	<u> 79,495</u>	<u> 172,753</u>	<u> 254,680</u>

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

8. CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
The Credit Union's current accounts are held with Atlantic Central. Cash balance consists of the following:		
Cash on hand	357,851	315,474
Current account	392,861	46,534
Atlantic Central demand liquidity	1,818,992	1,123,961
Atlantic Central mandatory liquidity	2,746,260	2,684,287
Atlantic Central USD account	<u>33,280</u>	<u>31,559</u>
	<u>5,349,244</u>	<u>4,201,815</u>

The Credit Union's mandatory liquidity reserve with Atlantic Central must be at least 6% of total assets. The Credit Union's required overall liquidity is 10% of total member deposits. The average yield on the balances held with Atlantic Central is 1.44%. The Credit Union is in compliance with these liquidity reserves.

The Credit Union has a \$800,000 line of credit with Atlantic Central of Nova Scotia, secured by an assignment of book debts including loans and mortgages. As at December 31, 2019, the balance outstanding on the line of credit was \$NIL (2018 - \$NIL). When utilized, the line of credit bears interest at Atlantic Central of Nova Scotia's prime rate per annum.

9. OTHER ASSETS

	2019	2018
	\$	\$
Rebates and other receivables	25,032	39,407
Accrued interest receivable	4,696	4,400
Deferred income taxes payable	(10,351)	(8,728)
Prepaid expenses	18,906	23,667
Prepaid interest (index-linked GICs)	4,374	8,285
Concentra term deposit, interest at 2.08%, maturing August 2020	1,000,000	-
Matured term deposit	<u>-</u>	<u>500,000</u>
	<u>1,042,657</u>	<u>567,031</u>

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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10. MEMBERS' DEPOSITS

Terms and conditions

Savings and chequing deposits are due on demand and bear interest at variable interest rates up to 1.00% (2018 - 1.25%) as at December 31, 2019. Interest is calculated daily and paid on the account monthly and quarterly depending on the account type.

Deferred salary deposits are due on demand and bear interest at variable interest rate up to 0.71% (2018 - 0.71%) as at December 31, 2019.

Term deposits, registered retirement savings plans (RRSPs), registered retirement income funds and tax-free savings accounts bear both fixed and variable rates of interest for terms up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest offered ranged from 1.00% to 3.00% (2018 - 0.8% to 3.25%) as at December 31, 2019.

See Note 17 for the breakdown of interest rate sensitivity.

Maturities of principal for fixed interest rate deposits in each of the next five years are approximately as follows:

	\$
2020	13,887,100
2021	3,169,600
2022	1,221,300
2023	1,611,000
2024	1,057,400

Average yields to maturity

Members' deposits bear interest at both variable and fixed rates with the following average yields:	Principal	2019 Yield	Principal	2018 Yield
	\$	%	\$	%
Variable rate	13,730,117	0.15	14,010,000	0.15
Fixed rate due in less than 1 year	13,887,100	1.69	13,199,717	1.54
Fixed rate due between 1 and 5 years	<u>7,059,300</u>	<u>1.92</u>	<u>6,331,200</u>	<u>1.57</u>
	<u>34,676,517</u>	<u>1.13</u>	<u>33,540,917</u>	<u>0.96</u>

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

10. MEMBERS' DEPOSITS (Continued)

Concentration of risk

The Credit Union as at December 31, 2019 does not have any deposits to one individual in excess of 10% of member deposits. Therefore, management feels the Credit Union does not have a material exposure to concentration risk relating to its loan portfolio.

11. MEMBERS' SHARES

Authorized

Unlimited Non-transferable shares with a par value of \$5

	2019	2018
	\$	\$
Issued		
2,866 Member shares (2018 - 2,849)	14,330	14,245

As a condition of membership, which is required to use the services of the Credit Union, each member is required to purchase a share. The shares are redeemable at par only when membership is withdrawn. Dividends paid on members' shares are at the discretion of the Board of Directors.

During the year the Credit Union issued 167 shares (2018 - 358 shares) for a consideration of \$835 (2018 - \$1,790) and repurchased 150 shares (2018 - 136 shares) for a total consideration of \$750 (2018 - \$680).

12. PENSION PLAN AND RETIREMENT SAVINGS

a) The employees of the Credit Union are members of the Province of Nova Scotia's Public Service Superannuation Plan, a defined benefit pension plan administered under the Public Service Superannuation Act. The Credit Union matches employee contributions, calculated as percentage of salary. Contributions of \$42,728 have been expensed in 2019 (2018 - \$38,471). The Credit Union is not liable to the plan for other entities' obligations. With only eleven employees, the Credit Union represents an insignificant percentage of the pension plan.

The Credit Union is responsible for its portion of deficiencies (if any) that may arise in the plan from time to time. As at December 31, 2018, the date of the last actuarial valuation, the pension plan was 98.2% funded.

b) Concentra Financial is the trustee of the Registered Retirement Savings and Registered Retirement Income plans offered to members. Under the agreement with Concentra Financial, members' contributions to these funds, as well as income earned thereon, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made by the Credit Union.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
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13. RETAINED EARNINGS

In accordance with the Credit Union Act, the Credit Union is required to maintain a level of equity that is not less than 5% of its assets. As at December 31, 2019 members' equity as a percentage of assets was calculated as follows:

	2019	2018
	\$	\$
Members' equity	3,917,076	3,830,772
Total assets	<u>38,916,714</u>	<u>37,650,838</u>
Members' equity as a percentage of total assets	<u>10.07%</u>	<u>10.17%</u>

14. RELATED PARTY TRANSACTIONS

The Credit Union entered into the following transactions with key management personnel, staff, directors, and committee members which are defined by IAS 24, Related Party Disclosures, as individuals having authority and responsibility for planning and directing and controlling the activities of the Credit Union.

a) Compensation to key management personnel	2019	2018
	\$	\$
Salaries and other short-term employee benefits	271,252	263,378
Total pension contributions	<u>33,416</u>	<u>32,355</u>
	<u>304,668</u>	<u>295,733</u>
b) Loans to all related parties	2019	2018
	\$	\$
Aggregate value of loans and mortgages advanced	1,968,407	2,080,603
Total value of lines of credit advanced	<u>787,011</u>	<u>1,171,167</u>
	<u>2,755,418</u>	<u>3,251,770</u>

During the year, interest income on loans to related parties was approximately \$60,000 (2018 - \$82,000).

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
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14. RELATED PARTY TRANSACTIONS (Continued)

The Credit Union's policy for lending to key management personnel is such where loans are approved and deposits accepted on the same terms and conditions which apply to members for each class of loan or deposit.

c) Deposits from related parties	2019	2018
	\$	\$
Aggregate value of savings and checking	214,054	217,719
Aggregate value of term deposits	<u>1,042,719</u>	<u>1,330,536</u>
	<u>1,256,773</u>	<u>1,548,255</u>

During the year, interest paid on related party deposits was approximately \$35,000 (2018 - \$37,000).

With respect to mortgages and members' deposits, these transactions were made in the normal course of business. Interest rates on personal loans are in accordance with the Canada Revenue Agency's prescribed rates of interest (2% effective throughout 2019) for management and staff, Board Members and under certain circumstances, former Board Members.

15. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE

Financial instruments classification is as follows:

		2019	2018
		\$	\$
Cash and cash equivalents	Amortized cost	5,349,244	4,201,815
Other assets	Amortized cost	1,042,657	567,031
Members' loans	Amortized cost	30,965,891	31,818,205
Long-term investments	Amortized cost	1,304,242	780,924
Accounts payable and accrued liabilities	Amortized cost	(112,932)	(113,696)
Members' deposits and members' shares	Amortized cost	<u>(34,885,236)</u>	<u>(33,705,669)</u>
		<u>3,663,866</u>	<u>3,548,610</u>

Financial assets and financial liabilities at amortized cost are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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**15. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE
(Continued)**

IFRS requires the use of a fair value hierarchy in order to classify the fair value measurements related to the financial instruments recognized in the Credit Union's statement of financial position at fair value. The fair value hierarchy has the following levels:

- a) Level 1 - Quoted market prices;
- b) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 - inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured at fair value as determined under Level 1 of the fair value hierarchy.

Long-term investments, other assets, accounts payable and accrued liabilities, members' loans, deposits and shares are measured under Level 3 of the fair value hierarchy, they are measured at cost which approximates fair value.

The Credit Union does not have any financial instruments subsequently measured at fair value.

16. FINANCIAL INSTRUMENTS

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies. The risk management design and operating of risk processes is the responsibility of Credit Union's management. The Board of Directors performs a periodic review of the effectiveness of the processes in place and the appropriateness of the objectives and policies it sets.

The Credit Union's financial instruments include cash and cash equivalents, members' loans, accounts receivable (included in other assets), short-term investments (included in other assets), long-term investments, members' deposits, members' shares, accounts payable and accrued liabilities.

Risks and concentrations

The Credit Union is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at December 31, 2019.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
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16. FINANCIAL INSTRUMENTS (Continued)

It is management's opinion that the Company is not exposed to significant currency and price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Credit Union to concentrations of credit risk consist of cash and cash equivalents, members' loans, short-term investments (included in other assets), long-term investments and accounts receivable (included in other assets).

The Credit Union deposits its cash with Atlantic Central of Nova Scotia, a reputable financial institution, and therefore believes the risk of loss to be remote. The Credit Union is exposed to credit risk from interest receivable on investments. The Credit Union believes this credit risk is minimized as the interest receivable is due from reputable investment management companies.

Credit risk associated with members' loans is mitigated through Credit Union's approval systems as designed to access and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay and value of collateral available to secure the loan.

The Board of Directors ensures that management has a framework, policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's members' loans credit risk policies comprise the following:

- a) General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;
- b) Loan lending limits; and
- c) Loan collateral security classifications, loan delinquency controls.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
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16. FINANCIAL INSTRUMENTS (Continued)

Credit risk (continued)

The Board of Directors reviews new loans and delinquent loans at each reporting period along with an analysis of bad debts and allowance for impaired loans.

The Credit Union's maximum exposure to credit risk at the statement of financial position date is in relation to each class of recognized financial assets at the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event members fail to perform their obligations under the financial instruments in question. The principal collateral and other credit enhancements the Credit Union holds as security for loans include: (i) insurance and mortgages over residential lots and properties; and (ii) recourse to liquid assets, guarantees and securities. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its members' deposits, members' shares, accounts payable and accrued liabilities. The Credit Union mitigates the liquidity risk by maintaining a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union's liquidity management includes a minimum liquidity ratio set at 6% of total assets.

The Credit Union monitors its members' deposit profiles and ensures to maintain adequate reserves, liquidity support facilities and reserve borrowing facilities. As at December 31, 2019 the Credit Union was in compliance with the liquidity requirements throughout the fiscal year. (See Note 8 for the breakdown of the liquidity cash reserves.)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union is exposed to interest rate risk on its financial obligations at variable interest rates. Interest rate sensitivity is broken out in Note 17. The Credit Union manages the interest rate risk by monitoring the rates and ensuring that rates extended are in line with the market.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
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17. INTEREST RATE SENSITIVITY

The Credit Union's primary source of income is financial margin, which is the difference between interest earned on investments and loans to members and interest paid to members on their deposits. The objective of managing the financial margin is to manage re-pricing or maturity dates of loans and investments and members' savings and deposits within policy limits that are intended to limit the Credit Union's exposure to changing interest rates.

The Credit Union's financial assets and liabilities bear interest at rates which adjust from time to time. The following table sets out the scheduled maturities or re-pricing dates, whichever occurs earlier, of the financial assets and liabilities as at December 31, 2019 together with the weighted average interest rates earned on the financial assets or paid on the financial liabilities.

	Demand Principal \$	Rate %	Under 1 Year Principal \$	Rate %	1-3 Year Principal \$	Rate %	Over 3 Years Principal \$	Rate %	Over 5 Years Principal \$	Rate %
ASSETS										
Cash and investments	2,602,986	1.16	3,746,300	1.81	500,000	2.38	707,200	3.87	97,000	-
Members' loans										
Personal	9,175,942	5.93	1,600	3.37	40,800	1.68	47,100	3.82	-	-
Mortgages	-	-	5,431,814	3.44	5,583,900	3.54	10,807,600	3.76	-	-
	<u>11,778,928</u>		<u>9,179,714</u>		<u>6,124,700</u>		<u>11,561,900</u>		<u>97,000</u>	
LIABILITIES										
Members' deposits	<u>13,730,117</u>	0.15	<u>13,887,100</u>	1.69	<u>4,390,900</u>	2.09	<u>2,668,400</u>	1.66	-	-

For the fiscal year ended December 31, 2019, a 100 basis point increase or decrease in interest rates, assuming all other variables are constant, would have resulted in approximately a decrease or increase of \$37,000 in the Credit Unions's net earnings, respectively.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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18. CAPITAL RISK MANAGEMENT

Generally accepted accounting principles require the Credit Union to disclose information that enables financial statement users to evaluate the entity's objectives, policies and processes for managing capital.

The Credit Union provides financial services to its members and is subject to the capital requirements set out in the Credit Union Act of Nova Scotia (the "Act"). The Credit Union complied with these capital requirements as at December 31, 2019.

The Credit Union's objectives when managing capital are to ensure the long-term viability of the Credit Union, and the security of members' deposits by holding a level of capital deemed sufficient to protect against unanticipated losses. The Credit Union is also required to comply at all times with the capital requirements set out in the Act.

The Credit Union measures the adequacy of capital using two methods:

- a) Total capital as a percent of total assets;
- b) Total capital as a percent of risk weighted assets. Under this method the Credit Union reviews its loan portfolio and other assets and assigns a risk weighting using definitions and formulas set out in the Act, and by the Credit Union Deposit Insurance Corporation. The more risk associated with an asset, a higher weighting is assigned. This method allows the Credit Union to measure capital relative to the possibility of loss with more capital required to support assets that are seen as being higher risk.

The Credit Union's management ensures compliance with capital adequacy through the following:

- a) Establishing policies for capital management, monitoring and reporting;
- b) Establishing policies for related areas such as asset/liability management;
- c) Reporting to the Board of Directors regarding financial results and capital adequacy;
- d) Reporting to the Credit Union Deposit Insurance Corporation on its capital adequacy; and
- e) Establish budgets and reporting variances to those budgets.

The Credit Union's capital structure consists of members' equity. As at December 31, 2019, the Credit Union's members' equity was \$3,917,076 (December 31, 2018 - \$3,830,772).

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19. SERVICE CHARGES AND OTHER REVENUE	2019	2018
	\$	\$
Discretionary rebates	1,852	2,358
Mortgage referral fees	532	7,609
Monthly service charges	160,255	144,843
CURP life and disability insurance	49,047	69,941
Money orders, mortgage penalties, loan administration fees, credit card charges and other	<u>38,785</u>	<u>17,618</u>
	<u>250,471</u>	<u>242,369</u>
Breakdown of the discretionary rebates revenue is as follows:	2019	2018
	\$	\$
CUMIS bonding insurance	919	1,425
League Data and Savings	<u>933</u>	<u>933</u>
	<u>1,852</u>	<u>2,358</u>

20. COMMITMENTS

The Credit Union has a commitment to its members in terms of unused lines of credit. As at December 31, 2019 the total amount of unused lines of credit is \$6,157,644 (2018 - \$6,425,135). As at December 31, 2019 there were no approved and unadvanced mortgages or personal loans.

The Credit Union has the following commitments:

- Signed sublease with East Coast Credit Union
- Signed contract with Atlantic Central for risk management and compliance services.

Related minimum commitments over the next five years are as follows:

	\$
2020	53,745
2021	53,745
2022	53,745
2023	55,025
2024	56,305

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21. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization (WHO) announced a pandemic due to a rapid increase in global exposure of a new strain of coronavirus (COVID-19). The outbreak of COVID-19 is having a significant negative impact on world financial markets and general business activities. The Province of Nova Scotia declared a provincial state of emergency on March 22, 2020 to help stop the spread of COVID-19 and the timing of recovery is unknown.

While the impact of COVID -19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the business operations, including the duration and impact on overall operations, cannot be reasonably estimated at this time. Management anticipates this may have an adverse impact on the business, results of operations, financial position and cash flows in 2020.

Chief Executive Officer Report

It is with pleasure that I report to you, our shareholders, that Provincial Government Employees Credit Union has had another successful year.

This year included successes in many ways. We have enjoyed a full year in our new location which has accommodated our members with many advantages including parking and our ATM!

We are offering monthly lunch and learns, and seminars in-branch including, first time homebuyers, RRSP's, and financial literacy to name a few. We continue to expand our onboarding programs throughout government departments.

We continue to promote our referral programs throughout government departments and boast a very active social media profile.

Our focus as your full-service financial institution remains a priority as we closely monitor and promote technological advances.

We continued to support both financially and socially, non-profit organizations and charities in addition to offering sponsorships and educational awards to our members and their children.

All of our growth, level of equity and profitability over the past 81 years would not have been possible without the continued commitment of our members, communities and Board of Directors.

Although not for the year ending 2019, at the time of the (postponed) annual meeting we have been faced with the biggest challenge of my 25 years with the Provincial Government Employees Credit Union - Covid-19.

We want to assure our members that our staff and Board immediately addressed the pandemic and the safety and security of our staff and members in every way possible.

Our staff was always at the Branch (working virtually) securing every financial need and requirements of our members including an immediate response to mortgage and loan relief.

Financially there will be repercussions from the past few months but with the support of our staff, members, and board we will weather 2020 with certainty, expertise and commitment.

I would like to take this opportunity to sincerely thank you for your loyalty and support of the Provincial Government Employees Credit Union.

Respectfully submitted,

Ingrid Foshay Murphy,
CEO



Marketing and Member Relations Committee Report

2019 was a year that has provided the Provincial Government Employees Credit Union an opportunity to reflect on our successes and address the challenges of the global market, technology and changing news of public servants across the province. Our members have many choices and we appreciate the trust they continue to put in our hands.

Our revenue and profit continue to grow year after year. However more work is required to grow our membership. We recognize that our members are investing in more of our products and services as a result of our strong relationship and the continued work of the staff. The marketing committee is committed to building a strong and diverse membership base through various plans and programs.

We are excited by the opportunities that are available to us to serve public servants, at the same time we know that the future of our members and those we serve is uncertain as we adjust to a new normal. The marketing committee will be working hard to ensure public servants know we are here for all of their financial needs and are with them as we collectively make our way through a COVID recovery.

Respectfully submitted,

Meredith Cowan (chair)
Kathleen Trott
Mark Peck
Sandra Mckenzie
Ingrid Foshay Murphy



Credit Committee Report

The Credit Committee has a mandate to review loan policy and recommend changes, as deemed necessary, to the Board of Directors of the Provincial Government Employees Credit Union.

The Credit Committee reviews loans to staff and board members of the credit union, and any loans which are an exception to the loan policy. The Credit Committee also reviews delinquencies, bankruptcies and any loans which are written-off. These reviews are reported to the Board of Directors.

The Credit Committee has met quarterly during the 2019 fiscal year to address the aforementioned requirements.

As of December 31, 2019, the grand total of the loan account of the Provincial Government Employees Credit Union stood at \$31,088,756.18.

The Credit Committee thanks the management

and staff for their continued effort to maintain a high level of professionalism and a caring business environment for all members.

Respectfully submitted,

Gerald Langille, Chairperson
Gwen Beazley, Vice Chairperson
Donald Hebb



Audit Committee Report

The Audit Committee met on numerous occasions during 2019, during which time we followed the rules and regulations of the Nova Scotia Credit Union Act. The committee reviewed the minutes of the board, staff loans, and deposits, board and committee member loans, all financial reports sent to regulators, and board. The committee also met with our external auditors in order to review their report. We are pleased to report that all aspects reviewed by our committee were well within the policy and procedures of the Provincial Government Employees Credit Union and the rules and regulations of the Nova Scotia Credit Union Act.

We would like to congratulate the CEO and her staff for their dedication and the excellent year they made possible. We also thank them for the exceptional cooperation given to the Audit Committee throughout 2019.

Respectfully submitted,
Stephen McManus, Chair
Linda Fraser
James Clayton
Miriam Murray



Nomination Committee Report

Board of Directors nominations for the three-year term ending December 31, 2022

Mark Peck
Gerald Langille

Board

James Sherry
Mark Peck
Linda Frazer
Meredith Cowan
Gerald Langille
Stephan McManus
Miriam Murray
Sandra Mckenzie

Directors and Committees

Board of Directors

James Sherry, President
Mark Peck, Vice President
Linda Fraser, Secretary
Meredith Cowan, Director
Gerald Langille, Director
Stephan McManus, Director
Miriam Murray, Director
Sandra McKenzie, Director
Gwen Beazley, Director

Audit Committee Members

Stephen McManus, Chairperson
Linda Fraser
James Clayton
Miriam Murray

Credit Committee Members

Gerry Langille, Chairperson
Gwen Beazley, Vice Chairperson
Donald Hebb

Marketing and Member Relations Committee

Meredith Cowan, Chair
Mark Peck
Sandra McKenzie
Kathleen Trott

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