



**CREDIT
UNION**

PROVINCIAL
GOVERNMENT
EMPLOYEES

2020 Annual **REPORT**



Opening doors to opportunities in every way.



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

- Call to Order
- In Memoriam
- Approval of 2019 AGM Minutes
- Board of Directors Report
- Chief Executive Officers Report
- Auditor Report and Financial Report for 2020
- Committee Report- As per Package
 - Audit Committee Report
 - Credit Committee Report
 - Marketing and Member Relations Report
 - Nominating Committee Report
- Board Confirmed for 2021-2022
- Appointment of Auditor
- Approval of Revised By-laws
- New Business
- Adjournment



2020 Annual Meeting Minutes

For the year ending 2019

Call to Order

The 82nd annual meeting of Provincial Government Employees Credit Union Limited was held virtually on Tuesday, June 23, 2020 at our location at 1718 Argyle Street, Halifax, NS.

Mr. Jim Sherry called the meeting to order at 11:00am.

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 2019.

Minutes of the 2019 Annual Meeting

In that this was our credit union's first virtual annual meeting, Jim Sherry called upon Mrs. Ingrid Foshay Murphy to read the previous minutes aloud. These were moved by Mrs. Miriam Murray and seconded by Mr. Gerry Langille.

Motion carried.

Board of Directors Report

Mr. Sherry then presented the Board of Directors report. There being no questions, Mr. Mark Peck moved to accept the report which was seconded by Mrs. Sandra McKenzie.

Motion carried.

Report of the Auditors

Mr. Sherry called upon Mrs. Dragana Cooper and Ms. Alida Mitchell of Baker Tilly to present the financial statements for the year ending December 31, 2019. Ms. Mitchell explained various areas and indicated once again that Provincial Government Employees Credit Union's equity is very financially healthy and she was pleased to present an unqualified report. Our retained earnings are at 10%. There being no questions or comments, Mrs. Meredith Cowan moved to adopt the report and was seconded by Mr. Mark Peck.

Motion carried.

Report of the CEO

Mrs. Ingrid Foshay Murphy presented the Report of the CEO and she welcomed all in attendance to our first virtual venue. There being no comments or questions, Mr. Sherry called on the membership to accept the report as read. This was moved by Mrs. Gwen Beazley and seconded by Mrs. Linda Fraser.

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. This was moved for approval by Mr. Gerry Langille and seconded by Mrs. Sandra McKenzie.

Motion carried.



2020 Annual Meeting Minutes

For the year ending 2019

Report of the Credit Committee

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

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 Mrs. Gwen Beazley and seconded by Mr. Mark Peck.

Motion carried.

Report of the Nomination Committee

Mr. Sherry called upon Mrs. Ingrid Foshay Murphy to read the report of the Nomination Committee. Mrs. Foshay Murphy indicated there are three positions that are up for renewal, these being Mark Peck, Gerald Langille and Gwen Beazley. Mrs. Beazley has decided not to re-offer and she was thanked for her years of service. Mr. Mark Peck and Mr. Gerry Langille have been renewed for another term to end on Dec 31, 2022. There being no questions or comments, Mr. Sherry called for the adoption of the report. This was moved by Mrs. Sandra McKenzie and seconded by Mrs. Miriam Murray.

Motion carried.

Adjournment

There being no further business, Mr. Jim Sherry adjourned the meeting at 11:27am.





Board of Directors' Report

The Board of Directors of Provincial Government Employees Credit Union is pleased to report that the year 2020 was once again a successful year, although the pandemic had an effect on our bottom line, as it did with most Credit Unions and businesses.

Our success comes from the commitment of our members, the dedication of our volunteers on the board, the various committees and the exceptional employees on staff.

The Board thanks our Chief Executive Officer, Ingrid Foshay Murphy for her continued excellent performance. Through her efforts we are one of the best Credit Unions in the province.

We thank the members of the Audit Committee, Credit Committee, Marketing and Member Relations Committee and the dedicated staff for their continued service. I personally thank the

Board members for their time and efforts over the past year. On behalf of the Board, I thank our greatest asset, OUR MEMBERS. Your continued support is very much appreciated.

Respectfully submitted,

James Sherry, President
Mark Peck, Vice President
Linda Fraser, Secretary
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, 2020 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, 2020, 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.

Dartmouth, Nova Scotia
April 9, 2021

Chartered Professional Accountants



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	\$	\$
INTEREST INCOME	1,347,613	1,479,495
INTEREST EXPENSE	<u>364,119</u>	<u>404,196</u>
GROSS FINANCIAL PROFIT	983,494	1,075,299
SERVICE CHARGES AND OTHER REVENUE (Note 19)	<u>246,285</u>	<u>250,471</u>
FINANCIAL MARGIN	<u>1,229,779</u>	<u>1,325,770</u>
OPERATING EXPENSES		
Amortization	27,770	29,860
Charitable donations and education awards	5,180	8,023
General and administrative	430,205	437,156
Members' security	49,494	48,166
Occupancy	53,691	37,524
Personnel salaries and benefits (Note 20)	540,296	644,168
Allowance for impaired loans (Note 5)	<u>40,177</u>	<u>22,372</u>
	<u>1,146,813</u>	<u>1,227,269</u>
EARNINGS BEFORE SHARE DIVIDEND	82,966	98,501
SHARE DIVIDEND	<u>-</u>	<u>704</u>
EARNINGS BEFORE INCOME TAXES	<u>82,966</u>	<u>97,797</u>
PROVISION FOR INCOME TAXES		
Current	8,540	9,870
Deferred	<u>661</u>	<u>1,623</u>
	<u>9,201</u>	<u>11,493</u>
COMPREHENSIVE INCOME	73,765	86,304
RETAINED EARNINGS - beginning of year	<u>3,917,076</u>	<u>3,830,772</u>
RETAINED EARNINGS - end of year	<u>3,990,841</u>	<u>3,917,076</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, 2020

	2020	2019
	\$	\$
ASSETS		
MEMBERS' LOANS (Note 5)		
Mortgages under administration	4,568,794	4,830,531
Mortgages	15,863,095	16,992,783
Personal	9,352,214	9,265,442
Accrued interest	<u>27,352</u>	<u>38,226</u>
	29,811,455	31,126,982
Allowance for impaired loans (Note 5a)	<u>(184,693)</u>	<u>(161,091)</u>
	29,626,762	30,965,891
INVESTMENTS (Note 6)	851,173	1,304,242
PROPERTY AND EQUIPMENT (Note 7)	<u>229,453</u>	<u>254,680</u>
	<u>30,707,388</u>	<u>32,524,813</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 8)	6,985,167	5,349,244
Other assets (Note 9)	<u>5,547,190</u>	<u>1,042,657</u>
	<u>12,532,357</u>	<u>6,391,901</u>
	<u>43,239,745</u>	<u>38,916,714</u>
LIABILITIES		
MEMBERS' DEPOSITS (Note 10)		
Savings and chequing	17,455,218	13,791,705
Deferred salary deposits	1,895,433	1,143,564
Term deposits	19,633,669	19,741,248
Accrued interest	<u>158,733</u>	<u>194,389</u>
	39,143,053	34,870,906
MEMBERS' SHARES (Note 11)	<u>13,930</u>	<u>14,330</u>
	<u>39,156,983</u>	<u>34,885,236</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	90,783	112,932
Income taxes payable	1,138	766
Share dividend payable	<u>-</u>	<u>704</u>
	<u>91,921</u>	<u>114,402</u>
	<u>39,248,904</u>	<u>34,999,638</u>
MEMBERS' EQUITY		
RETAINED EARNINGS (Note 13)	<u>3,990,841</u>	<u>3,917,076</u>
	<u>43,239,745</u>	<u>38,916,714</u>

COMMITMENTS (Note 21) and SIGNIFICANT EVENT (Note 22)

Approved by the Board of Directors

[Signature]

Director

[Signature]

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, 2020

	2020	2019
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Net earnings and comprehensive income	73,765	86,304
Item not affecting cash		
Amortization	<u>27,770</u>	<u>29,860</u>
	101,535	116,164
Changes in non-cash working capital items		
Other assets	(4,504,534)	(475,625)
Accounts payable and accrued liabilities	(22,148)	(765)
Income taxes payable	372	931
Share dividend payable	<u>(704)</u>	<u>3</u>
	<u>(4,425,479)</u>	<u>(359,292)</u>
FINANCING		
Members' shares issued	225	835
Members' shares redeemed	(625)	(750)
Net change in members' deposits	<u>4,272,147</u>	<u>1,179,482</u>
	<u>4,271,747</u>	<u>1,179,567</u>
INVESTING		
Net change in members' loans	1,339,129	852,314
Disposal (acquisition) of investments	453,069	(523,318)
Acquisition of property and equipment	<u>(2,543)</u>	<u>(1,842)</u>
	<u>1,789,655</u>	<u>327,154</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,635,923	1,147,429
CASH AND CASH EQUIVALENTS - beginning of year	<u>5,349,244</u>	<u>4,201,815</u>
CASH AND CASH EQUIVALENTS - end of year	<u>6,985,167</u>	<u>5,349,244</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, 2020

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 April 8, 2021.

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.

Cash and cash equivalents

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



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 guaranteed investment certificates ("GICs") with a maturities of a year or less and are subsequently measured at amortized cost.



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Long-term investments, initially recorded at fair value, include non-controlling share investments. The share investments are not quoted in an active market and 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.

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.



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2020, 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.



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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.

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.

Allowance for doubtful account

At each reporting period, management assessed financial assets to determine whether their credit risk has increased significantly since initial recognition. Management develops assumptions and estimates about number of factors which impact the borrowers' ability to meet future debt obligations including changes in internal credit ratings of the borrower, change in value of the collateral, length of time the payments are past due and other factors (Note 5).

The estimate of expected credit losses are based on historical information and adjusted for current economic conditions.



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 to prime plus 15.55%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2020 was 2.45% (2019 - 3.95%).

The interest rate offered on fixed rate loans being advanced at December 31, 2020 ranges from 1% to 18% (2019 - 2% to 16.5%).

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.

Average yields to maturity

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

	2020		2019	
	Principal	Yield	Principal	Yield
	\$	%	\$	%
Variable rate	7,926,914	4.76	9,175,956	5.93
Fixed rate due less than 1 year	3,176,089	4.00	5,433,400	3.44
Fixed rate due between 1 and 5 years	18,681,100	3.56	16,479,400	3.68
Fixed rate due more than 5 years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>29,784,103</u>	<u>3.93</u>	<u>31,088,756</u>	<u>4.30</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 (2019 - 7) accounts in excess of 10% of members' equity totaling \$5,975,394 (2019 - \$5,359,186) or 20% (2019 - 17%) 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.



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

5. MEMBERS' LOANS (Continued)

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.

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

	2020		2019	
	Impaired loans	Impairment allowance	Impaired loans	Impairment allowance
	\$	\$	\$	\$
Residential mortgages	481,480	90,830	356,230	21,000
Personal	253,664	93,863	314,372	140,091
	735,144	184,693	670,602	161,091

a) Continuity of allowance for impaired loans

	2020	2019
	\$	\$
Balance - beginning of year	161,091	160,000
Current provision for impaired loans	40,177	22,372
Loans written off as uncollectable	(22,540)	(23,907)
Bad debts recovered (net)	5,965	2,626
Balance - end of year	184,693	161,091

6. INVESTMENTS

	2020	2019
	\$	\$
Atlantic Central common shares	349,060	320,930
Atlantic Central preferred shares	97,000	97,000
League Savings and Mortgage Company - Preferred A shares	386,443	367,642
League Data Limited Preferred 'B' shares	18,660	18,660
COOP EFT Development	10	10
Concentra term deposit, interest at 2.38%, maturing November 2021	-	500,000
	851,173	1,304,242



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2018	8,351	191,569	192,202	392,122
2019 additions	-	1,842	-	1,842
2019 disposals	-	-	-	-
December 31, 2019	8,351	193,411	192,202	393,964
2020 additions	2,543	-	-	2,543
2020 disposals	-	-	-	-
December 31, 2020	<u>10,894</u>	<u>193,411</u>	<u>192,202</u>	<u>396,507</u>
Accumulated amortization				
December 31, 2018	1,744	101,228	6,452	109,424
2019 amortization	4,175	12,688	12,997	29,860
2019 disposals	-	-	-	-
December 31, 2019	5,919	113,916	19,449	139,284
2020 amortization	3,032	11,742	12,996	27,770
2020 disposals	-	-	-	-
December 31, 2020	<u>8,951</u>	<u>125,658</u>	<u>32,445</u>	<u>167,054</u>
Net book value				
December 31, 2019	<u>2,432</u>	<u>79,495</u>	<u>172,753</u>	<u>254,680</u>
December 31, 2020	<u>1,943</u>	<u>67,753</u>	<u>159,757</u>	<u>229,453</u>



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

8. CASH AND CASH EQUIVALENTS

	2020	2019
	\$	\$
The Credit Union's current accounts are held with Atlantic Central. Cash balance consists of the following:		
Cash on hand	383,469	357,851
Current account	968,393	392,861
Atlantic Central demand liquidity	2,483,885	1,818,992
Atlantic Central mandatory liquidity	3,106,496	2,746,260
Atlantic Central USD account	<u>42,924</u>	<u>33,280</u>
	<u>6,985,167</u>	<u>5,349,244</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 0.27%. The Credit Union is in compliance with these liquidity reserves.

The Credit Union has a \$973,000 (2019 - \$800,000) line of credit with Atlantic Central of Nova Scotia, secured by an assignment of book debts including loans and mortgages. Line of credit limit is adjusted each year by Atlantic Central based on the 2.5% of the previous year's total assets. As at December 31, 2020, the balance outstanding on the line of credit was \$NIL (2019 - \$NIL). When utilized, the line of credit bears interest at an interest rate of 1.95% per annum.

9. OTHER ASSETS

	2020	2019
	\$	\$
Rebates and other receivables	35,554	25,032
Accrued interest receivable	2,566	4,696
Deferred income taxes payable	(11,012)	(10,351)
Prepaid expenses	17,842	18,906
Prepaid interest (index-linked GICs)	2,240	4,374
Concentra term deposit, interest at 2.38%, maturing November 2021	500,000	-
Atlantic Central term deposits, interest between 0.35% and 1.20%, maturing between January 2021 and November 2021	5,000,000	-
Matured term deposit	<u>-</u>	<u>1,000,000</u>
	<u>5,547,190</u>	<u>1,042,657</u>



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

10. MEMBERS' DEPOSITS

Terms and conditions

Savings and chequing deposits are due on demand and bear interest at variable interest rates up to 0.30% (2019 - 1.00%) as at December 31, 2020. 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 0.16% (2019 - 0.71%) as at December 31, 2020.

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 0.30% to 4.00% (2019 - 1.00% to 3.00%) as at December 31, 2020.

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:

	\$
2021	16,220,800
2022	1,597,800
2023	1,571,600
2024	1,102,300
2025	340,800

Average yields to maturity

	2020	2019		
Members' deposits bear interest at both variable and fixed rates with the following average yields:	Principal	Yield	Principal	Yield
	\$	%	\$	%
Variable rate	18,151,020	0.06	13,730,117	0.15
Fixed rate due in less than 1 year	16,220,800	1.30	13,887,100	1.69
Fixed rate due between 1 and 5 years	<u>4,612,500</u>	<u>1.67</u>	<u>7,059,300</u>	<u>1.92</u>
	<u>38,984,320</u>	<u>0.77</u>	<u>34,676,517</u>	<u>1.13</u>



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

10. MEMBERS' DEPOSITS (Continued)

Concentration of risk

The Credit Union as at December 31, 2020 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

	2020	2019
	\$	\$
Issued		
2,786 Member shares (2019 - 2,866)	13,930	14,330

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 45 shares (2019 - 167 shares) for a consideration of \$225 (2019 - \$835) and repurchased 125 shares (2019 - 150 shares) for a total consideration of \$625 (2019 - \$750).

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 \$45,494 have been expensed in 2020 (2019 - \$42,728). The Credit Union is not liable to the plan for other entities' obligations. With only eight 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, 2019, the date of the last actuarial valuation, the pension plan was 98.5% 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020 members' equity as a percentage of assets was calculated as follows:

	2020	2019
	\$	\$
Members' equity	3,990,841	3,917,076
Total assets	<u>43,239,745</u>	<u>38,916,714</u>
Members' equity as a percentage of total assets	<u>9.23%</u>	<u>10.07%</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	2020	2019
	\$	\$
Salaries and other short-term employee benefits	244,277	271,252
Total pension contributions	<u>31,070</u>	<u>33,416</u>
	<u>275,347</u>	<u>304,668</u>
b) Loans to all related parties	2020	2019
	\$	\$
Aggregate value of loans and mortgages advanced	2,023,648	1,968,407
Total value of lines of credit advanced	<u>1,053,737</u>	<u>787,011</u>
	<u>3,077,385</u>	<u>2,755,418</u>

During the year, interest income on loans to related parties was approximately \$44,000 (2019 - \$60,000).



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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	2020	2019
	\$	\$
Aggregate value of savings and checking	194,736	214,054
Aggregate value of term deposits	<u>1,181,064</u>	<u>1,042,719</u>
	<u>1,375,800</u>	<u>1,256,773</u>

During the year, interest paid on related party deposits was approximately \$32,000 (2019 - \$35,000).

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 (average of 1.5% effective throughout 2020) 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:

		2020	2019
		\$	\$
Cash and cash equivalents	Amortized cost	6,985,167	5,349,244
Other assets	Amortized cost	5,547,190	1,042,657
Members' loans	Amortized cost	29,626,762	30,965,891
Long-term investments	Amortized cost	851,173	1,304,242
Accounts payable and accrued liabilities	Amortized cost	(90,783)	(112,932)
Members' deposits and members' shares	Amortized cost	<u>(39,156,983)</u>	<u>(34,885,236)</u>
		<u>3,762,526</u>	<u>3,663,866</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 FOR THE YEAR ENDED DECEMBER 31, 2020

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 of 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, 2020.



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020 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	3,878,700	0.04	8,606,440	0.59	-	-	754,200	2.57	97,000	-
Members' loans										
Personal	7,926,614	4.76	635,400	3.83	519,600	5.04	270,600	3.68	-	-
Mortgages	-	-	2,540,589	4.04	9,292,100	3.59	8,599,200	3.43	-	-
	<u>11,805,314</u>		<u>1,782,429</u>		<u>9,811,700</u>		<u>9,624,000</u>		<u>97,000</u>	
LIABILITIES										
Members' deposits	<u>18,151,120</u>	0.06	<u>16,220,800</u>	1.30	<u>3,169,400</u>	1.69	<u>1,443,000</u>	1.62	-	-

For the fiscal year ended December 31, 2020, 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 \$93,000 in the Credit Unions's net earnings, respectively.



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020.

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, 2020, the Credit Union's members' equity was \$3,990,841 (December 31, 2019 - \$3,917,076).



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19. SERVICE CHARGES AND OTHER REVENUE	2020	2019
	\$	\$
Discretionary rebates	29,341	1,852
Mortgage referral fees	594	532
Monthly service charges	138,546	160,255
CURP life and disability insurance	48,454	49,047
Money orders, mortgage penalties, loan administration fees, credit card charges and other	<u>29,350</u>	<u>38,785</u>
	<u>246,285</u>	<u>250,471</u>
Breakdown of the discretionary rebates revenue is as follows:	2020	2019
	\$	\$
Atlantic Central	28,408	-
CUMIS bonding insurance	-	919
League Data and Savings	<u>933</u>	<u>933</u>
	<u>29,341</u>	<u>1,852</u>

20. WAGE SUBSIDY

During the year, the Credit Union received funding from the Government of Canada in the form of the Canada Emergency Wage Subsidy of \$64,653 which has been netted against personnel salaries and benefits.

21. COMMITMENTS

The Credit Union has a commitment to its members in terms of unused lines of credit. As at December 31, 2020 the total amount of unused lines of credit is \$7,490,665 (2019 - \$6,157,644). As at December 31, 2020 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.



PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

21. COMMITMENTS (Continued)

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

	\$
2021	71,000
2022	55,000
2023	56,000
2024	58,000
2025	58,000

22. SIGNIFICANT 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 future cash flows. Management has received government assistance as outlined in Note 20.



Chief Executive Officer Report

I am sure I am beginning this report as every CEO around the world begins their annual reports of the year 2020... Wow

Be rest assured, at Provincial Government Employees Credit Union our members financial well being was at the forefront of all our operations. All staff remained in the branch and proactively contacted our members to guide them through online banking and pension concerns to name a few. We offered our members efficient and personalized mortgage and loan relief as although our province and government employee's jobs may not have been financially negatively impacted by Covid-19, many of their partners were.

With the continued emergence of contactless support we quickly rolled out DocuSign, whereby members throughout Nova Scotia could sign all documents electronically. We have since been piloting a program called ASAPP whereby potential members open deposit and loan accounts directly online.

We have also been responsive to our members with our offering of Apple Pay, Google Pay and Android Pay for all Provincial Government Employees Credit Union debit cards.

The volatility of Interest Rates coupled with the trend of saving as opposed to spending has definitely reflected in this year's financial statements. This is exemplified by our double digit growth for 2020 coupled with our decreased margin. I am also pleased to communicate our continued strength of our Credit Union as our equity remains stable at 9.23 %

Nova Scotia, our proud members, and residents have weathered through a year like we could have never thought imaginable. With the tragedies of 2020, including 22 lives lost on April 19, in Portapique , 65 Nova Scotians we lost to Covid-19, three Nova Scotians lost in the crash in the Mediterranean Sea, the Snowbirds crash and the six member crew of the Chief William Saulis, "Nova Scotia Strong" had an entirely new meaning.

To Nova Scotians, our Members, Board, Committee Members, and Staff. We proudly continue to serve you and are proud to be amongst you.

Respectfully submitted,

Ingrid Foshay Murphy,
CEO





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 2020 fiscal year to address the aforementioned requirements.

As of December 31, 2020 the grand total of the loan account of the Provincial Government Employees Credit Union stood at \$29,379,721.06. 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.

Respectively submitted,

Gerald Langille, Chairperson
Gwen Beazley, Vice Chairperson
Donald Hebb

Audit Committee Report

The Audit Committee met February 2020 in order to review reports. However, during the rest of the year, due to Covid-19 pandemic we were only able to check reports during regular Board meetings. These reports included financial reports, delinquent reports and all reports sent to our Nova Scotia Regulators. The review of staff and board members loans and deposits we left for the external auditors.

A meeting was arranged with the external auditors and are pleased to report that all aspects reviewed were well within the policy and procedures of the Provincial Employees Credit Union Ltd. and the rules and regulations of the Nova Scotia Credit Union Act.

We would like to congratulate the General Manager and her staff for their dedication and the excellent year they made possible throughout this challenging times.

Respectfully submitted,

Stephen McManus, Chair
Linda Fraser
Miriam Murray



Marketing and Member Relations Committee Report

A year later the world is still navigating the COVID-19 pandemic. It hasn't been an easy year, but the Provincial Government Employees Credit Union has proven to be nimble and innovative when hit with the unexpected.

The marketing committee struggled to find strategies to connect with members who were working from home, dealing with shuts-downs and ongoing safety protocols. Our focus over the last year was to provide assurances that their credit union was there for them in any way we could be.

The Provincial Government Employees Credit Union relies heavily on in-person interactions as a core part of our business and the impact of the majority of our members working from home has been felt. However, with members needs top of mind, the CEO and team were able to quickly transition services online and from home. We recognize the importance of giving customers an alternative option where possible to ensure we continue to meet their changing needs and we are going to continue this in the future, building on this new reality. The shift to online doesn't mean moving away from a personalized approach, our members have come to value the convenience and the ability to have personalized services virtually and the marketing committee is exploring ways to expand on this.

As we go into the new fiscal year, we know many members are concerned about financial stability and will be seeking more specific and practical advice from us. There remains a great deal of uncertainty, but we are committed to supporting our members through new and innovative ways while we all navigate through these difficult times.

Respectfully submitted,

Meredith Cowan (chair)
Sandra McKenzie
Mark Peck
Kathleen Trott
Tracey Taweel
Ingrid Foshay Murphy





Nomination Committee Report

As of December 31, 2020 there were 3 Directors up for re-election:

Meredith Cowan
James Sherry
Stephen McManus

At the closing of nomination, there were no new nominations to the Board of Directors.

Therefore, the Board of Directors is as follow:

James Sherry
Gerald Langille
Miriam Murray
Linda Fraser
Sandra McKenzie
Mark Peck
Meredith Cowan



Directors and Committees

Board of Directors

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

Audit Committee Members

Stephen McManus, Chairperson
Linda Fraser
Miriam Murray

Credit Committee Members

Gerry Langille, Chairperson
Gwen Beazley, Vice Chairperson
Donald Hebb

Marketing and Member Relations Committee

Meredith Cowan, Chair
Sandra McKenzie
Mark Peck
Kathleen Trott
Tracey Taweel
Ingrid Foshay Murphy



Credit Union Model By-laws (Nova Scotia)

Foreword to Credit Union Model By-Laws: July 2020 Update

This updated version of the Credit Union Model By-laws for Nova Scotia reflects the most recent amendments to the Credit Union Act (the “Act”), which came into effect on July 1st, 2020.

Footnotes and references have been updated throughout, and specific changes have been made to the following sections to align with the updated legislation:

Article 2: Membership and Associate Status

- Minimum member age lowered from 19 to 18(2.04)
- Greater flexibility when dealing with termination of members (2.12, 2.13, and 2.14)

Article 3: Capitalization and Operating Standards

- Change in terminology from “doubtful” to “impaired” (3.32)

Article 4: Meetings

- Minimum voting age for members lowered from 19 to 18 (4.19)
- Clarity added regarding a member voting on behalf of a body corporate or association, as well as on his or her own behalf (4.20)
- Increase in number of members required to call for a special ballot from one to three (4.27, 4.28)
- Change in number of members required to request a special meeting from 25 to the lesser of 5% of the membership or 250 members (4.32)

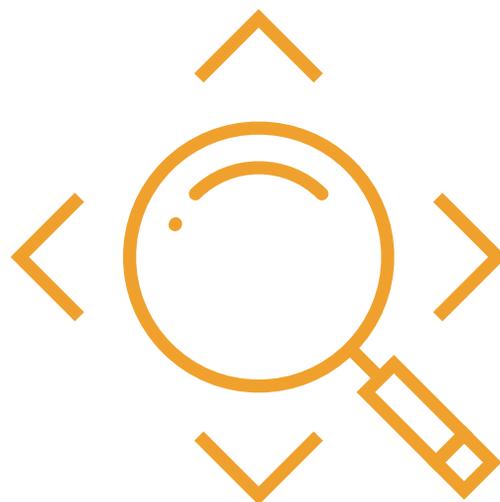
Article 5: Board of Directors

- Minimum age for directors lowered from 19 to 18, permanent residents are now eligible to become directors (5.04)
- Greater flexibility to address the removal of a director vacancy (5.27)

Article 11: Notice

- Clarification that required notice may be given electronically (5.27)

Further to the changes above, if your credit union was not previously using the current model by-laws as a template, we recommend comparing your current by-laws to the entirety of this document and not just the most recent changes, to ensure that past amendments have been incorporated.



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