



*"Intelligence is the ability
to adapt to change."*

~ Stephen Hawking



2021 Annual
REPORT

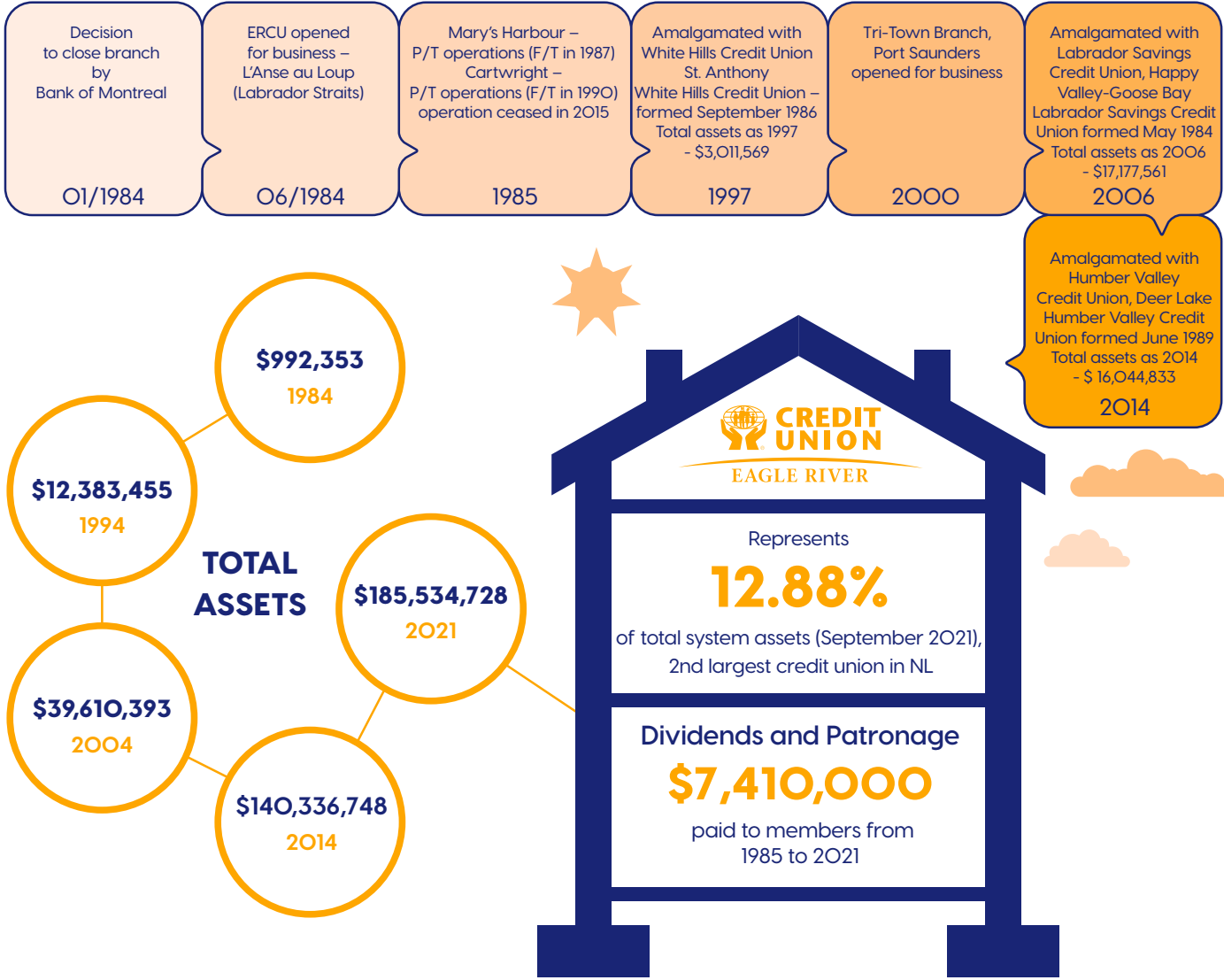


Eagle River Credit Union, having financial stability will promote social and economic development by providing quality financial service in a democratic and cooperative environment.

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From Where We Came

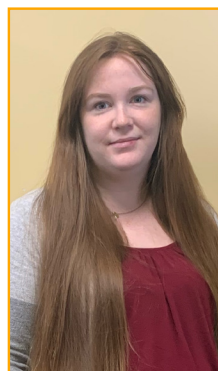
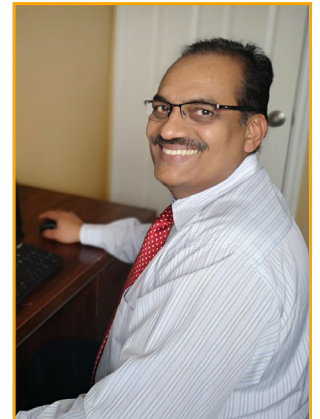


AWARDS & RECOGNITION

Eagle River Credit Union has been recognized on a regional, provincial and national level for its contribution to the credit union system, efforts in community and economic development, and excellence in performance.

<p>Coady Award 2020 Awarded by Atlantic Central</p>	<p>Empowering Your Community Award 2020 Awarded by Concentra®</p>	<p>TOP 101 Companies in Atlantic Canada 2011-2014 Awarded by Progress Magazine</p>	<p>Community Economic Development 2003 Credit Union Central of Canada</p>
<p>Credit Union of the Year 2002 Awarded by Credit Union Central of Newfoundland & Labrador</p>	<p>W. G. Dawe Excellence Award 1990 Credit Union Council of Newfoundland & Labrador</p>	<p>Community Economic Development Award for Excellence in Partnership 2002 Awarded by Gov't of NL & Lab, Dept of Industry, Trade & Rural Development</p>	<p>Credit Union of the Year 1999 Awarded by Credit Union Central of Newfoundland & Labrador</p>
		<p>Special Recognition Award 1990 Awarded by Junior Achievement</p>	

Our Team



38th Annual General Meeting Virtual

(via Zoom Online Meeting Platform)

April 12, 2022

6:30 – 7:00 p.m.

Registration

7:00 p.m.

Annual General Meeting

Agenda

Annual General Meeting

- Call to Order
- Greetings from the Chair
- One Minute of Silence for the Deceased
- Proof of Proper Call
- Rules of Order and Voting
- Welcome – Special Guests
- Approval of Agenda
- Minutes - ERCU 37th AGM, May 11, 2021
- Minutes – ERCU Special Members’ Meeting, June 14, 2021
- Business Arising from the Minutes

Presentation of Reports

- Report of the Board of Directors
- Report of the Chief Executive Officer
- Tabling of Auditor’s Report
 - Review of Financial Statements for 2021
- Report of the Audit, Risk and Conduct Review Committee

New Business

- Ratification of Dividend and Patronage Rebates for 2021
- Other New Business

Messages from Guests

Adjournment

Entertainment

Rules of Order

1. The Meeting shall be called to order at 19:00.
2. Members can ask questions through the chat feature (press Alt + H) while the meeting is in progress. This feature will be monitored, and members will be guided by the Chair on when their line will be unmuted, or the question will be read by the moderator preceded by the members' name.
3. Members wishing to speak (the line will be unmuted), shall state their names prior to speaking.
4. If a member, while speaking, be called to order, at the request of the Chair, their line will be muted until the question of order has been decided.
5. Should two (2) or more members raise their hands to speak at the same time, the Chair shall decide who is entitled to the floor.
6. No member shall interrupt another, except on a point of privilege.
7. A member shall not speak more than once on a question until all who wish to speak have an opportunity to do so.
8. Any member, who upon request from the Chair, refuses to cease speaking, shall be subject to suspension for the remainder of the meeting.
9. Any motion presented becomes the property of the Credit Union and may be withdrawn only with the consent of the assembled members.
10. Speeches shall be limited to three (3) minutes, excluding a motion.
11. Questions shall be decided upon by a show of hands (the "Raise Hand" option can be found by clicking on the "Reactions" button, found at the bottom right-hand side of the toolbar on your screen), except where the Chair is in doubt; a roll call shall be ordered, (lines will be unmuted one-by-one).
12. Voting will be done by a poll (the "Polls" option can be found at the bottom on the centre of the toolbar of your screen).
13. A motion to reconsider shall not be entertained unless made by a delegate who voted in the majority and the motion received a majority vote.
14. When a motion is pending, no motion shall be in order except:
 - to postpone a certain time (debatable)
 - to refer (debatable)
 - to postpone indefinitely (debatable)
 - to amend (debatable)
 - to adjourn (not debatable)
 - to table(not debatable)
 - to put the previous question (2/3 not debatable)which motion shall have precedence in the order listed.
15. A roll call shall require a demand for same by at least twenty (20) members.
16. When a roll call has been ordered, no adjournment shall take place until the results have been announced.
17. The Chair shall be entitled to debate on the subject after calling a Vice Chair to the Chair.
18. On items where the count is required, (i.e. By-law Issues), the count will be recorded so that the Minutes will show the number of votes cast for and against.
19. When provision is not made in the RULES OF ORDER, and it is not in conflict with the By-laws, Robert's Rules of Order shall apply.

Draft Minutes of the 37th Annual General Meeting

EAGLE RIVER CREDIT UNION, LIMITED
Draft Minutes - 36th Annual General Meeting
May 11, 2021

CALL TO ORDER

The Thirty-Seventh Annual General Meeting of Eagle River Credit Union was called to order by the Chair, Bert Belben at 6:36 p.m.

GREETINGS FROM THE CHAIR

Mr. Bert Belben, Chair, on behalf of the Board of Directors, welcomed members and guests to the Thirty-Seventh Annual General Meeting of Eagle River Credit Union. He introduced all the Board Members.

RECOGNITION OF DECEASED MEMBERS

The Chair called for a minute of silence to honor the memory of former directors and members of the credit union.

PROOF OF PROPER CALL

Pursuant to section 11.05 of Eagle River Credit Union By-laws, a quorum will deem to have been met when a minimum of 20 members are present and entitled to vote provided that employees and directors are not included in the minimum requirement. The Chair advised that registration had confirmed as of 6:30 p.m. there were 71 voting members, (including 34 staff and directors), 5 guests for a total of 76, and therefore declared the meeting formally called to order.

RULES OF ORDER AND VOTING

The Chair advised those in attendance that the Rules of Order contained in the AGM booklet shall apply to the meeting. When provision is not made in the Rules of Order, and it is not in conflict with the By-laws, Roberts' Rules of Order shall apply. As this is a Virtual Meeting, motions will be approved and seconded by the raising of a hand. The method for voting will be done by poll. For regular motions, votes will be registered "for" or "against" by selecting Yes (for) or No (against). The results of the poll will be posted for all members to view on their device (computer or ipad). Questions may be asked through the chat feature.

WELCOME – SPECIAL GUESTS

The chair welcomed Anita Wilkins – CEO, Credit Union Deposit Guarantee Corporation, Superintendent of Credit Unions; Brian Scammell – Eagle River Credit Union Limited Internal/External Auditor; Tom Fraize - Legal Counsel for Eagle River Credit Union; Greg MacPhee – Account Manager, CUMIS Insurance; Colin Lewis – Director Strategic Alliances, Concentra; and Dave Moorehouse – Director, Legal and Corporate Services, Atlantic Central and League Savings and Mortgage Company.

APPROVAL OF THE AGENDA

The Chair wished to be granted the discretion to change the order of the Agenda if necessary.

MOTION-2021 AGM - O1 that the Agenda be approved as presented and the Chair have the discretion to change the order of the agenda if necessary.

Of the 100% of attendees that voted, 100% were in favor.

MOVED BY Dave Gatehouse,
SECONDED BY Dwayne Cull.

MOTION CARRIED

MINUTES FROM THE 35th ANNUAL GENERAL MEETING

The Chair asked if there were any corrections to the Minutes of the 36th Annual General Meeting held September 15, 2020.

None were noted so the Chair declared the Minutes accepted as presented and printed in the meeting booklet.

BUSINESS ARISING FROM THE MINUTES

None were noted.

Draft Minutes of the 37th Annual General Meeting (cont'd)

PRESENTATION OF REPORTS

A. REPORT OF THE BOARD OF DIRECTORS

Chair, Bert Belben, called upon Vice-Chair, Dave Evans, to assume the meeting's Chair position while the reports of the Board of Directors and the Chief Executive Officer were presented.

Chair Belben presented the report on behalf of the Board. He commented on the fact that despite the challenges we faced over the past year, Eagle River Credit Union remained committed to our strategic goal of being easy to do business with. The impact of COVID-19 on our operations has demonstrated that leveraging the benefits of technology is the key for our business continuity. Eagle River Credit Union continues to embrace opportunities to collaborate and build partnerships. Our business hours remained the same.

The Chair advised from October 2019 we have commenced onboarding a digital account opening and lending platform. This allowed us to fast track the digital signing ability to allow for member documents to be signed electronically.

The Board continued with its governance work seamlessly with board and committee meetings. In 2020 we had our first virtual AGM. Of the 64 voting members in attendance, approximately 50% were members who typically would not have been able to attend the AGM if it were held in-person in the Labrador Straits. From the feedback received, members were pleased with this new format and accessibility.

Two new directors joined the board following the recruitment process. The Chair spoke on some of the requirements of being a director. Directors need to bring to the Board a diverse and broad knowledge and depth of experience along with an ability to deal with business, financial and social issues within the cooperative environment. From 2016 to 2020 there has only been one year where an election was required. All expired terms were either filled by acclamation or left vacant.

The Chair advised that since 1984 ERCU has paid to our members dividend payouts and/or patronage rebates every year, resulting in over \$7.2 million to date. Corporate and Social Responsibility (CSR)

continues to be an essential part of our strategic vision and business plan. In 2020 our Warm Coats for Kids program initiative led us to being the proud recipients of the coveted and prestigious Coady Award which is awarded by Atlantic Central. We celebrated this win through the "Gift that Keeps Giving" initiative. Over 150 recipients received a gift hamper or a gift certificate. In 2020 we were also one of the recipients of the Concentra 2020 Community Grant of \$5,000.

Chair Belben thanked the Board, Management and Staff for their commitment and dedication over the past year. The Board remains committed to the continued growth and sustainability of Eagle River Credit Union and the communities we serve.

Dave Evans asked the attendees if there were any questions – there were none.

B. REPORT OF THE CHIEF EXECUTIVE OFFICER

Shanti Samaroo, Chief Executive Officer (CEO) provided the members with her report. She advised that since COVID-19 came into our lives in 2020, Eagle River Credit Union remained steadfast on our goals and focus of serving our members. All branches remained open when members wished to visit us in-person or virtually.

In 2020 we were able to provide our members with new enhanced solutions such as the ability to sign documents electronically – being able to have easier and quicker access to services such as the Canada Emergency Business Account funding program. We also launched another payment option – Mobile Wallet (Apple, Samsung and Google).

The CEO commented that the success we have experienced would have not been possible without the support of the staff. We invested \$14,192 in staff training and provided over 55 hours of formal training per employee. As part of our Health and Wellness Program, Eagle River Credit Union provided each employee up to \$100 towards a health or fitness-related purchase. Eligible employees received the temporary wage top-up under the Essential Worker Support Program (EWSP). Also, specific to working during the pandemic, staff were paid a COVID-19 bonus totaling \$13,900.

Draft Minutes of the 37th Annual General Meeting (cont'd)

As part of the Corporate and Social Responsibility (CSR), staff carried out 36 Random Acts of Kindness (RAKs), from delivering coffee to school bus drivers, paramedics and police officers to donating hats and scarves to shelters. As a joint initiative with Atlantic Central, each employee was given \$50 to spend at a local business of their choice as part of a Loyal 2 Local Challenge.

For the fiscal year ended December 31, 2020, our total assets closed at \$175.96 million – a growth of 10.83% from the prior year. The total loans portfolio increased \$1.35 million to close at \$103.35 million. Total membership decreased by 112 members - this is an area that we continue to monitor. Net profitability for 2020 closed at \$840,000 after tax, dividend and patronage accruals.

The CEO thanked the Board, Staff and Members for their continued support.

Dave Evans asked the attendees if there were any questions – there were none.

Vice-Chair, Dave Evans, returned the Meeting Chair's position back to Mr. Belben.

C. REPORT OF THE AUDITOR & REVIEW OF THE FINANCIAL STATEMENT FOR 2018

Eagle River Credit Union's auditor, Mr. Brian Scammell, CA CBV, tabled the Auditor's Report and reviewed the Auditor's Opinion on the 2020 Financial Statement as contained in the Financial Statements booklet. He provided an overview of the Audited Financial Statements for 2020. He thanked the Management and Staff for their support during the audit process. There were no questions on the Auditor's Report.

D. REPORT OF THE AUDIT, RISK AND CONDUCT COMMITTEE

Chair of the Audit, Risk and Conduct Review Committee, Bradley Hancock, reported on the roles and key activities of the Committee during the past year.

NEW BUSINESS

Vice-Chair Dave Evans brought forward on behalf of the Board of Directors for approval of Dividends and Patronage Rebates for 2020.

MOTION – 2021 AGM - O2 to approve the payment of 10% dividend on Equity Shares, 1% dividend on Non-Equity Shares and 2% patronage on interest income and interest expense for a total of \$180,281 for the year ended December 31, 2020.

Of the 51 attendees that voted, 100% were in favor.

MOVED BY Deena Eddison,
SECONDED BY George Andrews

MOTION CARRIED

APPOINTMENT OF EXTERNAL AUDITOR FOR 2020

Chair of the Audit, Risk and Conduct Committee, Bradley Hancock, recommended that Brian T. Scammell, CA CBV, be re-appointed as the external auditor for Eagle River Credit Union for the fiscal year 2021 at a remuneration to be determined by the Board.

MOTION - 2021 AGM - O3 to re-appoint Brian T. Scammell CA CBV as the External Auditor for the fiscal year 2021.

Of the 58 attendees that voted, 100% were in favor.

MOVED BY Jamie Pye,
SECONDED BY Brenda Whyatt

MOTION CARRIED

ELECTION OF DIRECTORS

Chair of the Nomination Committee, Bradley Hancock reported on the result of the Board Elections that were conducted this year. There were three 3-year positions resulting from three directors whose 3-year term had expired. A call for nominations was posted on December 1, 2020, with a deadline of January 29, 2021. As of the closing date of January 29, 2021, we had received three nominations for the three expired positions. Additionally, there was one vacant 1-year term resulting from a resignation. Another call for nominations was posted on April 17, 2021, with a deadline of April 30, 2021. As of the closing date of April 30, 2021, we had received one nomination for the one vacant position.

Draft Minutes of the 37th Annual General Meeting (cont'd)

As per section 12.01 (d) of our by-laws "where the number of nominees equals or is less than the number of vacant positions, those duly nominated shall be declared by acclamation".

Elected for a three-year term are:

- Terri Gilbert
- Lesley Brake
- Ginger Ryland

Elected for a one-year term is:

- Brad Sheppard

OTHER NEW BUSINESS:

The CEO announced the proposed merger of Eagle River Credit Union and Leading Edge Credit Union. She presented a video which reviewed the different aspects of the merger:

- Long Term Sustainability
- Value for members, employees and communities
- Why we are recommending a merger, and why now?
- How the two Credit Unions are alike
- How the merger got started
- Benefits for the members
- What are the next steps?
- How can members learn more about the merger?

Further details about the proposed merger will be made available over the next few weeks in May 2021.

MESSAGES FROM GUESTS

- Anita Wilkins, Credit Union Deposit Guarantee Corporation, Superintendent of Credit Unions, brought greetings on behalf of the Credit Union Deposit Guarantee Corporation. She advised that they are currently reviewing the Credit Union Act and regulations. She commented on Eagle River Credit Union's good growth for 2020. She also commended the Board, Senior Management and Staff for their hard work over the past year.

- Tom Fraize, Legal Council for Eagle River Credit Union commented on how he has enjoyed working with the Board, Senior Management and Staff over the past year. He also said that a merger is a good move for us. It will open a further base for our members.

- Dave Walsh, Managing Director of Newfoundland Labrador Federation of Cooperatives brought greetings via a video message. He thanked Eagle River Credit Union for what we do for the Co-Operatives/Communities.

The Chair spoke about the challenges we faced with COVID-19. Members are requiring more services. In order to continue to face the challenges, we all need to work together. If this merger is successful, it will be another juncture towards the growth of Eagle River Credit Union. He commented that we want to work towards being the best Credit Union that we can for our members. The Chair thanked the members/staff for attending this virtual AGM.

Door prizes were drawn.

ADJOURNMENT

MOTION – 2020 AGM – O4 to adjourn the meeting at 8:05 pm.

MOVED BY Denise White

CHAIR

CORPORATE SECRETARY

Draft Minutes – Special Meeting of Members

EAGLE RIVER CREDIT UNION, LIMITED
Draft Minutes- Special Meeting of Membership
June 14 , 2021

CALL TO ORDER

The Special Meeting of Members was called to order by the Chair, Bert Belben at 6:30 p.m.

HOUSEKEEPING – VIRTUAL MEETING

Ochuko Igbeyi, Senior Manager of Branch Operations reviewed the Housekeeping Rules for this Virtual Meeting. He explained the process with regards to Motions and Voting on the Motions.

INTRODUCTION OF BOARD MEMBERS

Chair, Bert Belben, on behalf of the Board of Directors, welcomed members and guests to the Special Meeting of Members of Eagle River Credit Union. He introduced all the Board Members.

APPOINTMENT OF PARLIAMENTARIAN AND CHIEF SCRUTINEER

Chair, Bert Belben, advised that Dave Moorhouse - Director, Legal and Corporate Services with Atlantic Central/ League Savings and Mortgage Company will be our Parliamentarian; and Brian Scammell, CA (ERCU Internal/External Auditor) will be our Chief Scrutineer overseeing the voting process that will follow this meeting.

GREETINGS FROM THE CHAIR

Chair, Bert Belben, advised that this Special Meeting of Members has been called in accordance with sections 57 and 116 of the Credit Union Act (the "Act") to consider a Special Resolution approved by the Board. Unlike an in-person meeting, he advised that the voting on the proposed Special Resolution will open tonight at 7:00pm and run until 3:00pm NDT time on Friday June 18th. Voting results will be declared on Friday 18th June 2021, at 5:00 pm Newfoundland Time.

Chair, Bert Belben, advised that since 2019 there have been many discussions, hard work and thoughtful planning which has brought our Credit Union where we are today recommending the amalgamation of

Eagle River Credit Union and Leading Edge Credit Union. He discussed some of the benefits and opportunities of this amalgamation for our members.

PROOF OF PROPER CALL

Pursuant to section 11.05 of Eagle River Credit Union By-laws, a quorum will deem to have been met when a minimum of 20 members are present and entitled to vote provided that employees and directors are not included in the minimum requirement. The Chair advised that registration had confirmed as of 6:30 p.m. there were 21 voting members, 37 staff and directors and 3 guests for a total of 61, and therefore declared the meeting formally called to order.

RULES OF ORDER AND VOTING

Chair, Bert Belben, advised those in attendance that the Rules of Order contained in the Special Meeting Booklet shall apply to the meeting. When provision is not made in the Rules of Order, and it is not in conflict with the By- laws, Roberts' Rules of Order shall apply.

Chief Scrutineer, Brian Scammell explained the voting process. He advised that in order for the Amalgamation to be approved it requires 2/3 of the voters to vote in favor. He explained who could vote – all members in good standing and must be 19 years old as of May 18, 2021. Members are entitled to one vote per membership. He advised that members will require a username and password in order to vote. The Chief Scrutineer will communicate the results of the voting to management after the voting closes.

APPROVAL OF THE AGENDA

Chair, Bert Belben, wished to be granted the discretion to change the order of the Agenda if necessary.

MOTION-2021 Special Meeting - 01 that the Agenda be approved as presented and the Chair have the discretion to change the order of the agenda if necessary.

Of the 100% of attendees that voted, 100% were in favor.

MOVED BY Dwayne Cull,
SECONDED BY George Andrews.

MOTION CARRIED

Draft Minutes – Special Meeting of Members (cont'd)

CEO PRESENTATION - AMALGAMATION

Chief Executive Officer (CEO), Shanti Samaroo, provided the members with a presentation on the Amalgamation. She reviewed how Eagle River Credit Union has grown from 1985 to today and that we have been through amalgamations before with three other credit unions. She advised even though our membership has declined, our total assets continue to grow. She discussed the reasons for considering an amalgamation partner.

CEO, Shanti Samaroo, reviewed the statistics of the merged Credit Union as well as the value to members, our communities, and employees. Our members will have access to financial services and financial expertise in 11 branches. The merged Credit Union will have more funds to invest in technology and services and to also invest in our communities. The merger will offer more career opportunities for employees.

CEO, Shanti Samaroo, explained the reasons as to "Why Merge Now". The merger will help us achieve our long-term business goals and objectives and address the challenges and complexities of the financial services industry. She also reviewed the recent amalgamation in British Columbia, the approved amalgamation in PEI and another proposed amalgamation in Nova Scotia. If our amalgamation vote is successful the legal date will be January 1, 2022.

Chair, Bert Belben asked if there were any questions or comments. There were a few questions put forward:

- **The governance comparison appendix on page 25 of the meeting booklet notes that the new credit union will "Include a Class 2 type of shares". Can you explain this class of shares?**

CEO, Shanti Samaroo and Chair, Bert Belben explained that the Type 2 Shares are specific to Leading Edge Credit Union and have been in place for a number of years and were included in their by-laws.

- **The new credit union board will start with a total of 12 directors (equal representation from both) - with a plan to decrease to 9 "over time". Is there a general consensus of what the time frame would look like?**

Chair, Bert Belben explained that the normal term for directors is usually 3 years. The decrease from a 12-member board to a 9-member board will be over the first 3 years.

- **Given the large geographic area of the new Credit Union proposed, was there any consideration given to regional board representation?**

Chair, Bert Belben advised that Regional Board Representation was discussed and researched. He advised that this has not worked well with other organizations in the past. All members of the Credit Union have the option to have their name put forward to the board. No final decision has been made with regards to Regional Board Representation however they are steering away from this.

- **What is the danger or concern about not proceeding at this time?**

CEO, Shanti Samaroo, explained that the danger would be around the areas of growth and efficiency. Membership is decreasing and we have tried different initiatives to try and increase member growth. Loan growth is increasing but not as great an increase as we would like to see. A merger will help with efficiencies and economies of scale.

- **There was further clarification requested on the Class 2 Shares. Will there be issuing of new shares under the new Credit Union.**

Chair, Bert Belben, confirmed there will be no more additional shares issued.

Draft Minutes – Special Meeting of Members (cont'd)

SPECIAL RESOLUTION OF MEMBERS

CEO, Shanti Samaroo, reviewed the Special Resolution with the members. Chair, Bert Belben, asked if there were any questions or comments on the Special Resolution. There were no questions or comments.

MOTION-2021 Special Meeting - O2

Are you in favor of the Special Resolution included with the notice of meeting materials?

MOVED BY Duane McCarthy,

SECONDED BY Elizabeth Spence-Humber

Chair, Bert Belben advised that voting is now open. He asked if there were any further questions or comments. There was one comment and one question put forward:

- **What is the cost of the Amalgamation?**

The CEO, Shanti Samaroo explained that we cannot give actual costs yet. Atlantic Central is our consultant who is working with us through this process. There are some bigger ticket items that we are working with our system partners on, and a cost has not been affixed to it as of yet.

- I would like you to consider pushing for geographical board membership. There should be representation guaranteed to the ERCU area.

- Chair, Bert Belben advised that this comment will be taken under advisement.

Chair, Bert Belben explained the next steps with regards to the voting process. He also gave his closing comments with regards to the Amalgamation. Our vision is "Better Together - Value for All". We are strongly aligned Credit Unions. He thanked everyone for attending this Special Meeting. He advised that voting can be done on-line or by visiting any Eagle River Credit Union branch.

ADJOURNMENT

Meeting was adjourned at 7:36 PM.

CEO, Shanti Samaroo showed the members who were in this Special Membership Meeting the online voting process.



Report of the Board of Directors

I read a comment recently where someone described the world today as balancing on a pin; one step to the right and we will begin an amazing journey full of joyfulness and possibility, but one step to the left and we will fall screaming into the abyss of destruction. When I reflect on what happened in 2021 and so far in 2022, it feels like the last two years or so, have presented situations that we are yet to fully comprehend.

Preparing for What is to Come

Despite the uncertainties and disruptions whether here at home in our beautiful province of Newfoundland and Labrador, or at the international level, nothing slowed down the significant strides being made within the financial industry. On November 5, 2020, a bill to amend the Credit Union Act, 2009 received Royal Assent in the House of Assembly. This triggered changes to the Credit Union Regulations 2009 which was gazetted in November. Since 2018, Eagle River Credit Union has been actively involved in discussions with other credit unions, and the Credit Union Deposit Guarantee Corporation (CUDGC) on the proposed and eventual changes.

The Board of ERCU continued to keep abreast of open banking and its impact to ERCU operations. This is a disruptive force that will dramatically change how consumers engage with their financial institutions. Its platform introduces new service delivery channels, aimed at promoting innovation and competition in financial products. In addition, the Board voluntarily approved the Market Conduct Code Policy developed by our trade association, Canadian Credit Union Association, in 2021 which recognizes the best practice principles that Canada's credit unions pledge to follow for soliciting, promoting, advertising, marketing, selling, or distributing products or services.

System Sustainability

Credit unions across the country are continuously collaborating to create efficiencies and added value for its members. As at fourth quarter 2021, there were 219 credit unions and caisses populaires in the credit union system, compared to 248 at the end of 2018. In contrast, total membership increased from 5.79 to 5.92 million. In my view, this shows that while collectively, credit unions are seeking to gain efficiencies, simultaneously they are increasing their value proposition to members and potential members. Our merger with Leading Edge Credit Union which

became effective January 1, 2022 (the third in our history as Eagle River Credit Union) will position us to continue to capitalize on the efficiencies gained as two similar sized credit unions, while strengthening our ability to be sustainable long into the future. As Atlantic Edge Credit Union Limited though, we will continue to leverage on the partnership, collaboration, and economies of scale our system partners have enabled us to afford.

Governance

The continuation of health restrictions imposed in our province over the past year did not deter or cease our conduct of the credit union's business. Similar to 2020, the Board continued with its governance work seamlessly with virtual board and committee meetings. Members of the Board attended conferences at regional, national, and international levels, meetings with our regulator, as well as meetings with our fellow credit unions utilizing virtual technology. Closer to home, as part of the process towards the then proposed merger with Leading Edge Credit Union, members of your Board spent many tireless hours in discussions and workshops, all aimed at ensuring that we conducted full and proper due diligence before bringing forward a recommendation to you. Individual directors spent up to 75 additional hours each over 9 months specifically on work related to this merger. In addition to the meetings and commitments to the operations of ERCU.

We were very pleased that both our virtual AGM held on May 11, 2021, and our Special Members' Meeting held on June 14, 2021, allowed for more member representation, confirmed by the attendance of members from all branch locations, compared to an in-person meetings where members would not have attended if held in the Labrador Straits area. I am certain you would agree that it is great to see that the stipulation for an in-person meeting has been removed from our Credit Union Act when it was amended in 2020.

Building Healthy Communities

There have been many occasions, small or large relatively speaking, where we have enriched the life of someone, invested in a person's future or partnered with like-minded organizations in building a better tomorrow for all of us. Cooperative and social responsibility (CSR) is an essential part of what we do at Eagle River Credit Union; we work diligently

Report of the Board of Directors (cont'd)

at making it a core part of our strategic vision and business plan. Just to name a few of those notable CSR achievements over the years, your credit union has awarded 78 educational scholarships or \$39,000 to our community builders of tomorrow, \$41,000 or 41,000 nutritious breakfasts and snacks to school-aged children, \$20,000 towards the purchase of brand-new winter coats for school-aged children, \$28,600 in funding to the food bank, and facilitated several workshops both in-person and virtual on financial literacy and money management. Once again, I am very proud to announce that in 2021, as a result of our corporate contribution of \$5,000, along with \$7,800 raised by our staff, we were able to distribute 250 coats to our children through our Warm Coats for Kids program. We also contributed \$5,000 to the Kids Eat Smart Program, hosted Each-One-Teach-One virtual sessions, and made several other community contributions and donations. Our cooperative and social responsibility (CSR) reserve as at December 31, 2021 is \$35,605.

Our member focus has always guided the strategic direction of our Credit Union, and the way we direct our operations. Over the past 38 years, Eagle River Credit Union has enjoyed many accomplishments and have shared our successes with you, our valued membership. We were steadfast in ensuring that our pricing – both in interest rates and service fees – remained competitive; invested into personal and development opportunities for our employees and maintained a competitive staff compensation and benefits package; and maintained our service offering on par with current market. We kept up to date on evolving technological advancements in the financial services industry, whether it was investing in further safeguarding our members' funds or investing in the infrastructure to safeguard our credit union from rogue elements. All in all, through your commitment and loyalty, your credit union has always been on a solid financial footing with strong capital reserves. Since 1984, in addition to the competitive pricing and cost strategies, and capital investments, ERCU has paid out dividend and/or patronage rebates every single year, and as at December 2021 the total is just over \$7.41 million.

Positioning Our Credit Union for the Future

As a Board, we recognize that it is imperative for us to effectively manage our enterprise risk and to continue to invest into training, technology, audits, etc., as well as seek and embrace opportunities to gain efficiencies that support the financial success of our membership. Eagle River and Leading Edge Credit Unions have always shared a good working and collaborative relationship, so the business case that was built which supported a merger only proved to substantiate what we already knew. Your vote on June 18, 2021, gave us a clear mandate to pursue the amalgamation between both credit unions, and together, under the new name of Atlantic Edge Credit Union Limited, we will continue to lead our credit union towards greater success and future sustainability.

The role of a director of this financial institution is one we do not take lightly. On an ongoing basis, directors participate in regulatory and governance training to allow them to be effective in executing on their responsibilities and in exercising their fiduciary duty and duty of care. The role of a director is demanding, complex, and multidimensional; however, it is also a very rewarding one. Regardless of tenure, I am sure my fellow directors would agree that we have gained a great depth and breadth of knowledge and experience relating to the business, co-operative ecosystem, regulatory and social issues just to name a few. I am also confident that we have many very qualified and committed members who have the ability to offer your individual talents and skillsets that would support the future success of your credit union. I implore you as shareholders to please seize the opportunity when there is a call for nominations to the Board. I can assure you, it is well worth the effort, both from a personal and professional development perspective.

Another Milestone

Before I close, I would also like to take this opportunity to recognize the significance of today's meeting. For the past 38 years we have attended this meeting under the name Eagle River Credit Union Limited. Each year, my predecessors or I would have updated you on how far we have grown - from being a

Report of the Board of Directors (cont'd)

financial institution with Total Assets of \$992,353.27 and Members' Equity and Reserves of \$128,586.03, to now \$185.53 million and \$10.81 million respectively. We were proud to announce our branch network expansion from one (1) to eventually six (6), and staff complement growing from 2 to 42. Through the years, the changes were a combination of slow and steady, as well as radical and unplanned. However, through it all, we GREW! We experienced financial growth and success year over year; the skills and expertise of our human resources grew in proportion to the size of our credit union, and so did our infrastructure – our technology, policy framework, product and service offering etc. As Napoleon Hill said "Patience, persistence and perspiration make an unbeatable combination for success." Just as the legacies of White Hills Credit Union, Labrador Savings Credit Union and Humber Valley Credit Union continued when they amalgamated with Eagle River Credit Union, I believe that the legacy of Eagle River Credit Union Limited will continue under our rebranded name - Atlantic Edge Credit Union Limited.

Sincere Appreciation

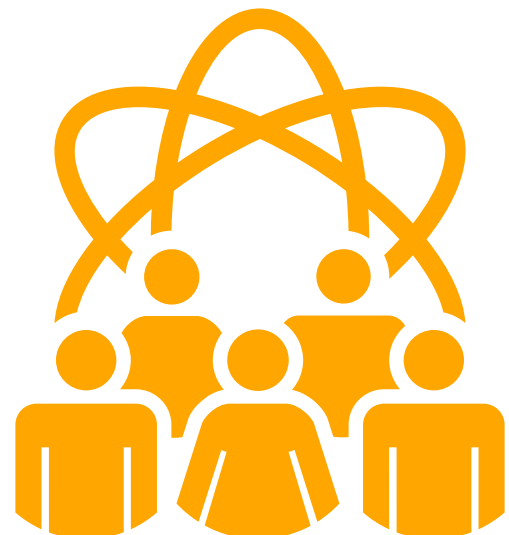
I extend sincere appreciation and thanks to my fellow Board members for their continued commitment and dedication over the past year and for working so collaboratively and effectively together despite meeting in person only once in 2021; and to the spouses and families of our directors whose continued support, understanding and patience have allowed us to dedicate the time and focus needed for Credit Union business. Thank you, as well to our CEO, the management team, and the entire staff for successfully taking us through 2021 and for their continued efforts in effectively meeting the financial needs of our members and in carrying out the essential work of our credit union. In addition, I wish to also recognize and acknowledge past directors and past employees, for their valuable contributions in the growth and prosperity of Eagle River Credit Union.

On behalf of the Board of Eagle River Credit Union, I would like to thank you, the members, for your commitment and loyalty to the success of your Credit Union. As a member of the inaugural board of Atlantic Edge Credit Union, our focus holds firm on ensuring the continued growth and sustainability of our credit union, that will continue to deliver real, tangible value to all our valued members and the communities we serve.

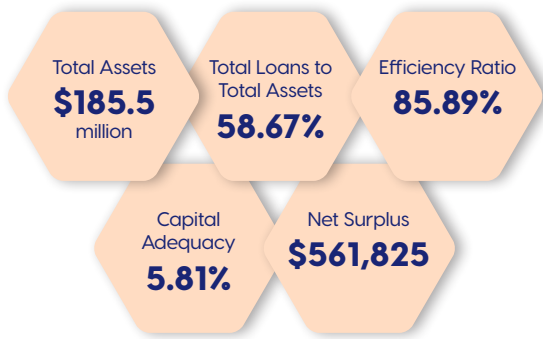
On Behalf of the Board,



Bert Belben,
Chair



Report of the CEO



This second year into the global pandemic continued to bring many challenges. According to the OECD, by spring 2020, more than half of the world's population had experienced a lockdown with strong containment measures. It was further stated that the impact of health, economic and social effects on human capital, productivity and behavior may be long-lasting. Despite it all, Eagle River Credit Union's equity levels remained stable and resilient, as we faced those unexpected challenges, while also delivering on continued growth. The strong equity base of our credit union enabled us to make investments to strengthen and enhance products and services and provide advice and tools to meet your evolving needs, while continuing to support our local communities.

Our Approach is Working

As the saying goes, if you are not changing, you are not thriving. Sometimes, you want the change - you plan it, you embrace it, and you grow with it. But, when change is brought on by forces beyond your control, an organization really finds out what it is made of. In 2021, yet again ERCU was able to increase its asset base through significant deposit growth and at the same time maintain a strong equity position.

Our deposit portfolio increased by \$8.93 million (5.43%), while the number of unique members reduced 2.96% to close at 8,920, compared to the same period over 2020. Total assets closed at \$185.53 million, a growth of 5.44% or \$9.58 million from the prior year. At the end of this fiscal period, ERCU continued to hold strong as the 2nd largest credit union in this province, with total assets representing 12.88% of total system assets. Our loan portfolio (gross of accrued interest and allowance for doubtful debts) grew by \$5.50 million to close at \$108.86 million, compared to the \$1.35 million net growth over the same period in 2020. This brought our total loans to total assets ratio to 58.67%, compared to 58.74% in 2020.

Financial margin is defined as the difference between the money earned on loans and mortgages and the money paid on deposits. As at the end of 2021, the net financial margin was \$4.81 million, an increase of 4.31% from 2020's \$4.61 million. Other income, however, which comprises of fee income, commissions, card revenue etc. generated in 2021 was less than that generated in 2020, primarily due to reduced profit sharing and dividends distributed by our system partners as a result of the economic impact on operations over the last year. Other income was \$1.94 million, 10.84% less than the \$2.17 million generated in the prior year.

For the fiscal period being reported on, net surplus (after tax, dividend, and patronage accruals) closed at \$561,825. Our return on average assets or ROA ratio (an indication of how profitable we are in relation to our total assets) as at 31st December 2021 was 0.31%. The capital adequacy ratio is a standard used by regulators to safeguard the stability of capital of a financial institution. Our credit union's healthy ratio of 5.81% (2020: 5.80%) provides you as shareholders, the confidence of knowing that your credit union can seize profitable growth opportunities, and absorb losses if the situation arises, all while sustaining members' confidence!

Our Members, Our Partners

We never lose sight of the fact that we need to continue providing the day-to-day products and services members need to make your lives easier, whether online or in-branch. In 2021, we launched a new online service (International Transfers) which allows you to transfer funds up to 20 currencies at very little or no transaction fees, and at competitive live exchange rates. Recognizing also, that online security and protecting your financial data is of utmost importance, we also launched Member Direct Enhanced Security, or 2-step Verification, and Self-Serve PAC reset which are new industry-wide standards that help to ensure safe and secure logins to Online Banking.

We are proud of, and thankful for the long-term business relationships we have with our co-operative system partners. Through our collaboration, collective expertise, and support, in 2021 we were able to continue our work on digital account opening and lending, enhance our cybersecurity infrastructure, build on our data mining capabilities, support

Report of the CEO (cont'd)

COVID-19 relief programs such as CEBA and HASCAP loan programs; as well as continue to advocate on regulatory issues both on a provincial and federal level.

Deepening Our Relationship and Community Connections

Our team of employees is our most valuable asset in providing the trusted advice and service you need while supporting the communities in which we live, work, and play. As in previous years, we continued to invest in employee training and development, investing more than \$27,000, and supporting a combined total of approximately 2,935 hours of formal training. This does not include significant investments of time in informal employee training, coaching and development. Several members of our team have also been actively involved in the co-operative ecosystem initiatives, which also contribute to their self-development and growth, while providing valuable input into those organizations and groups. As part of our Health & Wellness Program, we also remained focused on supporting and maintaining a positive and healthy workplace for our employees whether it was providing access to tools and materials related to maintaining positive mental health, hosting a virtual social event, or gifting our staff a token of appreciation.

We believe that strong individuals, families, and communities are the building blocks for a strong Newfoundland & Labrador, and our cooperative and social responsibility (CSR) initiatives demonstrates our commitment to improving the quality of life for our employees, our members, and the communities in which we serve. In addition to the initiatives mentioned in the Board Chair's report, we supported the One Dollar One Canada initiative (in support of Every Child Matters), the Food Bank, Salvation Army, Farmers' Market, Recreation Clubs, the local arenas, and local fire departments, just to name a few. All in all, the team at ERCU supported 47 organizations in 2021 either with donations, sponsorships, community investments, and/or volunteer time. The continued health-imposed restrictions as well as concern for the safety of our staff impacted on our ability to undertake more initiatives within our communities as we have typically done in past years.

Positioning for the Future

For each of the past 38 years since our inception, Eagle River Credit Union has faced many challenges; however, we have equally embraced many opportunities to innovate and evolve. In 2021, we took yet another bold step forward in June when you approved the recommendation to merge with Leading Edge Credit Union. This partnership allows our credit union, under the re-branded name of Atlantic Edge Credit Union Limited to gain increased visibility with an 11-branch network, serving a membership of almost 18,350 members, and a combined asset base of just over \$342.4 million. We believe this merger will enable us to remain sustainable against evolving market conditions such as changing interest rates, increased competition in the virtual banking services realm, and competitive job market, all while effectively managing operations within the shifting risk and regulatory oversight landscape.

Sincere Appreciation

Since the declaration of the COVID-19 pandemic, and up to this present time, virtually everywhere around the world we continue to see an unprecedented amount of uncertainty and disruptions. Eagle River Credit Union is not immune to any of it; however, we are immensely proud of our usual resolve and determined focus on protecting our members, our employees, and our communities. To the Board of Directors, thank you for your service and stewardship of our credit union. Your passion and your leadership has greatly influenced the success we have achieved to date. To my team, thank you for your support, trust, and confidence. The team-spirit, unity and trust we share makes us a stronger united front as we forge ahead.

I would like to extend a sincere thank you as well to the entire membership for your continued support in growing your credit union! I look forward to the future as we continue to successfully navigate and thrive through uncertain times under our new name Atlantic Edge Credit Union Limited (AECU). This credit union is strong and well positioned for success!

Cooperatively yours,



Shanti Samaroo
Chief Executive Officer

Audited Financial Statements

Eagle River Credit Union Limited

Financial Statements

Year End December 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of Eagle River Credit Union Limited

Opinion

I have audited the financial statements of Eagle River Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2021, and the statements of income, retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

(continues)

Independent Auditor's Report To the Members of Eagle River Credit Union Limited (*continued*)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the 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.

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

St. John's, NL
March 29, 2022




Brian T. Scammell Professional Corporation
Chartered Professional Accountant

EAGLE RIVER CREDIT UNION LIMITED**Statement of Financial Position****December 31, 2021**

	2021	2020
ASSETS		
Cash and cash equivalents <i>(Note 4)</i>	\$ 12,908,123	\$ 21,824,316
Investments <i>(Note 5)</i>	60,546,730	47,063,590
Income taxes recoverable	7,234	-
Loans and notes receivable <i>(Note 6)</i>	108,785,989	103,284,388
Other assets <i>(Note 7)</i>	813,090	1,197,541
Property, plant and equipment <i>(Net of accumulated amortization) (Note 8)</i>	2,473,112	2,586,188
	\$ 185,534,278	\$ 175,956,023
LIABILITIES AND MEMBERS' EQUITY		
Accounts payable and accrued liabilities	\$ 1,217,464	\$ 1,011,194
Income taxes payable	-	160,753
Dividends and patronage refunds payable <i>(Note 9)</i>	221,260	180,281
Members' deposits <i>(Note 9)</i>	175,225,597	166,284,758
	176,664,321	167,636,986
MEMBERS' EQUITY		
Corporate social responsibility reserve <i>(Note 10)</i>	35,605	46,510
Retained earnings	8,834,352	8,272,527
	8,869,957	8,319,037
	\$ 185,534,278	\$ 175,956,023

ON BEHALF OF THE BOARD

 _____ Director

 _____ Director

See notes to financial statements

EAGLE RIVER CREDIT UNION LIMITED**Statement of Comprehensive Income****Year Ended December 31, 2021**

	2021	2020
FINANCIAL REVENUE		
Members' loans and mortgage <i>(Note 12)</i>	\$ 4,479,199	\$ 4,528,114
Investment	832,373	944,762
	5,311,572	5,472,876
COST OF FUNDS		
Interest on members' deposits <i>(Note 14)</i>	505,097	865,033
FINANCIAL MARGIN <i>(90.49%; 2020 - 84.19%)</i>	4,806,475	4,607,843
FEES AND OTHER REVENUE		
Service charges	1,277,482	1,256,617
Other	236,830	347,514
Commissions	217,604	234,914
Card services	163,544	147,514
Rebates	40,408	178,974
	1,935,868	2,165,533
EXPENSES		
Salaries and benefits	2,666,736	2,623,201
Electronic processing and hardware maintenance	906,271	864,190
Commissions and service charges	500,649	469,545
Credit Union Deposit Guarantee Corporation	386,764	361,754
Occupancy	241,340	286,596
Amortization	209,963	217,606
Business tax	156,948	159,185
Professional fees	143,040	132,498
Insurance	87,610	86,121
Board governance	81,925	64,487
Amalgamation	80,055	4,500
Office and stationary	67,513	69,682
Telephone	64,260	66,138
Advertising and promotion	48,877	47,506
Shared services	45,278	78,283
Miscellaneous	40,492	33,455
Provision for impaired loans and mortgages	39,732	(10,125)
Training	27,709	14,192
Travel	25,920	43,588
Meetings	9,766	12,246
	5,830,848	5,624,648
INCOME BEFORE INCOME TAXES	911,495	1,148,728
INCOME TAXES		
Current <i>(Note 15)</i>	161,794	169,275
Future	(20,056)	(40,535)
	141,738	128,740
NET COMPREHENSIVE INCOME FOR THE YEAR	\$ 769,757	\$ 1,019,988

EAGLE RIVER CREDIT UNION LIMITED
Statement of Retained Earnings
Year Ended December 31, 2021

	2021	2020
RETAINED EARNINGS - BEGINNING OF YEAR	\$ 8,272,527	\$ 7,452,353
NET COMPREHENSIVE INCOME FOR THE YEAR	769,757	1,019,988
	9,042,284	8,472,341
DIVIDENDS AND PATRONAGE REFUNDS <i>(Note 9)</i>	(207,932)	(179,814)
TRANSFER TO CORPORATE SOCIAL RESPONSIBILITY RESERVE <i>(Note 10)</i>	-	(20,000)
RETAINED EARNINGS - END OF YEAR	\$ 8,834,352	\$ 8,272,527

EAGLE RIVER CREDIT UNION LIMITED**Statement of Cash Flows****Year Ended December 31, 2021**

	2021	2020
OPERATING ACTIVITIES		
Net comprehensive income	\$ 769,757	\$ 1,019,988
Items not affecting cash:		
Amortization of property, plant and equipment	209,963	217,606
Provision for impaired loans and mortgages	39,732	(10,125)
Deferred income taxes	(20,056)	(40,535)
Interest revenue	(5,311,572)	(5,472,876)
Interest expense	505,097	865,033
Current income taxes	161,794	169,275
	(3,645,285)	(3,251,634)
Changes in operating assets/liabilities:		
Interest received	5,552,358	5,407,320
Accounts payable and accrued liabilities	206,270	166,419
Change in other operating assets	404,507	243,152
Change in loans and mortgages receivable	(5,551,299)	(1,564,233)
Interest paid	(589,829)	(871,998)
Change in members' deposits	9,025,571	15,888,092
Income taxes received (paid)	(329,781)	14,211
	8,717,797	19,282,963
Cash flow from operating activities	5,072,512	16,031,329
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(96,887)	(82,228)
Decrease (increase) in investments	(13,713,960)	(9,962,591)
Payments from corporate social responsibility reserve	(10,905)	(23,873)
Cash flow used by investing activities	(13,821,752)	(10,068,692)
FINANCING ACTIVITY		
Dividends and patronage refunds	(166,953)	(17,025)
INCREASE (DECREASE) IN CASH FLOW	(8,916,193)	5,945,612
Cash - beginning of year	21,824,316	15,878,704
CASH - END OF YEAR	\$ 12,908,123	\$ 21,824,316
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 12,908,123	\$ 21,824,316

Report of the Audit, Risk, & Conduct Review Committee

The Audit Committee is a very integral component of internal control procedures, and is a key liaison with auditors. The committee has the overall responsibility to review the financial position of the credit union, as well as to review any recommendations made by internal auditors, external auditors, and other audit or examination reports received by the credit union.

The Audit, Risk, and Conduct Review Committee have separate mandates. The Audit component of the committee is responsible to ensure the integrity of the Credit Union's financial statements, including monitoring the system of internal controls. The primary function of the Risk Committee is to oversee risk management on an enterprise-wide basis. The Conduct Review Committee is primarily responsible to ensure management has developed procedures to review the organization's related party transactions and other conflict of interest situations.

To fulfill its mandate, the following were the key activities of the Audit Committee during the past year:

- Reviewed interim and audited financial statements;
- Ensured the independence of the external auditor from the Board, Management, and Staff;
- Monitored compliance with respect to legal and regulatory requirements as prescribed in the Credit Union Regulations under the Credit Union Act;
- Reviewed the Enterprise Risk Management annual report.
- Reviewed various management reports including the Asset / Liability Management Report, Delinquency Reports, and reports on source deduction remittances to Canada Revenue Agency;

- Reviewed the results of the internal audit reports completed by Brian Scammell CA;
- Met with the external auditor, Brian Scammell, to review the 2020 Audit Plan and subsequently met to discuss the results of the 2020 External Audit.
- Met with the external auditor, Brian Scammell, to review the 2021 Audit Plan and Scope.

During the past year, the Audit, Risk and Conduct Review Committee met, and requested information necessary to fulfill its mandate. We are satisfied that Eagle River Credit Union operated in accordance with the Credit Union Act and Regulations and its internal policies.

On Behalf of the Committee,



Bradley Hancock
Committee Chair



Cooperative Social Responsibility (CSR) Report

At Eagle River Credit Union (ERCU), our Cooperative Social Responsibility (CSR) Framework consists of six pillars. This integrated approach allows us to properly manage our resources and focus to maximize on the economic and social wellbeing of all stakeholders in an equitable and transparent manner; without compromising the sustainability and stewardship of our CSR commitment; all towards the improvement in the quality of life of our employees, our members, and the communities in which we serve.

As a cooperative, ERCU operates based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. At ERCU, we proud to be part of what it means to be part of a cooperative and we take pride in the contributions we continue to make in our communities.

EACH ONE TEACH ONE



2 sessions, 55 participants,
bringing the total to 60 sessions
facilitated to 736 participants

KIDS EAT SMART



\$5,000 translates into
5,000 breakfasts bringing
the total to \$41,000

Education Scholarships

\$2,000 totalling
\$39,000 to date



WARM COATS FOR KIDS



\$5,000 towards the purchase
of 250 coats, bringing the total
to \$20,000 and the purchase
of 938 new coats for kids

LOYAL 2 LOCAL CHALLENGE

gave \$25 to each
employee (matched by
\$25 from Atlantic Central)
to make a purchase at a
local business or a donation
to a local charity of their choice



ORGANIZATIONS SUPPORT



47 supported in 2021

Cooperative Social Responsibility (CSR) Report (cont'd)

\$7,275

Community contributions in 2021. Funds raised by staff for community donations, sponsorships and prizes.



PAY IT FORWARD
CHALLENGE

Each employee received \$25 (from Atlantic Central) to make a purchase at a local business or a donation to a local charity of their choice.

FOOD BANK



\$3,600, bringing the total to just over \$28,600

75



Volunteer hours done in 2021



INTERNATIONAL CREDIT UNION DAY

37 lucky recipients received gift vouchers and hampers.

Board, Management and Staff

Board of Directors

Bert Belben, President
Dave Evans, Vice President
Ginger Ryland, Corporate Secretary
Terri Gilbert
Dawn Pike
Bradley Hancock
Catherine Pye
Lesley Brake
Brad Sheppard

Corporate Office

Shanti Samaroo, Chief Executive Officer
Alvina O'Brien, Executive Consultant (contract)
Jamie LeBoubon, Regional Manager Branch Operations
Jay Vattathoor, Senior Accounting Officer
Brenda McCarthy, Manager, Operations
Sandra Pye, Manager, Retail Credit & Collections
Luke Simms, Manager, Information Technology
Samantha O'Brien, Manager, Commercial Services
Haseeb Ahmad, Product & Data Analysis Coordinator
Bernadette Normore, Administrator, Accounting
Muhammad Umair, Accounting Specialist
Cindy Perry, Collections Officer
Lucinda Lee, Telephone Receptionist
Deena Eddison, Commercial Services Officer
Amanda Lee, Administrator, Lending Services (contract)
Jeannette Yetman, Internal Auditor (contract)
Gus Rumbolt, Facilities Maintenance Technician

L'Anse au Loup Branch

Brandon Timmons, Branch Manager
Jennifer Hillyard, FSR I
Robyn MacArthur, FSR II
Michelle Rumbolt, FSR I
Colette Russell, FSR I

Mary's Harbour Branch

Jackie Rumbolt, Branch Manager
Deanne Rumbolt, Acting Branch Manager
Nicole Rumbolt, FSR I
Carla Rumbolt, FSR I

White Hills Branch

Beverly Patey, Branch Manager
Cheryl Patey, FSR II
Janet Elliott, FSR I
Susan Pearce, FSR I

Tri-Town Branch

Carolyn Spence, Branch Manager
Candace Rose, FSR II
Vanessa Rumbolt, FSR I
Nicole Burton, FSR I

Labrador Savings Branch

Mary Jane Hudson-Cabot, Branch Manager
Nakita Woodward, FSR II
Kayla Ash, FSR I
Ashmeet Kaur, FSR I
Rupali Dhingra, FSR I

Humber Valley Branch

Shauna Warren, Branch Manager
Crystal Feltham, FSR II
Andrew Crocker, FSR I

*FSR (I & II) – Financial Services Representative

CU Financial Management Ltd.

You'll always be ahead
when you've got someone behind you.



At the credit union, you'll find all the wealth management solutions you need, from a partner you can depend on. Let us help you grow and protect your wealth with a strategy that's right for you.

We partner with 13 Atlantic Credit Unions, who constantly seek to add quality products, services, and convenience to members' lives. Your Credit Union is pleased to provide access to CU Financial Management Ltd. and Credential Securities services.

At **CU Financial Management**, our experienced advisors are here to help members achieve the goals that matter most – wherever they may be in their financial journey. We are a homegrown, Atlantic Canadian financial planning firm where the community comes first. We ensure all investments go further – benefitting the member while providing social and environmental good.

counsel and wealth planning services to individuals and institutions in our community for many years. Our staff will work with you to fully understand your goals, investment objectives, risk tolerance, investment time horizon, significant life changes and tax considerations, among several other factors.

Together, we can redefine your future. Don't hesitate to contact a CU Financial Management advisor listed below to find out more information.

Our dedicated team has provided investment

Danny Whalen, CFP®, RIS
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Financial Planning

A good financial plan serves as a guide for your income, expenses and investments so you can manage your money and achieve your goals.



Investment & Retirement Planning

It's important to plan for your future today, this includes implementing a solid savings plan and managing your assets.



Insurance Planning

Insurance is a form of risk management and is a vital piece in your financial plan.
Life | Health | Critical Illness | Disability



Estate & Legacy Planning

Our advisors work with you to develop a comprehensive plan that reflects your wishes, protecting your assets and your loved ones.

Mutual funds, other securities, and securities related financial planning services are offered through Credential Securities, a division of Credential Qtrade Securities Inc. Credential Securities is a registered mark owned by Aviso Wealth Inc. Financial planning services are available only from advisors who hold financial planning accreditation from applicable regulatory authorities.

CU Financial Management Ltd. is wholly owned by Bayview Credit Union Ltd, Community Credit Union of Cumberland Colchester Ltd, East Coast Credit Union Ltd, Valley Credit Union, Consolidated Credit Union Ltd, Provincial Credit Union Ltd, Souris Credit Union Ltd, EasternEdge Credit Union Ltd, Atlantic Edge Credit Union Ltd, Community Credit Union Ltd, Public Service Credit Union Ltd, Reddy Kilowatt Credit Union Ltd and Credit Union Atlantic Ltd. *I am not licensed to offer or sell life insurance products and services through CU Financial Management.

Organization – Board and Committees

Corporate Governance

Our Board of Directors is responsible for overseeing the management of the business and affairs of the Credit Union and for providing effective leadership and direction with the objective of enhancing customer-owner value. The directors are responsible for maintaining a high standard of governance and ensuring the ongoing review and assessment of our governance system.

The Board meets monthly and at other times when matters requiring its approval are raised which cannot wait for the next regular meeting. The Board of Directors met ten (10) times in 2021, including the AGM. The six (6) Directors appointed to the inaugural Board of Atlantic Edge Credit Union also attended a Strategic Planning Session.

Committees of the Board

The Board has established six standing committees: Executive-Human Resource; Audit, Risk, and Conduct Review, Co-operative Social Responsibility (CSR), Building/Property, Governance, and Nomination and Elections Committee.

Executive Committee –Human Resource

The Executive Committee consists of three members including the Board Chair, Vice-Chair and Corporate Secretary. This committee is responsible for addressing matters between scheduled Board meetings that require immediate attention, along with other responsibilities authorized by the Board. This committee also reviews and recommends to the Board, changes on policy, plans and compensation.

Committee Members: Bert Belben (Chair), Dave Evans (Vice-Chair), Ginger Ryland (Corporate Secretary).

Audit, Risk and Conduct Review Committee

The Audit, Risk and Conduct Review Committee is appointed by the Board of Directors of the credit union. It is composed of not less than three members of the credit union, none of whom can be employees of the credit union, officers of the credit union, or members of the Management Committee, and the chairperson of the committee shall be a director.

The Audit, Risk and Conduct Review Committee is responsible to ensure that management has designed and implemented an effective system of financial management and related internal controls. It reviews and reports on the audited financial statements and ensures compliance with certain regulatory and statutory requirements; oversees risk management on an enterprise-wide basis; and ensures management has developed procedures to review the credit union's related party transactions and other conflict of interest situations. It is also responsible to meet periodically with internal and external auditors.

Committee Members: Bradley Hancock (Chair), Lesley Brake, Terri Gilbert

Co-operative Social Responsibility Committee

The Co-operative Social Responsibility Committee is composed of a minimum of three directors and three management/staff appointed by the Board of Directors and is responsible to develop and support clear and precise policy statements for consideration by the Board that help define our belief in social well-being and sustainability; and recommend priorities for philanthropic and corporate contributions to the Board.

Committee Members: Terri Gilbert (Chair), Catherine Pye, Dawn Pike, Lesley Brake

Building/Property Committee

The Building Committee is composed of three directors appointed by the Board of Directors and the CEO is an ex-officio member of the Committee. The purpose of the Building Committee is to provide support, advice and recommendations to the Board on issues related to construction and/or maintenance of property and buildings owned and/or occupied by Eagle River Credit Union.

Committee Members: Dave Evans (Chair), Bradley Hancock, Terri Gilbert, Bradley Sheppard

Governance Committee

The Governance Committee is composed of three directors appointed by the Board of Directors and the CEO is an ex-officio member of the Committee. The responsibility of the Governance Committee is to provide support, advice and recommendations to

Organization – Board and Committees (cont'd)

the Board on issues related to Eagle River Credit Union policies and assist the Board in fulfilling its obligations relating to quality and integrity.

Committee Members: Ginger Ryland (Chair), Bert Belben, Dawn Pike

Nomination and Elections Committee

The Nomination and Elections Committee is composed of three directors appointed by the Board of Directors. The responsibility of this Committee is to identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Committee Members: Bert Belben (Chair), Catherine Pye, Dawn Pike

Mandate of the Board of Directors

While the Board's fundamental responsibility is to supervise the management of the business and affairs of Eagle River Credit Union, any responsibility that is not specifically delegated to the CEO remains with the Board. In particular, the Board oversees the Credit Union's strategic direction to ensure it serves the organization, its members, and employees. The Board assumes overall stewardship with respect to Eagle River Credit Union's mission and values, its long-term objectives and the approval of corporate strategies. Specifically, the Board is responsible to:

- Establish the corporate mission, objectives, and policies for the direction of the credit union
- Review mission, objectives, and policies on a regular basis
- Establish and maintain the organization of the Board, including clearly described responsibilities, authorities, and relationships
- Select the CEO; establish job description, approve work plan, appraise performance, decide compensation, and approve development plans for the CEO
- Establish the organizational structure to operate the credit union; approve and monitor personnel policies, salary structure and personnel programs
- Approve and monitor the financial structure, policies and budgets
- Establish comprehensive plans for services and facilities
- Identify key performance areas for the credit union in the components of people, money and development
- Analyze and evaluate progress toward achieving the credit union's objectives and goals
- Maintain effect relations with other co-operatives and credit unions, with the community and with governments.

2021 Director Attendance Record

Director	Board	Audit, Risk and Conduct Review	Corporate Social Responsibility	Governance	Nomination and Elections	Executive
Bert Belben	12/12	-	-	1/1	2/2	1/1
Bradley Hancock	12/12	3/3	-	-	2/2	-
Brad Sheppard	7/7	-	-	-	-	-
Terri Gilbert	12/12	3/3	2/2	-	-	-
Ginger Ryland	12/12	-	-	1/1	-	1/1
Dave Evans	12/12	-	-	-	-	1/1
Dawn Pike	9/12	-	1/2	0/1	2/2	-
Lesley Brake	11/12	2/3	2/2	-	-	-
Catherine Pye	8/12	-	2/2	-	2/2	-

Note: The delay in hosting our 2020 AGM, planning and hosting a Special Membership meeting in June and commencement of work towards the legal merger with Leading Edge Credit Union impacted on the number of meetings held.

Steering Committee & Past Board Members

Steering Committee

Emile Cabot	1984
Mary Smith	1984
Reg Hancock	1984
Reg O'Brien Jr.	1984

Past Board Members

Years of Service

Claude Rumbolt	1984 – 1985
Gilbert Linstead	1984 – 1987
Mary Smith	1984 – 1994
	1996 – 1999
Reg O'Brien Jr.	1984 – 1993
President	1987 – 1989
Reg Hancock	1984 – 1989
Ruby O'Brien	1984 – 1989
Stan Pike Sr.	1984 – 1995
Steve Letto	1984 – 1987
Wilfred Letto	1984 – 1987
President	1984 – 1987
Ronald O'Brien	1986 – 2005
Frank Flynn	1987 – 1997
Tim Jordan	1987 – 1997
President	1989 – 1995
John Dumaresque	1988 – 1990
	1995 – 1998
Milton Hancock	1988 – 2012
Woodrow Lethbridge	1989 – 1992
Dennis Normore	1990 – 2012
President	1995 – 2003
Randy Cahill	1993 – 1994
Dorothy Earle	1994
Joe Fowler Jr.	1995 – 1996
Lester Letto	1995 – 1998
Lori O'Brien	1998 – 2004
Dean Flynn	1998 – 1999
Jamie Snook	1999 – 2000
Caroline Davis	1999
Cleon Moores	2000 – 2001

Past Board Members

Years of Service

Jamie Pye	2003 – 2005
Lisa Davis-Ryland	2004 – 2016
Heather Normore	2005 – 2009
Shawn Warren	2005 – 2012
Darren Butt	2006 – 2009
Darcy Hancock	2006 – 2011
Terry Casey	2006 – 2014
Amanda Barney	2009 – 2017
Agnes Cabot	2012
Chad Letto	2013 – 2014
Gaius Trimm	2017 – 2018
George Andrews	2018
Pius Walsh	2002 – 2005
	2013

In Memoriam

William Normore	1986 – 1989
Robyn Spence	1989 – 2019
William Horwood	1991 – 2003
Paul Pye	1992 – 1994
Randy Earle	1997 – 2004
Kirk Dumaresque	2000 – 2005

Working at Eagle River Credit Union

The banking industry is constantly evolving. New technologies, new services, and new ways of doing things is a way of life in our neck of the woods. A career in this industry is fast-paced, often challenging, but very rewarding and fulfilling. This is a people-based business, you interact with people from all walks of life, help them meet their financial goals, while learn something new every single day.

Personal Enrichment

Working at Eagle River Credit Union (ERCU) is much more than cashing cheques and processing loans. It involves matching the right products and services with what people need and want. Doing this well is what stands us apart from the banks. It is something we pride ourselves in, and something we work hard at every day!

At our credit union, we work diligently to be change-leaders; to be innovative and blaze trails to ensure that our members receive valuable service and products in the most efficient and effective ways. We promote a positive coaching environment to help you develop to your full potential. Having a job at Eagle River Credit Union will ensure you gain skills and knowledge in banking products and services, as well as reap personal enrichment. You will acquire valuable knowledge and expertise in risk and compliance, problem-solving, leadership, fostering communication and time management. You will also develop and enhance your skills in achievement orientation, customer service, emotional intelligence, teamwork and member relationship building.

Training and Career Progression

You will not be left alone! Training starts on the first day and you are supported by Management and peers who will work with you to show you the ropes. Training continues as you advance through your initial onboarding and beyond. We work hard to promote a positive coaching environment to help you develop to your full potential. We believe in giving our employees the tools they need to succeed, whether it is moving into a specialized role or any another position, we support you in becoming the best you can be. We take

pride when vacancies are filled internally. In 2021, we had 3 employees promoted into management or specialized positions.

- **Deena Eddison**
- promoted to Commercial Services Officer
- **Deanne Rumbolt**
- promoted to Acting Branch Manager
- **Nakita Woodward**
- promoted to FSRII

Every opportunity possible, we engage employees at all levels in the decision-making process. Several groups and teams have been formed with employees at varying levels of experience, specialized areas of expertise, across departments. Those groups and teams are engaged in identifying areas requiring improvement or change; brainstorming ideas and suggestions on initiatives; and piloting and testing of new products, services, or processes. On an external front, our staff members are also actively involved in collaborating with partners within the communities we reside. At ERCU, 60% of our management team; and our employees are actively working on volunteer boards or committees in their local communities. Annually, we provide all employees with two-paid days off work to support participation in community leadership initiatives and events.



Employee Benefits

At ERCU we value the work, time, and effort of our employees. We offer a comprehensive benefits package that includes health and dental, a registered pension plan, as well as an employee and family assistance program just to name a few. Furthermore, we support the need for employees to balance work and life with a very generous leave allotment that includes minimum of three weeks' vacation days, paid sick days, personal days, medical travel days, volunteer days, as well as birthday off!



Thank you for being such a valuable member of our team. Wishing you the best for continued success.

Working at Eagle River Credit Union (cont'd)

Service recognition

Our employees are not with our credit union simply because of our competitive salaries and benefits. They take pride and fulfillment knowing they make a real difference in people's lives directly or indirectly; whether at work in the office serving members' needs, or through participation in community events.

We celebrate with our employees when they attain a significant milestone. For years of hard work and commitment, we recognize our employees for their years of service. I take this opportunity to acknowledge and appreciate:

- **Crystal Feltham** - 15 years
- **Luke Simms** - 10 years of service
- **Samantha O'Brien** - 5 years of service
- **Andrew Crocker** - 5 years of service
- **Candace Rose** - 5 years of service

If you are someone who enjoys working in an ever-changing environment, if thinking outside the box is what you do best, and if you take pride in doing a great job every time, then a career in Financial Services just might be for you!

Joining our team, is more than just a pay cheque!



The Credit Union Difference

Credit unions are full-service, independently owned financial institutions that provide expert advice, and competitive products and services. Credit unions are not like banks, we are a cooperative – a small point but a big difference. Credit unions do not answer to distant shareholders; instead, we are owned by the people who bank with us – our members.

As a member, you have an equal say in how your credit union operates. This means that decisions are made locally with your best interests in mind. All this, while still having access to competitive rates, products and services, similar to any other financial institution. We take the time to understand our members' needs and work hard to tailor our products and services to meet those needs.

The credit union's success is our members' success, and our community's success too!

Guided by a set of shared, international co-operative principles, credit unions work together to provide a strong voice and a better, fairer way to bank for people around the globe! The cooperative principles are guidelines by which cooperatives put their values into practice.

You are a member or owner, not just a customer!

Credit unions are owned by our members – the people who bank with us. All members have an equal say in how your credit union operates. Members can voice their concerns and vote on the issues that matter to them.

We put you before profits

Credit unions' profits have a higher purpose – to benefit the people we were built to serve. Profits are distributed back to member-owners as dividends and patronage rebates. Our communities' benefit through our support and partnership with local stakeholders in the form of donations, scholarships, staff volunteerism, and other initiatives.

We are independent, but connected

Unlike banks, each credit union is an independent, locally controlled financial institution. Yet, we are connected by a set of common international co-operative principles. Together we have a strong voice that advocates for a better, fairer way to bank for all Canadians.

You are equal with all other members

No matter how little you have in deposits or how much financing you need at your credit union, you are entitled to competitive rates, perks and offers available. Every credit union member has an equal share, an equal vote, and an equal voice.

We support the communities where you live, work and play

Credit unions' purpose is to provide service to members and to contribute to your economic, social, and environmental well-being.



Co-operative Principles

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

- **Voluntary and Open Membership**
Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.
- **Democratic Member Control**
Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Members serving as elected representatives are accountable to the full membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.
- **Member Economic Participation**
Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following

purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

- **Autonomy and Independence**
Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
- **Education, Training and Information**
Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.
- **Co-operation among Co-operatives**
Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.
- **Concern for Community**
Co-operatives work for the sustainable development of their communities through policies approved by their members.



These are the principles we live by!

Appendix I

Notes to the Financial Statements

Year ended December 31, 2021

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

1. REPORTING ENTITY

Eagle River Credit Union Limited (the "Credit Union") is incorporated provincially under the The Credit Union Act, 2009 and provides financial services to residents of the Province of Newfoundland and Labrador. Membership in the Credit Union is open to residents of Newfoundland and Labrador. The registered head office of the Credit Union is located in L'anse Au Loup, Newfoundland and Labrador.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. References to IFRS are based on Canadian generally accepted accounting principles ("GAAP") as defined in Part 1 of the CPA Canada Handbook - Accounting (IFRS). The financial statements for the year ended December 31, 2021 were authorized for issue by the Credit Union's Board of Directors on March 29, 2022.

Basis of preparation

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

Use of significant accounting judgments, estimates and assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

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

(a) Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from observable markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives, discount rates and prepayment rates. The valuation of financial instruments is discussed in more detail in Note 17.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

2. BASIS OF PREPARATION *(continued)*

(b) Impairment Losses on Loans and Advances Under IFRS 9 - Financial Instruments ("IFRS 9")

The measurement of impairment losses on loans to members is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Please see the impairment of financial assets section of Note 3 for further details on these. A number of significant judgements are also required in applying the account requirements for measuring the expected credit loss ("ECL"), such as:

- Determining the criteria for significant increase of credit risk: IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Credit Union takes into account qualitative and quantitative reasonable and supportable information.
- Choosing appropriate models and assumptions: The Credit Union uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.
- When measuring ECL, the Credit Union uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers.
- Probability of default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, and assumptions/expectations of future conditions.
- Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The impairment loss on loans to members is disclosed in more detail in Note 6.

(c) Economic Lives of Property, Plant and Equipment

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

(d) Provisions

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

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

(e) New standards implemented

There were no new or revised standards implemented in 2021 which are relevant to the Credit Union.

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

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

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

(a) *Financial assets*

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

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

Specifically:

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

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

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	Amortized cost
Investments:	
Equity investments	FVPL
Liquidity reserve deposits	Amortized cost
Loans and mortgages	Amortized cost
Other assets	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Members' deposits	Amortized cost
Other liabilities	Amortized cost

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

(b) Debt instruments at amortized cost

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

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

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

Debt instruments are measured at amortized cost using the effective interest method, and are subject to impairment. See section (d) to this note, regarding impairment. Interest income on debt instruments at amortized cost is recognized in interest on loans to members and investment income on the statement of other comprehensive income.

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

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial assets at FVPL

Financial assets at FVPL are:

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

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 17.

(d) Impairment

The Credit Union assesses loss allowances for expected credit losses ("ECLs") on its financial instruments that are not measured at FVPL. Loss allowances are recognized on loans to members.

No impairment loss is recognized on equity investments.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECLs that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECLs that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided below.

ECLs are an estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Credit Union under the contract and the cash flows that the Credit Union expects to receive, discounted at the asset's effective interest rate (EIR).

The Credit Union measures ECL on an individual basis. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

(i) Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Credit Union assesses whether debt instruments that are financial assets measured at amortized cost are credit-impaired at each reporting date.

(ii) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL; default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see below).

The Credit Union considers the following as constituting an event of default:

- the borrower is past due more than 90 days on the credit obligation to the Credit Union; or
- the credit union considers the borrower to be unlikely to pay the loan to the credit union in full, without recourse by the credit union to actions such as realizing security.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Credit Union takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. For example, in commercial lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status, are key inputs in this analysis.

(iii) Significant increase in credit risk

The Credit Union monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Credit Union will measure the loss allowance based on lifetime rather than 12-month ECL. The Credit Union's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Credit Union monitors all financial assets that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Credit Union compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument, with the risk of a default occurring that was anticipated for the remaining maturity at the date when the financial instrument was first recognized. In making this assessment, the Credit Union considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Credit Union allocates its loans to members to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD that was estimated based on facts and circumstances at the time of initial recognition.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The PDs used are forward looking and the Credit Union uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. For corporate lending there is particular focus on assets that are included on a 'watch list', given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Credit Union considers events such as bankruptcy and consumer proposals.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop, when an asset becomes 30 days past due, the Credit Union considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime EGL, unless the Credit Union has reasonable and supportable information that demonstrates otherwise.

More information about significant increase in credit risk is provided in Note 18.

(iv) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

These figures are generally derived from internally developed models and other historical data and they are adjusted to reflect forward-looking information, where applicable.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is largely based on historical default rates by category of loan product and credit rating. PDs are estimated considering the contractual maturities of exposures. The estimation is based on current conditions, adjusted where applicable to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account cost of realization of collateral. LGD models for unsecured assets consider time of recovery and recovery rates. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Credit Union's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, and changes in utilization of undrawn commitments. The Credit Union uses EAD models that reflect the characteristics of the portfolios.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Credit Union measures ECL considering the risk of default over the maximum contractual period over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as revolving credit facilities that include both a loan and an undrawn commitment component, the Credit Union's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Credit Union's exposure to credit losses to the contractual notice period. For such financial instruments the Credit Union measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period.

(v) Write-offs

Loans are written off when the Credit Union has no reasonable expectations of recovering the financial asset. This is the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Credit Union may apply enforcement activities to financial assets written off. Recoveries resulting from the Credit Union's enforcement activities will result in impairment gains.

(e) Modification and derecognition of financial assets

(i) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- where a financial instrument includes both a drawn and an undrawn component, such as a line of credit, and the Credit Union cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Credit Union presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

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

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

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

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

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

(f) Financial Liabilities

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

(g) Other Financial Liabilities

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

(h) Derecognition of financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and Atlantic Central and other highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost which is considered equivalent to fair value due to the short-term nature of these assets.

Loans to members

Loans to members include personal loans, lines of credit, mortgages and commercial loans, and are recognized when the cash is advanced to the borrower. All loans to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables which are subsequently measured at amortized cost using the effective interest method.

Leases

The Credit Union recognizes all material leases on the statement of financial position, subject to limited exceptions. From an income statement perspective, depreciation and interest expense are recorded for leases in a manner similar to that for the classification of "finance leases" prior to the adoption of IFRS 16. Lease payments related to immaterial leases are recognized as an expense on a straight line basis over the lease term.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deposits from members

Deposits from members are disclosed in Note 9 and represent the Credit Union's main source of funding. They are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Provisions

Provisions are recognized when the Credit Union has a present obligation (legal or constructive), as a result of a past event, it is probable that the Credit Union will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Short-term employee benefits

Short-term employee benefits include salaries and wages, employee benefits, allowances, bonuses and burdens. Short-term employee benefits are expensed as the related service is provided.

Membership shares

The Credit Union's membership shares are presented in the Statement of Financial Position as financial liabilities in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. All membership shares of the Credit Union are classified as liabilities. Payments of dividends and patronage refunds on membership shares presented as a financial liability are recognized as a distribution of profit or loss. Dividends and patronage refunds are recorded when declared by the Board of Directors.

Revenue recognition

Interest income is accrued monthly by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognized when the right to receive payment is established. Dividends are included in investment income in the Statement of Comprehensive Income.

Fees and other income includes account service fees, investment management fees, and insurance fees which are recognized over the period the services are performed, specifically when amounts are fixed or can be determined, and the ability to collect is reasonably assured.

Income taxes

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred income tax assets and liabilities are recognized in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the Statement of Comprehensive Income.

Foreign currency translation

The financial statements are presented in Canadian dollars (\$).

Transactions in foreign currencies are initially translated into Canadian dollars at the rate of exchange in effect at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange at the Statement of Financial Position date.

Translation gains and losses are recognized immediately in profit or loss and are included in the "other income" line item in the Statement of Comprehensive Income.

Derivatives

The Credit Union enters into derivative contracts including index-linked deposits. The premium related to the derivative transaction, which is included in other assets, is recognized over the term of the derivative contract as an adjustment to interest expense.

Property plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization and any accumulated impairment losses. When components of property, plant and equipment have different useful lives, they are accounted for as separate assets. Assets under construction are not amortized until they are available for use. Property, plant and equipment is amortized over its estimated useful life at the following rates and methods:

Buildings	5%	declining balance method
Paved areas	8%	declining balance method
Computer equipment	3 years	straight-line method
Furniture and equipment	5 years	straight-line method
Vehicle	5 years	straight-line method
HVAC in building (Happy Valley - Goose Bay)	20 years	straight-line method
Roof on building (Happy Valley - Goose Bay)	25 years	straight-line method

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Land is not subject to depreciation and is carried at cost. The residual value, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Impairment reviews are performed when there are indicators that the recoverable amount of an asset may be less than the carrying value. The recoverable amount is determined as the higher of an asset's or cash generating unit's fair value less cost of disposal and value in use. Impairment is recognized in the statement of comprehensive income, when there is an indication that an asset may be impaired. In the event that the value of previously impaired assets recovers, the previously recognized impairment loss is recovered in the statement of comprehensive income at that time.

An item of property and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the period the asset is derecognized.

4. CASH AND CASH EQUIVALENTS

The Credit Union's current accounts are held with Atlantic Central and positive balances are non-interest bearing.

	2021	2020
Cash	\$ 3,203,378	\$ 3,862,695
Atlantic Central - Term deposits - Less than 3 months	8,000,000	16,500,000
Cash management account - Atlantic Central	1,223,026	1,033,701
League Savings and Mortgage ("LSM") - Term deposits - Less than 3 months	201,250	197,100
Accrued interest on term deposits	280,469	230,820
	\$ 12,908,123	\$ 21,824,316

The Credit Union has available short-term borrowings of \$4,389,000 with Atlantic Central, bearing interest at prime less 0.5%, of which \$0 was used at December 31, 2021 (2020 - \$0). As security for the operating line of credit, the Credit Union has provided a continuing, specific and fixed first security interest, mortgage, hypothec and charge over all Property as defined in the line of credit agreement dated November 1, 2013.

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

5. INVESTMENTS

The following table provides information on the investments held by the Credit Union.

	2021	2020
	\$	\$
<i>Term deposits, liquidity and mortgage pools</i>		
Atlantic Central - Term deposits	17,000,000	8,556,153
Wyth Financial - Term deposits	16,570,551	12,500,000
League Savings and Mortgage - Term Deposits	12,500,000	12,500,000
Atlantic Central - Mandatory liquidity	10,787,760	9,763,817
Souris Credit Union - Mortgage pool managed by LSM	458,833	604,156
Valley Credit Union - Mortgage pools	272,754	802,142
<i>Investment in shares</i>		
Atlantic Central - Common shares	1,916,760	1,424,050
Wyth Financial - Class D shares	250,000	250,000
League Savings and Mortgage - Shares	245,634	118,944
Atlantic Central - Class B shares	192,000	192,000
CU Financial Management - Shares	170,148	170,148
Atlantic Central - Class NL shares	99,000	99,000
League Data Limited - Class B shares	65,180	65,180
Atlantic Central - Class NS shares	18,000	18,000
Canadian Credit Union Association - Membership Shares	100	-
Wyth Financial - Membership Shares	10	-
	60,546,730	47,063,590

The Credit Union is required under the Credit Union Regulations, 2009 of the Credit Union Act, 2009 to maintain an amount equal to 6% of the total liabilities as at each month end. Note 18 provides the Credit Union's position in this regard. The mandatory liquidity deposit can be withdrawn only if there is a sufficient reduction in the Credit Union's assets or upon withdrawal of membership from Atlantic Central. At December 31, 2021, the Credit Union held liquidity deposits of \$10,787,760 (2020 - \$9,763,817).

Equity instruments

Equity investments are recorded at cost as they do not have available quoted market prices in an active market. The shares in Atlantic Central, issued at par value, are required as a condition of membership and are redeemable at par value upon withdrawal of membership or at the discretion of the Board of Directors of Atlantic Central. The common shares of Atlantic Central are subject to an annual re-balancing mechanism. Dividends on these shares are at the discretion of the Board of Directors of Atlantic Central.

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

6. LOANS AND MORTGAGES RECEIVABLE

The following table presents the loans and mortgages receivable at December 31, net of the allowance for impaired loans:

	December 31, 2021			December 31, 2020
	Gross Loans \$	Allowance \$	Net Loans \$	Net Loans \$
Consumer				
Loans	18,638,949	(143,809)	18,495,140	19,081,274
Mortgages	60,745,823	(32,024)	60,713,799	58,920,480
Line of credit	4,834,744	(61,642)	4,773,102	4,953,132
Commercial				
Loans	6,879,951	(141)	6,879,810	5,423,412
Mortgages	16,652,406	(491)	16,651,915	14,392,022
Line of credit	1,107,196	-	1,107,196	330,654
	108,859,068	(238,106)	108,620,962	103,100,973
Accrued interest	165,027		165,027	183,415
Net loans to members	109,024,095		108,785,989	103,284,388

The following table presents the loans and mortgages receivable at December 31, classified based on their assessed stage of credit risk:

				2021	2020
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$	Total \$
Consumer					
Loans	18,399,226	16,942	222,780	18,638,949	19,263,472
Mortgages	59,614,794	109,646	1,021,382	60,745,823	58,955,767
Line of credit	4,766,895	11,461	56,388	4,834,744	4,983,908
Commercial					
Loans	6,879,951	-	-	6,879,951	5,423,537
Mortgages	16,652,406	-	-	16,652,406	14,392,849
Line of credit	1,107,196	-	-	1,107,196	334,872
Accrued interest	161,035	330	3,663	165,027	183,415
Gross carrying amount	107,581,503	138,380	1,304,213	109,024,095	103,537,819
Allowance for impaired loans	(9,985)	(2,341)	(225,781)	(238,106)	(253,431)
Carrying amount	107,571,518	136,039	1,078,432	108,785,989	103,284,388

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EAGLE RIVER CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2021

6. LOANS AND MORTGAGES RECEIVABLE (continued)

Allowance for impaired loans

The allowance for impaired loans is recognized in the period and is affected by a variety of factors, such as:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" or "step down" between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in probability of default (PD), exposure at default (EAD) and loss given default (LGD) in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

At December 31, 2021 loans to members are presented net of allowances for ECLs totalling \$238,106. The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Credit Union's maximum exposure to credit risk on these assets.

	Stage 1	Stage 2	Stage 3	2021	2020
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	Total
	\$	\$	\$	\$	\$
Allowance for doubtful loans as at January 1	18,642	4,359	230,430	253,431	478,408
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
New financial assets originated	-	-	-	-	-
Financial assets derecognized during the year	29,256	-	43,466	72,722	(244,755)
Others (i.e. change in loan balance, change in credit score that doesn't affect staging)	(37,914)	(2,018)	(48,115)	(88,047)	19,778
Allowance for Doubtful Loans as at December 31	9,984	2,341	225,781	238,106	253,431

The following changes in gross carrying amount are provided to help explain their significance to the changes in the loss allowance shown in the above table:

- (1) The gross carrying amount of new loans to members originated during fiscal 2021 amounted to \$1,312,634 as at December 31, 2021.
- (2) The gross carrying amount of loans to members derecognized during fiscal 2021 amounted to \$73,458 as at December 31, 2021.
- (3) At December 31, 2021, loans to members are presented net of specific allowances for doubtful loans totalling \$238,106 (2020 - \$253,431).

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EAGLE RIVER CREDIT UNION LIMITED**Notes to Financial Statements****Year Ended December 31, 2021****6. LOANS AND MORTGAGES RECEIVABLE (continued)***Loans Outstanding*

The number of loans outstanding at year-end has been summarized as follows:

	December 31, 2021	December 31, 2020
Current loans and mortgages	3,921	3,917
Impaired loans and mortgages	44	58
	3,965	3,975

An analysis of individual loans and mortgages that are impaired or potentially impaired based on age of repayments outstanding is as follows:

	December 31, 2021		December 31, 2020	
	Carrying Value	Specific Provision	Carrying Value	Specific Provision
	\$	\$	\$	\$
<u>Period of delinquency</u>				
Less than 90 days	138,380	2,341	665,004	4,359
Over 90 days	1,304,213	225,780	856,871	230,430
Total loans in arrears	1,442,593	228,121	1,521,876	234,789
Total loans not in arrears	107,581,502	9,985	102,015,943	18,642
Total loans	109,024,095	238,106	103,537,819	253,431

Average Yields to Maturity

Loans bear interest at both variable and fixed rates with the following average yields for the years ended December 31, 2021 and December 31, 2020:

	2021		2020	
	Principal	Yield	Principal	Yield
	\$	%	\$	%
Variable rate	8,159,900	4.96%	6,957,390	5.08%
Fixed rate	100,699,167	4.11%	96,397,014	4.25%
Accrued interest	165,027		183,415	
Total loans and accrued interest	109,024,095		103,537,819	

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EAGLE RIVER CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2021

6. LOANS AND MORTGAGES RECEIVABLE (continued)

Credit Quality of Loans

Security held on a portfolio basis is as follows:

	December 31, 2021	December 31, 2020
	\$	\$
Mortgages secured by property	77,496,560	73,362,416
Secured loans	24,352,018	21,927,682
Unsecured loans	7,175,517	8,247,721
	109,024,095	103,537,819

Terms and Conditions

Mortgages

Mortgages are repayable in blended monthly principal and interest instalments over a maximum term of five years. Mortgages are secured by residential properties.

Loans

Personal loans are repayable to the Credit Union in blended monthly principal and interest instalments over a period acceptable by provincial law, except for line of credit loans, which are repayable on a revolving credit basis and require minimum monthly payments. All loans except for mortgage loans are open, and at the option of the borrower, may be repaid at any time without notice.

At December 31 2021, \$7,175,517 (2020: \$8,247,721) of the loan portfolio represented "character" loans which are unsecured.

Where collateral for loans is obtained, it includes members' personal property such as vehicles, cash and marketable securities, personal guarantees, etc.

Mortgages Under Administration

Loans and mortgages receivable include \$41,847,038 (2020: \$45,904,253) in mortgages that are administered by League Savings and Mortgage Company and held in trust for the Credit Union.

7. OTHER ASSETS

	2021	2020
Accounts receivable	\$ 581,376	\$ 1,006,371
Future income taxes	134,521	114,465
Prepaid expenses	97,193	76,705
	\$ 813,090	\$ 1,197,541

EAGLE RIVER CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2021

8. PROPERTY, PLANT AND EQUIPMENT

2021									
	Land	Buildings	Roof	Paved Areas	HVAC	Furniture & Equipment	Computers	Vehicle	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance, beginning:	230,080	3,821,706	155,501	207,530	227,288	1,169,803	159,232	23,174	5,994,315
Additions:	-	-	-	56,925	-	34,189	5,773	-	96,887
Disposals:	-	-	-	-	-	4,308	42,808	-	47,116
Balance, ending:	230,080	3,821,706	155,501	264,455	227,288	1,199,684	122,197	23,174	6,044,086
Accumulated Depreciation									
Balance, beginning:	-	2,000,204	38,982	121,955	71,037	1,083,516	90,498	1,936	3,408,127
Additions:	-	91,027	6,220	8,364	11,634	51,179	36,892	4,646	209,963
Disposals:	-	-	-	-	-	4,308	42,808	-	47,116
Balance, ending:	-	2,091,232	45,203	130,319	82,671	1,130,387	84,581	6,582	3,570,975
Net Book Value	Balance, ending:	230,080	1,730,475	110,299	134,136	144,617	37,616	16,592	2,473,112

2020									
	Land	Buildings	Roof	Paved Areas	HVAC	Furniture & Equipment	Computers	Vehicle	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance, beginning:	230,080	3,821,706	155,501	207,530	227,288	1,155,213	157,766	17,540	5,972,625
Additions:	-	-	-	-	-	14,591	44,463	23,174	82,228
Disposals:	-	-	-	-	-	-	42,998	17,540	60,538
Balance, ending:	230,080	3,821,706	155,501	207,530	227,288	1,169,803	159,232	23,174	5,994,315
Accumulated Depreciation									
Balance, beginning:	-	1,904,336	32,762	114,513	59,672	1,024,039	98,195	17,540	3,251,059
Additions:	-	95,869	6,220	7,441	11,364	59,476	35,300	1,936	217,607
Disposals:	-	-	-	-	-	-	42,998	17,540	60,538
Balance, ending:	-	2,000,204	38,982	121,955	71,037	1,083,516	90,498	1,936	3,408,127
Net Book Value	Balance, ending:	230,080	1,821,502	116,519	85,575	156,251	68,734	21,238	2,586,188

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

9. MEMBERS' DEPOSITS

	December 31, 2021	December 31, 2020
	\$	\$
Chequing accounts	73,050,479	68,321,076
Savings account	51,932,677	46,413,258
RRSP funds (plus accrued interest)	17,135,923	17,951,985
Term deposits (plus accrued interest)	15,519,451	11,204,262
Tax-free savings accounts	12,542,339	17,630,199
Equity shares	1,874,153	1,859,768
RRIF funds administered by Wyth Financial (plus accrued interest)	1,640,701	1,504,667
Non-Equity share accounts	1,529,875	1,399,543
	175,225,597	166,284,758

Terms and Conditions

Term deposits

Term deposits for periods of 30 days to 5 years generally may not be withdrawn prior to maturity. Term deposits bear fixed rates of interest which can be paid monthly, semi-annually, annually, or upon maturity. The interest rates offered on term deposits at December 31, 2021 range from 0.10% to 0.80%.

Savings accounts

Savings accounts are due on demand. The portfolio consists of fixed and variable rates up to 0.25%.

Chequing accounts

Chequing accounts are due on demand and bear interest at a variable rate up to 0.005% at December 31, 2021. Included in chequing deposits at December 31, 2021 is \$42,083 (2020 - \$37,335) denominated in US dollars.

RRSP accounts

Registered retirement savings plans ("RRSP") accounts can have fixed or variable rates. RRSPs have terms ranging from one to five years, fixed rates ranging from 0.40% to 0.80% and variable rates up to 0.05%.

RRIF accounts

Registered retirement income funds ("RRIF") accounts consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above. Members may make withdrawals from a RRIF account on a monthly, semi-annual or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements. RRIF accounts have fixed rates ranging from 0.40% to 0.80% and variable rates up to 0.05%.

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EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

9. MEMBERS' DEPOSITS *(continued)*

Equity shares

Member equity shares consist of 1 share per adult member (2020 - 20 shares). The holders of member equity shares have all of the rights and privileges and are subject to the restrictions of a member as provided for in the Credit Union Act and Regulations and in the By-Laws of the Credit Union. Currently there are 6,836 (2020 - 6,882) fully paid equity share accounts with an aggregate dollar value of \$678,075 (2020 - \$689,120).

Since membership shares are redeemable on demand, they are presented as a liability on the Credit Union's Statement of Financial Position.

Share accounts are not insured by the Credit Union Deposit Guarantee Corporation; however, they do qualify as capital for regulatory purposes, notwithstanding their financial statement classification as liabilities.

Dividends and patronage refunds

The financial statements reflect the recording of patronage refunds of \$153,453 (2020 - \$112,814) and dividends on share accounts of \$67,807 (2020 - \$67,467).

Both the patronage refunds which are based on interest income and interest expense, and the dividends paid on share accounts are subject to ratification at the annual general meeting to be held in April 2022. Any difference between the amount approved and the amount ultimately paid is netted against the dividends reported on the statement of retained earnings.

Deposit Referrals

The Credit Union refers deposits to League Savings and Mortgage which are not recorded on the Statement of Financial Position. The balance outstanding at December 31, 2021 was \$667,426 (2020 - \$883,024). The Credit Union earns referral fees based on this deposit portfolio.

Concentration of Risk

Individual or related groups of members' deposits as at December 31, 2021 which exceed 1% of total deposits total \$7,376,473 (2020 - \$5,524,155).

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

10. CORPORATE SOCIAL RESPONSIBILITY RESERVE

The Credit Union is committed to the implementation of a Cooperative Social Responsibility Policy that supports the way in which it integrates social, environmental and economic concerns into its values, culture, decision making, strategy and operations, establishing better practices within the credit union, and improving the communities in which it operates. Allocations from retained earnings to the CSR reserve are made to fund activities in the next year. The activities and projects are planned, purposeful and targeted.

Projects could include items such as assistance with rent subsidy for a local food bank, contributions to the Kids Eat Smart Foundation, the Credit Union Loyal to Local program, the Holiday Pay it Forward program, the Eagle River Credit Union Warm Coats for Kids program, etc.

The Credit Union won the 2021 grant awarded by Wyth Financial, which was intended to recognize the institution that best exemplifies leadership, support and involvement in its community in 2020. In relation to this award, Wyth Financial contributed \$5,000 towards the Credit Union's funding of community projects. This is recognized in the 2021 financial statements.

The Credit Union has utilized funds worth \$15,905 from the CSR reserve in 2021 (2020 - \$20,000 contributed), bringing the reserve to \$35,605 as at December 31, 2021 (2020: \$46,510).

The following table outlines the activity in this reserve for 2021 and 2020:

	2021	2020
	\$	\$
Balance, beginning of the year	46,510	50,383
Allocation from retained earnings	-	20,000
Grant received	5,000	-
Funds utilized during the year	(15,905)	(23,873)
	<u>35,605</u>	<u>46,510</u>

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

11. CAPITAL ADEQUACY

Capital Management

The Credit Union is subject to capital requirements set out in the Credit Union Act, 2009, of Newfoundland and Labrador (the Act). The Credit Union is required to hold a capital reserve equal to 5% of total assets consisting of equity shares and retained earnings with the minimum retained earnings requirement being 3% of total assets. Alternatively, a risk weighted approach may be used. The Credit Union follows the percentage of total assets method.

As at December 31, 2021, the Credit Union's total capital as a percentage of assets was 5.81%. Therefore, the Credit Union has exceeded its minimum capital requirement as at December 31, 2021.

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

The Credit Union management ensures compliance with capital adequacy through the following: setting policies for capital management, monitoring and reporting; setting policies for related areas such as asset liability management; reporting to the Board of Directors or its committees regarding financial results and capital adequacy; reporting to the Credit Union Deposit Guarantee Corporation ("CUDGC") on its capital adequacy; and setting budgets and reporting variances to those budgets.

Should the Credit Union not comply with its legislated capital adequacy requirements the following actions would result: the Chief Executive Officer would immediately notify the Board Chair, the Audit Committee Chair and CUDGC; the Board of Directors would be informed at their next scheduled meeting; an explanation and action plan would be presented and enacted; and the Credit Union may be subjected to intervention by the CUDGC as provided for in the Act.

12. FINANCIAL REVENUE - MEMBERS' LOANS & MORTGAGES

	2021	2020
Personal loans	\$ 1,468,187	\$ 1,527,878
Residential mortgages	1,487,720	1,285,072
RMOP	1,232,732	1,397,309
Commercial loans and mortgages	290,560	317,855
	\$ 4,479,199	\$ 4,528,114

13. GOVERNMENT ASSISTANCE

The Credit Union is eligible for a subsidy under the Canada Emergency Wage Subsidy Program and recognized \$7,555 in income for the year ended December 31, 2021 (2020 - \$73,751).

Government assistance toward current expenses, including salaries, is recognized as a reduction of the corresponding expenses at the time they are incurred, provided there is reasonable assurance that the Credit Union has complied and will continue to comply with all the conditions of the government assistance.

There are no unfulfilled conditions or contingencies attached to the government funding recognized in the financial statements for the year ended December 31, 2021, as there is reasonable assurance that the Credit Union complied with all relevant conditions at the time of filing, and will continue to remain in compliance.

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

14. INTEREST ON MEMBERS' DEPOSITS

	2021	2020
Term deposit interest	\$ 198,874	\$ 278,861
RRSP	176,000	244,253
TFSA - Term deposit	75,023	101,888
Your savings	16,698	98,391
RRIF	13,055	17,415
High interest savings	12,737	66,980
TFSA - Savings	5,904	30,382
Your Chequing	4,811	23,172
Fat cat	1,246	2,217
Monthly savings plan	495	963
Head start	254	511
	\$ 505,097	\$ 865,033

15. INCOME TAXES

The provision for income taxes reported for the year ended December 31 differs from the amount computed by applying the Canadian statutory rate to income before income taxes for the following reasons:

	2021	2020
Income before income taxes	\$ 911,495	\$ 1,148,728
Increase (decrease) resulting from:		
Deductible dividends paid	(207,932)	(179,814)
Non-deductible expenses	4,487	10,586
Temporary differences	26,046	(115,250)
Taxable income	\$ 734,096	\$ 864,250
Income taxes	\$ 161,794	\$ 169,275
Income tax rate	22.04 %	19.59 %

16. RELATED PARTY TRANSACTIONS

At December 31, 2021 the aggregate amount of loans and mortgages outstanding to members of the Board of Directors and key management personnel totaled \$846,341 (2020 - \$905,020) and the aggregate amount of deposits totaled \$357,717 (2020 - \$309,138). These loans and mortgages have been advanced, and deposits received on the same terms and conditions as have been accorded to other members of the Credit Union.

No provision for impairment was necessary with respect to the loans.

The Credit Union's compensation, including the employers' portion of benefits, to key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management for the year ended December 31, 2021 was \$254,063 (2020 - \$251,155). The directors also received reimbursement for the year ended December 31, 2021 of \$4,530 (2020 - \$5,553) for their travel, meals and other out of pocket expenses.

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value

The fair value of the Credit Union's financial instruments are calculated using the valuation methods and assumptions described below. The fair values do not reflect the value of assets that are not considered financial instruments such as prepaid expenses and property, plant and equipment assets.

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques. These techniques are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The fair values of cash and cash equivalents, certain other assets and certain other liabilities are assumed to approximate their carrying values, due to their short-term nature.

The estimated fair value of fixed rate loans, fixed rate deposits and liabilities qualifying as regulatory capital is determined by discounting the expected future cash flows of these loans, deposits and capital accounts at current market rates for products with similar terms and credit risks.

The fair value of investments is based on quoted market values where available. (See Note 5)

Investments in credit union related entities such as Atlantic Central, League Data Limited, Wyth Financial and League Savings and Mortgage are measured at cost, less any identified impairment losses at the end of each reporting period. These investments are classified as Level 2 as they do not have a quoted price in an active market and their fair value cannot be reliably measured.

There has been no significant transfer of amounts between Level 1, Level 2 and Level 3 financial instruments for the years ended December 31, 2021 and 2020.

Additionally, there are no financial instruments classified in Level 3.

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Credit Union is exposed to the following risks as a result of holding financial instruments: credit risk, liquidity risk and market risk. The following is a description of these risks and how the Credit Union manages its exposure to these risks.

Credit risk

The business of the Credit Union necessitates the management of credit risk. Credit risk is the potential for loss due to the failure of a borrower to meet its contractual obligations.

The Board of Directors of the Credit Union oversees the risk management process. Senior management coordinates policy setting on risk management issues, assesses the risk exposure of the Credit Union and reviews the effectiveness of internal control processes.

The Credit Union uses a disciplined lending approach with standard underwriting parameters for each category of loans. These parameters are used to assist the Credit Union in implementing a prudent and effective process to assess the borrower's ability to repay.

The Credit Union mitigates credit risk by obtaining quality collateral. The Credit Union considers collateral to be of good quality if it can determine the legal validity and market value on an on-going basis. The Credit Union's internal policy provides additional information regarding the appropriate collateral based on the category of loan. Types of collateral generally obtained by the Credit Union are, but are not limited to, the following: member's personal property such as vehicles; cash and marketable securities; mortgage charges; fixed, floating or specific general security agreements and personal guarantees.

In addition, the Credit Union monitors its loan concentration to ensure that it is in compliance with its policies.

Liquidity risk

The business of the Credit Union necessitates the management of liquidity risk. Liquidity risk is the risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis.

The Credit Union's objective is to implement a policy that addresses limits on the sources, quality and amount of the assets to meet normal operational and regulatory requirements and provide contingency funding for significant deposit withdrawals.

The Board is ultimately responsible for the liquidity risk management policy. Management reports regularly to the Board, the Credit Union's compliance with the policy and regulatory requirements; concentration of large deposits of single/connected depositors as a percentage of total deposits; and reports borrowings for liquidity purposes, the level of borrowings and the liquidity less borrowings in relation to the statutory minimum.

The Act requires credit unions to maintain investments equal to a minimum of 6% of liabilities for adequate liquidity. Assets held by the Credit Union for such purposes are investments and demand deposits held with Atlantic Central in the amount of \$10,787,760 at December 31, 2021 (2020: \$9,763,817). At December 31, 2021, 6% of liabilities is \$10,390,888 representing an excess in liquidity of \$396,872.

Contractual maturities of financial liabilities are shown under interest rate risk.

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EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Market risk

Market risk is the risk of loss that may arise from change in market factors such as interest rates and foreign exchange rates. The Credit Union is exposed to this market risk in its investing and asset/liability management activities.

Senior management is responsible for managing market risk in accordance with the Credit Union's Asset and Liability Management and Investment policy set by the Board. Senior management reports regularly to the Board its compliance with the policy and regulatory requirements; dollar volume and yields of all investments; and the particulars of all investment transactions entered into by the Credit Union. All exceptions noted are reported to the Board.

The Board is responsible for monitoring significant variances and ensuring that corrective measures are implemented.

Interest rate risk

The Credit Union's major source of income is its financial margin, the difference between interest earned on investments and member loans and interest paid on member deposits. Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets or which are priced on a different basis. It is the policy of the Credit Union to keep exposure to interest rate fluctuations within limits set by the Board of Directors.

The following schedule shows the Credit Union's sensitivity to interest rate changes. A significant amount of loans and deposits can be settled before maturity and a penalty may apply, but no adjustment has been made for payments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together regardless of maturity.

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk by maturity dates at December 31, 2021:

	Assets	Liabilities	Asset/ Liability Gap
	\$	\$	\$
Variable	8,160	86,981	(78,821)
3 months	33,615	9,464	24,151
6 months	14,761	4,387	10,374
9 months	12,682	2,960	9,722
12 months	28,330	4,826	23,503
1-5 years	83,140	14,013	69,127
> 5 years	2,700	-	2,700
Not interest sensitive	2,082	62,838	(60,755)
	185,469	185,469	(0)

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EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2021

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk sensitivity

At December 31, 2021, if interest rates at that date had been 100 (2020 - 100) basis points lower with all other variables held constant, net income before income tax for the year would have been \$395,000 lower. If interest rates had been 100 basis points higher, with all other variables held constant, net income before income tax would have been \$299,000 higher.

Foreign currency exchange risk

Foreign currency exchange risk refers to the potential impact of changes in foreign exchange rates on the Credit Union's earnings when balances of its foreign currency liabilities are not matched with the balances of its foreign currency assets. It is the policy of the Credit Union to mitigate exposure to foreign exchange rate fluctuations by matching its foreign currency liabilities to its foreign currency assets. The Credit Union does not hold foreign investments beyond cash required to meet daily operational requirements.

19. COMMITMENTS

In the normal course of business, the Credit Union enters into various credit commitments to meet the requirements of its members. These commitments include lines of credit available on a revolving basis. These credit arrangements are subject to the Credit Union's normal credit standards and collateral may be obtained where appropriate. The contract amounts set out below represent the maximum future cash requirements should the contracts be fully drawn. However, many of these arrangements will expire or terminate without being fully drawn. At December 31, 2021, the unused authorized lines of credit totaled \$8,894,837 (2020: \$9,651,143).

20. SUBSEQUENT EVENTS

On January 1st, 2022, Eagle River Credit Union amalgamated with Leading Edge Credit Union to form a new, separate legal entity, Atlantic Edge Credit Union.

Leading Edge Credit Union was an established Credit Union with five branches located along the west coast of the island portion of the Province of Newfoundland and Labrador.

The new entity, Atlantic Edge Credit Union, will operate out of the former Eagle River Credit Union and Leading Edge Credit Union Branches, giving a total of eleven branches, all within the province of Newfoundland and Labrador.

The approximate financial position of Leading Edge Credit Union at December 31st, 2021 was as follows:

Total Assets: \$156,868,602

Total Liabilities: \$149,922,787

Total Retained Earnings: \$6,945,815



EAGLE RIVER

We're looking forward
to serving you, now from
11 branch locations.

Introducing
Atlantic Edge Credit Union

atlanticedgecu.ca

