

2020  
**Annual REPORT**



Opening doors to opportunities in every way.



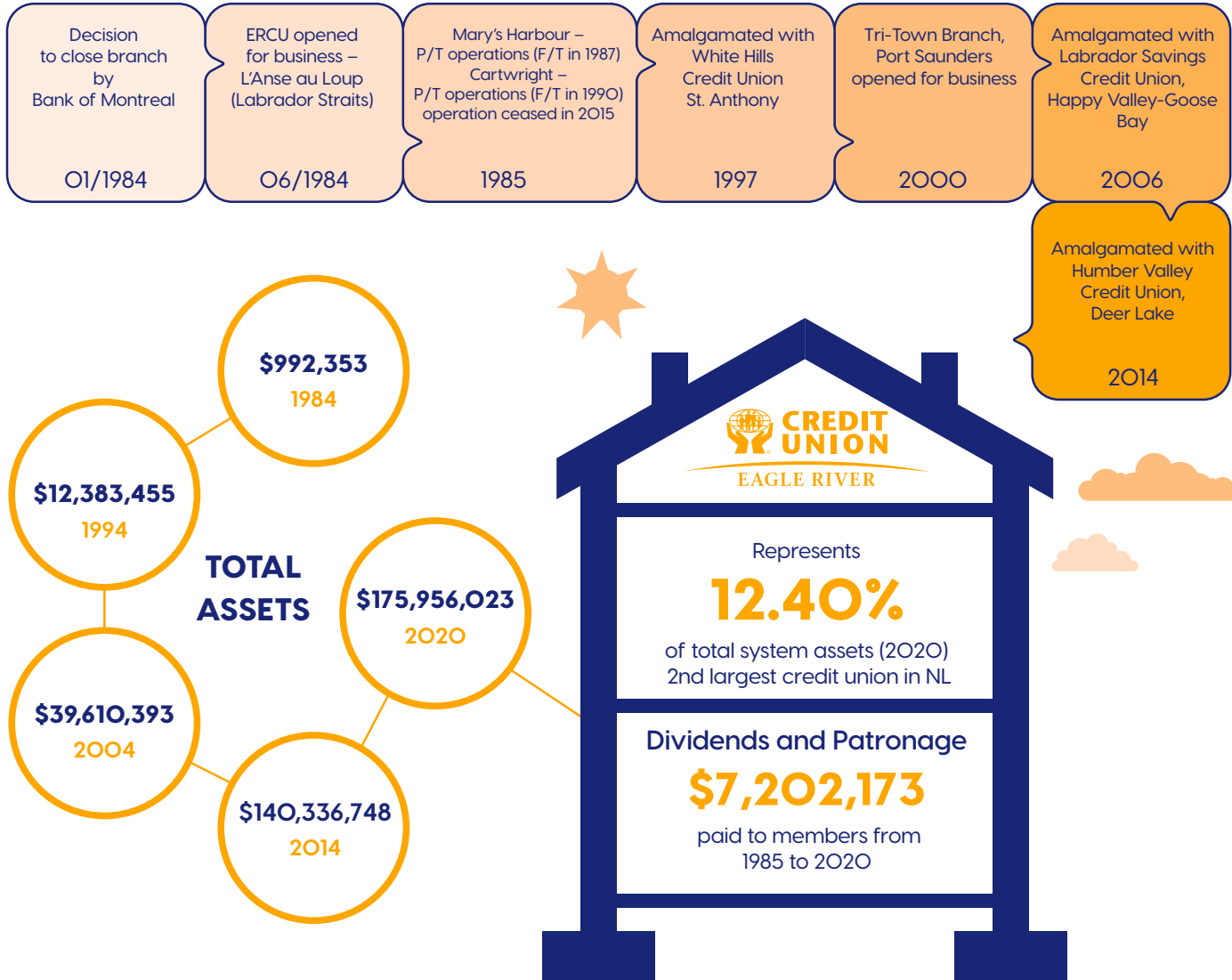
**Eagle River Credit Union, having financial stability will promote social and economic development by providing quality financial service in a democratic and cooperative environment.**

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## From Where We Came



## AWARDS & RECOGNITION





## Rules of Order

1. The Meeting shall be called to order at 18:30.
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 member's name.
3. Members wishing to speak (the line will be unmuted), shall state their name 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 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 Any motion presented becomes the property of the Credit Union and may be withdrawn only with the consent of the assembled members.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 minutes, excluding a motion.
11. Questions have to 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 (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.



## 37th Annual General Meeting Virtual

(via Zoom Online Meeting Platform)

May 11, 2021

6:00 – 6:30 p.m.  
Registration

6:30 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 36th AGM, September 15, 2020
- 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 2020
- Report of the Audit, Risk and Conduct Review Committee

#### New Business

- Approval of Dividend and Patronage Rebates for 2020
- Appointment of External Auditor for 2021
- Election of Directors
- Other New Business

#### Messages from Guests

#### Adjournment



## Draft Minutes of the 36th Annual General Meeting

### EAGLE RIVER CREDIT UNION, LIMITED

#### Draft Minutes - 36th Annual General Meeting September 15, 2020

##### CALL TO ORDER

The Thirty-Sixth Annual General Meeting of Eagle River Credit Union was called to order by the Chair, Bert Belben at 6:40 p.m.

##### GREETINGS FROM THE CHAIR

Mr. Bert Belben, Chair, on behalf of the Board of Directors, welcomed members and guests to the Thirty-Sixth Annual General Meeting of Eagle River Credit Union. He introduced all the Board Members. He acknowledged the fact that this was the first time having an AGM virtually and thanked the members for logging in to attend this meeting.

##### 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 64 voting members, (including 36 staff and directors), 1 non-voting members, 7 guests for a total of 72, 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 computer. Questions may be asked through the chat feature.

##### WELCOME – SPECIAL GUESTS

The chair welcomed Brendan Doyle - Credit Union Deposit Guarantee Director, Brian Scammell – Eagle River Credit Union Limited Auditor and Tom Fraize - Legal Counsel for Eagle River Credit Union.

##### APPROVAL OF THE AGENDA

The Chair wished to be granted the discretion to change the order of the Agenda if necessary.  
MOTION-2020 AGM - 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 Carl Bradley, SECONDED BY Dave Gatehouse.

**MOTION CARRIED**

##### MINUTES FROM THE 35th ANNUAL GENERAL MEETING

The Chair asked if there were any corrections to the Minutes of the 35th Annual General Meeting held April 30, 2019.

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 36th Annual General Meeting (cont'd)

### PRESENTATION OF REPORTS

#### A. REPORT OF THE BOARD OF DIRECTORS

Chair, Bert Belben, called upon Vice-Chair, Bradley Hancock, 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 this is the first time that we are hosting our AGM in a virtual format. During 2019, the pace of change continued to accelerate. The impact of COVID-19 on our business has demonstrated that leveraging the benefits of technology is the key for our business continuity. Even though the number of Credit Unions and Credit Union locations are decreasing across Canada, the number of members is increasing. Eagle River Credit Union continues to embrace opportunities to collaborate and build partnerships.

Directors continue to participate in regulatory and governance training to continue to be effective and to ensure that we provide the level of direction and support required by management. The Board also participated in a Board and self-evaluation exercise.

Chair Belben advised when the decision was made to discontinue the Global Payment Card in 2019, every cardholder with unredeemed loyalty points received value for those points which resulted in an additional expense in the amount of \$846,000 for a total value of \$1.29 million to fund the total loyalty points. Due to this additional expense the return to members approved by the Board for 2019 was a dividend of 2.5% on equity shares in the amount of \$17,493.

The Chair discussed some of the accomplishments and the retirement of the former CEO, Alvina O'Brien. When the Board was made aware of her decision to retire, they began the recruitment process for a new CEO. Shanti Samaroo was the successful incumbent and he gave a brief background on her experience.

Chair Belben thanked the Board, Management and Staff for the work that they do to ensure the continued success of our credit union.

Bradley Hancock 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. Over the last few years, we have noticed a concerning trend of a reduction in overall membership. The top two reasons are closure of "inactive accounts" and members relocating.

Net profitability for 2019 of \$90,479 was declared, compared to the net \$530 thousand in 2018. This decline from a financial perspective was primarily due to the \$846 thousand increase in accrual expense for the choice reward loyalty points.

58% of our team actively work on volunteer boards or committees in their local communities. The CEO also discussed the new products/platforms that were introduced in 2019. She advised that it is through collaboration with other credit unions in Atlantic Canada, and other system partners that we are able to continue to make such progress.

Eagle River Credit Union supports a multicultural workforce. We have employees from four different countries. We also have different levels of service from less than one year to two employees having over thirty years of service.

We pride ourselves in that we continue to be at the forefront of technological advancements on service delivery options.

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

There was a question put forward through Chat – Is there a replacement card for the Global Payment Card? The CEO replied that there is no replacement card.





## Draft Minutes of the 36th Annual General Meeting (cont'd)

Vice-Chair, Bradley Hancock, 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 2019 Financial Statement as contained in the Financial Statements booklet, a copy of which forms part of these Minutes. He provided an overview of the Audited Financial Statement for 2019. 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, Dave Evans reported on the roles and key activities of the Committee during the past year.

### NEW BUSINESS

APPROVAL OF DIVIDEND AND PATRONAGE REBATES FOR 2019.

MOTION – 2020 AGM - O2 to ratify the payment of 2.5% dividend on Equity Shares for a total of \$17,493 for the year ended December 31, 2019.

Of the 73% of attendees that voted, 100% were in favor.

MOVED BY Elsie Barney, SECONDED BY Jamie Pye

**MOTION CARRIED**

### APPOINTMENT OF EXTERNAL AUDITOR FOR 2019

Chair of the Audit, Risk and Conduct Committee, Dave Evans, recommended that Brian T. Scammell, CA CBV, be re-appointed as the external auditor for Eagle River Credit Union for the fiscal year 2020 at a remuneration to be determined by the Board.

MOTION - 2020 AGM - O3 to re-appoint Brian T. Scammell CA CBV as the External Auditor for the fiscal year 2020.

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

MOVED BY Sylvia Dawe, SECONDED BY Fen Ni Kao Fowler

**MOTION CARRIED**

### ELECTION OF DIRECTORS

Chair of the Nomination Committee, Terri Gilbert reported on the result of the Board Elections that were conducted this year. There were three 3-year positions available and one 1-year position. There were two directors whose 3-year term had expired. A call for nominations was posted on December 4, 2019 with a deadline of January 25, 2020. We received four nominations for the four positions (two of which were the two directors whose term had expired) hence all four candidates were elected by acclamation.

Elected for a three-year term are:

- Bradley Hancock
- Dawn Pike
- Catherine Pye

Elected for a one-year term is:

- Lesley Brake





## Draft Minutes of the 36th Annual General Meeting (cont'd)

### OTHER NEW BUSINESS:

There was no new business.

### MESSAGES FROM GUESTS

- Brendan Doyle brought greetings on behalf of the Credit Union Deposit Guarantee Corporation. He 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.

The Chair thanked the members for signing in to the first Eagle River Credit Union Virtual Meeting. This was history in the making.

Door prizes were drawn for.

### ADJOURNMENT

MOTION – 2020 AGM – O4 to adjourn the meeting at 8:05 pm. MOVED BY Denise White

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CHAIR

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CORPORATE SECRETARY





## Report of the Board of Directors

While this past year posed new challenges unprecedented in any prior year in our history, and probably never imagined by most, I am pleased to report on the continuous success and growth for our 37th year of operations on behalf of the Board of Directors.

According to the OECD<sup>1</sup>, the COVID-19 pandemic has started the deepest economic recession in nearly a century, threatening health, disrupting economic activity, and hurting people's overall mental well-being and job security. It will require extraordinary policies to adapt and to walk the tightrope towards recovery, which will no doubt influence the economic and social prospects of the coming decade.

Despite the challenges we were presented with over the past year, we remained committed to our strategic goal of being easy to do business with. Unlike other financial institutions, who during and since the onset of first wave of COVID-19, reduced their in-branch services by reducing branch hours, or temporarily closing branches, at Eagle River Credit Union our business hours remained the same, with a full complement of staff (albeit in a manner that mitigated the risk to both members and our staff). We recognized that the pandemic and the resulting effect on job security, going concern of businesses and access to government relief funding were already causing undue stress to our members, and we certainly did not want access to financial services to be an added concern.

The rapidly shifting environment of the financial industry continues to be a challenge. From a regulatory perspective, we are tasked with keeping up with the pace to mitigate risks associated with anti-money laundering, privacy, liquidity, and general operating risks. As a result, the associated costs of investments into training, technology, audits, etc. are escalating and we are continuously looking to find ways to mitigate these costs and gain greater efficiencies to ensure that we maintain long term sustainability and growth. Our NL Credit Union Act is at the final stages to receive royal assent, and

the Credit Union Regulations are also currently in the drafting stage. On a wider scale in Canada, the financial industry is preparing for open banking. This new and innovative way of banking is a disruptive force that will dramatically change how consumers engage with their financial institutions, introduce new service delivery channels, and promote innovation and competition in financial products.

If nothing else, the continued impact of COVID-19 on our operations shows that collaboration and leveraging on technology is the key for business continuity. Credit unions across the country are collaborating to create efficiencies and create added value for credit union members. Likewise, here at home, we continue to seek new opportunities and continue to work closely with credit unions locally, regionally, and nationally to gain efficiencies, while at the same time, increase our value proposition to you, our members. Our system partners<sup>2</sup> enable us to invest into technology and access resources that would otherwise be cost prohibitive to Eagle River Credit Union. Members' expectations continue to increase and evolve and ERCU is committed to taking advantage of opportunities to work cooperatively with partners to reap the benefits of best practices from across the industry.

At Eagle River Credit Union, when the pandemic was declared in March 2020, we already had technology and a framework which enabled us to continue providing the financial advice and access to services that our members needed even more so, despite the imposed restrictions. Furthermore, from October 2019 we had commenced onboarding a digital accounting opening and lending platform. As a result, we were able to fast track the digital signing ability to allow for member documents to be signed in a safe and confidential manner electronically. For the staff who worked from home offices, the process was almost seamless. The technology and infrastructure were already in place; therefore, the staff did not experience the challenges with the transition as many other workplaces who were not accustomed to remote work arrangements might have. Similarly,



## Report of the Board of Directors (cont'd)

the Board continued with its governance work seamlessly with board and committee meetings. In fact, we had our first virtual AGM on September 15, 2020, and of the 64 voting members in attendance, approximately 50% were members who typically would not have attended if it was held in-person in the Labrador Straits area. From the feedback we received, members were very pleased with this new format and accessibility.

Two new directors joined the board following the recruitment process that was followed earlier in January 2020, the gap being because of the delayed hosting of the AGM. The role of a director continues to be growing in terms of the demands, complexity, and multidimensional requirements. Directors of Eagle River Credit Union are expected to bring to the Board a diverse and broad knowledge and depth of experience, along with a demonstrated ability to deal with business, financial and social issues within the cooperative environment and context. Whether it is the commitment and responsibility of being a director that is daunting or the lack of interest, it is difficult to tell; however, suffice to say, it is becoming increasingly challenging to attract qualified and committed individuals to serve. Over the past five years (2016 – 2020), we have had only one year where an election was required; meaning that expired terms have either been filled by acclamation or left vacant.

One of the highlights of Eagle River Credit Union over the past 37 years has been our ability to share success with our membership. Since 1984, our credit union has paid to its members, dividend payouts and/or patronage rebates every year, resulting in over \$7.2 million to-date. In 2020, \$20,000 has been allocated to our cooperative and social responsibility (CSR) reserve funds, bringing the reserve to \$46,510.

We have not lost sight that the depressed, low-rate economic environment that we are currently in and will be facing into the future has important implications for our credit union's continued growth and sustainability. We remain committed to making

members' financial well-being the primary value proposition, when investing into innovative and evolving service delivery options, and improving operational efficiency.

At ERCU, we embrace cooperative and social responsibility (CSR) as an essential part of what we do; we work diligently at making it a core part of our strategic vision and business plan. In 2020, despite the health-imposed restrictions we were still able to support and continue with several of our CSR initiatives albeit on a smaller scale. Some of the initiatives were hosting Each One Teach One (EOTO) sessions, supporting the Kids Eat Smart Program and Food Banks, awarding of scholarships, and our volunteerism to name a few.

The key highlight in 2020 was our Warm Coats for Kids Program! Under this program, we have provided 688 brand new winter coats to children throughout our regions. This initiative led us to being the proud recipients of the coveted and prestigious Coady Award, awarded by Atlantic Central in July 2020. The awarded credit union is one who demonstrates leadership in the areas of co-operation, volunteerism, education, and environmental sustainability. Due to the health-imposed restrictions, we celebrated this win through the "Gift that Keeps Giving" initiative launched in December 2020. In this initiative over 150 recipients received a gift hamper or gift certificate. In addition, we also were one of the recipients of the Concentra® 2020 Community Grant of \$5,000. I take this opportunity to thank both Atlantic Central and Concentra® for recognizing our efforts. At ERCU, we have a strong commitment to the communities we serve which extends beyond the financial and economic role we play in the province. (Further details of our CSR investments and recognition can be found in the CSR Report section of this Annual Report.)

In closing, I extend sincere thanks to my colleagues for their commitment and dedication over the past year. On behalf of the Board, I extend sincere thanks to the spouses and families of our Directors for their support, understanding and patience which has allowed us to



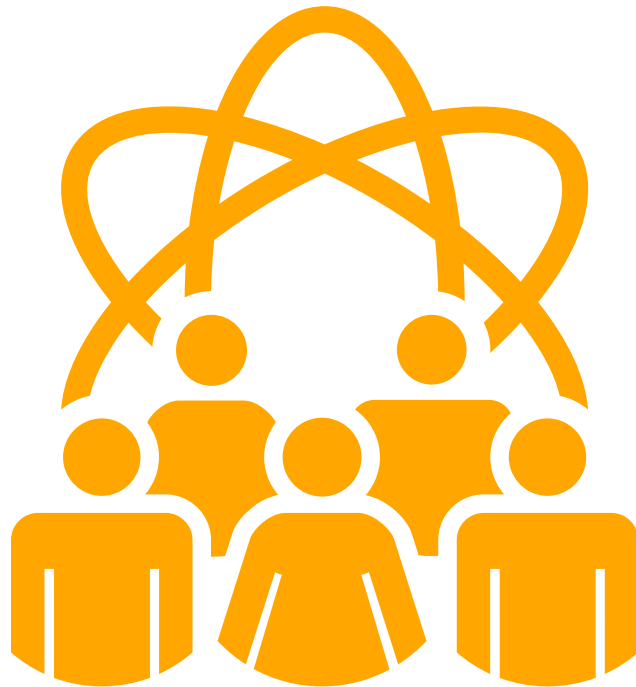
## Report of the Board of Directors (cont'd)

dedicate the time needed for Credit Union business. I would also like to thank our CEO Shanti Samaroo, and the management team, along with the entire staff for successfully taking us through 2020 and their continued efforts to the growing the success of our credit union.

On behalf of the Board of Eagle River Credit Union we remain committed and steadfast on our focus on ensuring the continued growth and sustainability of our credit union, that will continue to deliver real, tangible value to all members of Eagle River Credit Union and the communities we serve.

On Behalf of the Board,

Bert Belben,  
Chair



<sup>1</sup> Organization for Economic Co-operation and Development (<https://www.oecd.org/coronavirus/en/themes/global-economy>)

<sup>2</sup> Credit Unions across Atlantic Canada, Atlantic Central, League Savings and Mortgage, League Data, Concentra, CUMIS to name a few.



## Report of the CEO

As I reflect over the last 15 months, it is difficult to believe it has been over a year since we have seen each other in person. The last year and a half have challenged us yet connected us differently. We all experienced the impacts of the pandemic in various ways – it disrupted our lives and families and it forced us to find new ways to work and connect with our colleagues and members. We witnessed the resilience and strength of our communities and ourselves to manage through the changing public health orders.

At the beginning of 2020, just as we were commencing plans to operationalize our strategic priorities for the year, COVID-19 came into our lives and tried to take the wind out of our sails. However, we remained steadfast on our goals and focus of serving our members when, where and how you need it! We were strong on our resolve to be accessible to and for our members; and all branches of Eagle River Credit Union (ERCU) remained opened when you needed to visit or connect with us virtually.

In 2020, we worked even more closely with our credit union and system partners. The end result was we were able to provide members with new and enhanced solutions, such as the ability to sign documents electronically; therefore, having 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); another step towards our digital transformation which falls under our operations and technology strategic priority. During times of change and throughout this pandemic, we clearly saw how collaboration is the source of the credit union system's competitive advantage.

The success we have experienced would not have been possible without the support of the staff; their strength, trust and confidence enabled us to withstand the challenges we were faced with during the year. Our employee training and development efforts focused on relationship building, compliance, service standards, and product and system knowledge. We invested \$14,192 in staff training and provided over 55 hours of formal training per employee. Throughout 2020, the staff continued to participate in systems initiatives. We currently have representation on the Credit Union Technology Advisory Group (CUTAG),

Professional Development Education Advisory Committee, Atlantic Credit Union System Regional Liquidity Working Group, Newfoundland and Labrador Federation of Co-operatives, and Climate Change Disclosure Working Group just to name a few. In addition, as part of our Health & Wellness Program, ERCU also provided every employee with 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), and specific to working during the pandemic, staff were paid a COVID-19 bonus totaling \$13,900.

In addition to the cooperative and social responsibility (CSR) initiatives mentioned in the Board Chair's report, the staff at ERCU had a Random Acts of Kindness (RAK) Challenge in 2020. Overall, 36 RAKs were carried out, the acts included delivery of coffee to school bus drivers, local paramedics and police officers, and donations of hats and scarves to shelters, etc. Some of you may have heard about Libro Credit Union's Loyal 2 Local Challenge designed to support local businesses struggling to survive in the wake of COVID-19. In June 2020, we also participated in this challenge, as a joint initiative with Atlantic Central and other credit unions across Atlantic Canada. All employees were provided with \$50 to spend at a local business of their choice. We believe that strong individuals, families, and communities are the building blocks for a strong Newfoundland & Labrador, and our CSR initiatives demonstrates our commitment to improving the quality of life for our employees, our members, and the communities in which we serve.

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. At the end of 2020, ERCU's total assets represents 12.40% of total system assets, holding on strong as the 2nd largest credit union in NL. The total loans portfolio (gross of accrued interest and allowance for doubtful debts) was up \$1.35 million to close at \$103.35 million. This brought our total loans to total assets ratio to 58.74%, compared to 64.25% in 2019. The strong growth in total deposits in 2020 adversely impacted on this key ratio by approximately 600 basis points or 6%.



## Report of the CEO (cont'd)


Total membership reduced by 112 members (1.57%) to close at 7,020 equity members. This is an area we continue to monitor closely. In June 2020, we launched a member referral program; under this program cash incentives are offered both to the account holder as well as the person making the referral.

Despite the reduction in fee income of over 10% or \$167,000, as a result of the direct impact of reduced volume of payments and economic activity, the year closed at \$840,000 after tax, dividend and patronage accruals. Thus, return of average assets improved significantly from the 0.05% in 2019 to 0.50% as at December 31, 2020; however, the capital adequacy was 5.80%, 11 basis points lower than prior year. This drop was significantly impacted by the strong deposit growth and the weaker growth in our lending portfolio and other income.

While the past year presented immeasurable challenges, it has also shown us opportunities to innovate and evolve. With that in mind, I want to express thanks to our system partners for the collaboration, unity and trust we share, as it will only serve to make us a stronger united front as we forge ahead in these uncertain times. I would like to thank the Board for their support and guidance and trust you have in me to execute on your plans for the credit union. Thanks to the staff for their support, assistance, and trust. And most of all, thank you to you our members, for the trust, confidence, and loyalty you have in your credit union.

Cooperatively yours,

Shanti Samaroo, ACCA, MSc, CPA  
Chief Executive Officer



***"...we remained steadfast on our goals and focus of serving our members when, where and how you need it!"***



## Audited Financial Statements

### Eagle River Credit Union Limited

Financial Statements

Year End December 31, 2020





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## INDEPENDENT AUDITOR'S REPORT

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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, 2020, and the statements of comprehensive 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, 2020, and its financial performance and its 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 the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with those 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 relating 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.



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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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  
April 27, 2021

Brian T. Scammell Professional Corporation  
Chartered Professional Accountant



## EAGLE RIVER CREDIT UNION LIMITED

### Statement of Financial Position

December 31, 2020

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents (Note 4)	\$ 21,824,316	\$ 15,878,704
Investments (Note 5)	47,063,590	37,018,820
Loans and mortgages receivable (Note 6)	103,284,388	101,726,654
Income taxes receivable	-	22,733
Property, plant and equipment (Net of accumulated amortization) (Note 7)	2,586,188	2,721,566
Other assets	1,197,541	1,400,158
	<b>\$ 175,956,023</b>	<b>\$ 158,768,635</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Accounts payable and accrued liabilities	\$ 1,011,194	\$ 844,775
Income taxes payable	160,753	-
Dividends and patronage refunds payable (Note 8)	180,281	17,493
Members' deposits (Note 8)	166,284,758	150,403,631
	<b>167,636,986</b>	<b>151,265,899</b>
<b>MEMBERS' EQUITY</b>		
Corporate social responsibility reserve (Note 9)	46,510	50,383
Retained earnings	8,272,527	7,452,353
	<b>8,319,037</b>	<b>7,502,736</b>
	<b>\$ 175,956,023</b>	<b>\$ 158,768,635</b>

### 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, 2020

	2020	2019
<b>FINANCIAL REVENUE</b>		
Members' loans and mortgage <i>(Note 11)</i>	\$ 4,528,114	\$ 4,749,493
Investment	944,762	1,077,327
	5,472,876	5,826,820
<b>COST OF FUNDS</b>		
Interest on members' deposits <i>(Note 13)</i>	865,033	933,830
<b>FINANCIAL MARGIN</b> <i>(84.19%; 2019 - 83.97%)</i>	4,607,843	4,892,990
<b>FEES AND OTHER REVENUE</b>		
Service charges	1,256,617	1,398,736
Other	347,514	189,102
Commissions	234,914	224,037
Rebates	178,974	59,566
Card services	147,514	226,029
	2,165,533	2,097,470
<b>EXPENSES</b>		
Salaries and benefits	2,623,201	2,873,765
Electronic processing and hardware maintenance	864,190	844,360
Commissions and service charges	469,545	545,005
Credit Union Deposit Guarantee Corporation	361,754	349,503
Occupancy	286,596	230,576
Amortization	217,606	214,557
Business tax	159,185	164,872
Professional fees	132,498	136,182
Insurance	86,121	82,135
Shared services	78,283	54,913
Office and stationary	69,682	107,919
Telephone	66,138	66,954
Board governance	64,487	74,881
Advertising and promotion	47,506	60,531
Travel	43,588	109,077
Miscellaneous	37,955	53,655
Training	14,192	23,336
Meetings	12,246	19,881
Choice rewards	-	845,557
Bad debts (recovery)	(10,125)	22,391
	5,624,648	6,880,050
<b>INCOME BEFORE INCOME TAXES</b>	1,148,728	110,410
<b>INCOME TAXES</b>		
Current	169,275	8,515
Future	(40,535)	11,416
	128,740	19,931
<b>NET COMPREHENSIVE INCOME FOR THE YEAR</b>	\$ 1,019,988	\$ 90,479



**EAGLE RIVER CREDIT UNION LIMITED**  
**Statement of Comprehensive Retained Earnings**  
**Year Ended December 31, 2020**

	2020	2019
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<b>\$ 7,452,353</b>	<b>\$ 7,380,653</b>
<b>NET COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,019,988</b>	<b>90,479</b>
	<b>8,472,341</b>	<b>7,471,132</b>
<b>DIVIDENDS DECLARED</b> <i>(Note 8)</i>	<b>(179,814)</b>	<b>(12,734)</b>
<b>TRANSFER TO CORPORATE SOCIAL RESPONSIBILITY RESERVE</b> <i>(Note 9)</i>	<b>(20,000)</b>	<b>(6,045)</b>
<b>RETAINED EARNINGS - END OF YEAR</b>	<b>\$ 8,272,527</b>	<b>\$ 7,452,353</b>



## EAGLE RIVER CREDIT UNION LIMITED

### Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Net comprehensive income	\$ 1,019,988	\$ 90,479
Items not affecting cash:		
Amortization of property, plant and equipment	217,606	214,557
Provision for impaired loans and mortgages (Note 6)	(10,125)	22,391
Deferred income taxes (Note 14)	(40,535)	11,416
Interest revenue (Note 11)	(5,472,876)	(5,826,820)
Interest expense (Note 13)	865,033	933,830
Current income taxes (Note 14)	169,275	8,515
	(3,251,634)	(4,545,632)
Changes in operating assets/liabilities:		
Interest received	5,407,320	5,843,776
Accounts payable and accrued liabilities	166,419	(431,131)
Change in other operating assets	243,152	588,938
Change in loans and mortgages receivable	(1,564,233)	(1,475,391)
Interest paid	(871,998)	(896,687)
Change in members' deposits	15,888,092	1,655
Income taxes received (paid)	14,211	(1,599)
	19,282,963	3,629,561
Cash flow from (used by) operating activities	16,031,329	(916,071)
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment (Note 7)	(82,228)	(77,500)
Decrease (increase) in investments	(9,962,591)	(1,617,399)
Payments from corporate social responsibility reserve (Note 9)	(23,873)	(22,936)
Cash flow used by investing activities	(10,068,692)	(1,717,835)
<b>FINANCING ACTIVITY</b>		
Dividends paid	(17,025)	(146,049)
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>5,945,612</b>	<b>(2,779,955)</b>
Cash - beginning of year	15,878,704	18,658,659
<b>CASH - END OF YEAR</b>	<b>\$ 21,824,316</b>	<b>\$ 15,878,704</b>



## 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;
- Monitored the Enterprise Risk Management Framework including procedures for identifying risks, measuring those risks, and developing appropriate risk management policies.

- 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 CA, to review the 2019 Audit Plan and discuss the results of the 2020 External Audit.

During the past year, the Audit, Risk and Conduct Review Committee met as required under legislation, 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



**5 sessions, 31 participants,**  
bringing the total to 58 sessions  
facilitated to 681 participants

### KIDS EAT SMART



**\$5,000** translates into  
**5,000** breakfasts bringing  
the total to **\$36,000**

### Education Scholarships

**\$2,000** totalling  
**\$37,000** to date



### 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



### WARM COATS FOR KIDS



**\$5,000** towards the purchase  
of **250** coats, bringing the total  
to **\$15,000** and the purchase  
of 688 new coats for kids

### ORGANIZATIONS SUPPORT



54 supported in 2020



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

# \$25,300



Community contributions in 2020

## FOOD BANK



\$3,600, bringing the total  
to just over \$25,000



## CEBA LOANS

102 loans | 5.76 million

# 86



Volunteer hours done in 2020

## HIGHLIGHTS



## COADY AWARD

**A Gift that keeps on giving**

Celebration of being awarded the Coady Award – distributed over 150 gift hampers and gift certificates



## Concentra<sup>®</sup> Community Grant



## MEMBER Satisfaction

Survey results – 85.7% overall member satisfaction



## 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

### Corporate Office

Shanti Samaroo, Chief Executive Officer  
Alvina O'Brien, Executive Consultant  
Ochuko Igbeji, Senior Manager of 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, Administrator, Lending Services  
Evelyn Russell, Corporate Administrative Assistant  
Gus Rumbolt, Facilities Maintenance Technician

### L'Anse au Loup Branch

Elizabeth Spence-Humber, Branch Manager  
Jennifer Hillyard, FSR I  
Robyn MacArthur, FSR I  
Michelle Rumbolt, FSR I

### Mary's Harbour Branch

Jackie Rumbolt, Branch Manager  
Deanne Rumbolt, FSR II  
Nicole Rumbolt, FSR I  
Carla Rumbolt, Part-time FSR I

### White Hills Branch

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

### Tri-Town Branch

Carolyn Spence, Branch Manager  
Candace Rose, FSR II  
Vanessa Rumbolt, FSR I  
Amanda Reid, Part -Time FSR I

### Labrador Savings Branch

Mary Jane Hudson-Cabot, Branch Manager  
Awais Akhtar, FSR II  
Nakita Woodward, FSR I  
Leila Coates, FSR I

### Humber Valley Branch

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

\*FSR (I & II) – Financial Services Representative



## CU Financial Management Limited



At Eagle River Credit Union (ERCU), we strive to assist all our members to meet their financial goals by providing advice and services with a focus on the members' best interests. Jack is excited to bring the services of CU Financial Management to our members.

With eleven years of experience in the financial industry, Jack Lessel is available to assist members of ERCU with their investment planning needs by providing comprehensive advice for retirement, estate planning, investments, and risk management. He possesses in-depth knowledge of industry products and services, to deliver sound advice based on your financial goals.

Jack also has expertise in advising business clients with succession, wealth, and estate planning, as well as group and retirement benefits. Jack will work with you at no charge to create a personal or business financial blueprint you can follow to help achieve your monetary objectives.

Jack holds a Bachelor of Commerce Degree from St. Mary's University and is both insurance and IIROC licensed. He has completed many industry courses through the Canadian Securities Institute and holds the industry leading Chartered Investment Manager (CIM) designation and Responsible Investment Specialist (RIS) designation through RIA Canada.

You can reach Jack at:  
Wealth Advisor, CU Financial Management Limited  
2 Herald Ave. Millbrook Mall  
Corner Brook, NL A2H 4B5

Phone: 709-634-0405  
Fax: 709-634-0073

[jack.lessel@cufm.ca](mailto:jack.lessel@cufm.ca)



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.

CU Financial Management Ltd. is wholly owned by Eagle River Credit Union Limited, Leading Edge Credit Union Limited, Bayview Credit Union Ltd., Community Credit Union of Cumberland Colchester Ltd., East Coast Credit Union Ltd., Valley Credit Union, Consolidated Credit Union Ltd., Tignish Credit Union Ltd., Évangéline-Central Credit Union Ltd., Malpeque Bay Credit Union Limited, Provincial Credit Union Limited, Souris Credit Union Ltd., EasternEdge Credit Union Limited, Community Credit Union Limited, Public Service Credit Union Limited, and Reddy Kilowatt Credit Union Limited.



## 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 thirteen (13) times in 2020, including the AGM and 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

#### 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, Bradley Hancock, 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.

## 2020 Director Attendance Record

Director	Board	Audit, Risk and Conduct Review	Building and Property	Corporate Social Responsibility	Governance	Nomination and Elections	Executive
Bert Belben	13/13	-	-	-	3/3	1/1	5/5
Bradley Hancock	10/13	-	1/1	-	-	1/1	5/5
Bradley Sheppard	11/13	5/5	1/1	-	-	1/1	-
Terri Gilbert	13/13	4/5	-	2/2	-	1/1	-
Ginger Ryland	13/13	4/4	-	-	3/3	-	-
David Evans	13/13	4/4	1/1	1/1	-	-	-
Dawn Pike	12/13	-	-	1/1	3/3	1/1	5/5
Lesley Brake	4/4	1/1	-	1/1	-	-	-
Catherine Pye	4/4	-	-	1/1	-	1/1	-





## 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
Dave Evans	2001 – 2017
	2013
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
Brad Sheppard	2013 – 2020

### 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
Pius Walsh	2002 – 2005
	2013





## Working at Eagle River Credit Union

At Eagle River Credit Union (ERCU), we work hard to promote a positive, inclusive, and engaging environment; and, to ensure our employees provide quality financial advice, and can make a difference socially and environmentally.

**Diversity** – We are proud to support a multicultural and diverse workforce, in which ideas and viewpoints can be freely expressed in the pursuit of the Credit Union's common goals. Our current employee population includes:

- 20% of employees originally from four (4) different countries
- 52% of employees have been with the credit union over 5 years
- 13% are Baby Boomers; 45% Generation X; 39% are Millennials, and the remaining 3% are Gen Z's!

Leveraging on the unique strengths of this mix of employees enables us to learn from each other in a more collaborative and engaged manner.

**Employee Collaboration** – We continue to achieve much greater results from the synergy and collaboration created in working as one team. When at all 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, and pulled from several branch locations. 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, 58% 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 Development** – Employee Training and Development not only strengthens the skills of our employees but equips them with the technical expertise to take them to a higher level within the organization. In 2020, we have:

- Invested \$14,192 on staff training.
- Invested over 2,145 hours of formal training on areas ranging from Anti-Money Laundering, Privacy, relationship management, performance management, product knowledge, policies and procedures, etc.
- 6 employees completed courses or continue to work towards formal designations.
- 26 of our employees have ongoing training in relationship management and member service.

**Employee Recognition** – At ERCU we value the work, time, and effort of our employees. Employees are recognized for service achievement and excellence on team meetings, or through individual and group rewards, or sponsored snack or meals. Our Employees are also recognized for their years of service.



- Gus Rumbolt – 5 years of service
- Andrew Crocker – 5 years of service
- Cheryl Patey – 15 years of service
- Deanne Rumbolt – 30 years of service
- Awais Akhtar – 5 years of service
- Candace Rose – 5 years of service
- Luke Simms – 10 years of service
- Mary Jane Hudson-Cabot – 10 years of service
- Deena Eddison – promoted to Administrator, Lending



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)

**Benefits and Rewards** – We offer a comprehensive benefits package that includes health and dental, short-term and long-term disability coverage, a registered pension plan, as well as an employee and family assistance program. 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.

As we reflect on 2020, the impact of COVID-19 on personal and professional lives has touched us both in a positive and not-so-positive way. When our employees were asked to describe 2020 with only one word, the responses were:

uncertainty  
**determination**  
awareness difficult adventure  
**successful experience adaptability**  
interesting stressful surreal challenging  
different trying perseverance  
**opportunity pivotal**

However, as we look into the future, we see nothing but new adventures and lots of opportunities to learn and grow!



<sup>1</sup> Baby Boomers: born 1946 to 1964. Generation X: born 1965 to 1980. Millennials: born 1981 to 1996. Generation Z: born 1997 to 2009



## 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.

Anyone can become a credit union member. 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.

# It is a great time to be part of the credit union system!



## 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 into 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.



**CREDIT  
UNION**

**EAGLE RIVER**



## Appendix I

Notes to the Financial Statements

Year ended December 31, 2020



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 1. REPORTING ENTITY

Eagle River Credit Union Limited (the "Credit Union") is incorporated provincially under 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 ("IFRS") 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, 2020 were authorized for issue by the Credit Union's Board of Directors on April 27, 2021.

##### *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 (FVTPL) and fair value through other comprehensive income (FVTOCI), which are stated at their fair values.

##### *Use of significant accounting judgments, estimates and assumptions*

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS have a significant effect on these financial statements. Outlined below are areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the 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 16.

(continues)



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 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 detail 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.

*(continues)*





## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

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#### 2. BASIS OF PREPARATION *(continued)*

##### *(e) New standards implemented*

##### Amendments to IAS 1 and IAS 8 – Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020.



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 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 FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

##### *(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 FVTOCI.

##### Financial Instrument

Cash and cash equivalents

Investments:

Equity investments

Liquidity reserve deposits

Loans and mortgages

Other assets

Accounts payable and accrued liabilities

Members' deposits

Other liabilities

##### Classification

Amortized cost

FVTPL

Amortized cost

Amortized cost

Amortized cost

Amortized cost

Amortized cost

Amortized cost

(continues)



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 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 the Impairment section below. Interest income on debt instruments at amortized cost is recognized in interest on loans to members and investment income on the statement of profit and 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 payments or receipts through the expected life of the financial asset or financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

*(continues)*



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### *(c) Financial assets at FVTPL*

Financial assets at FVTPL are:

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

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 16.

##### *(d) Impairment*

The Credit Union assesses loss allowances for expected credit losses ("ECLs") on its financial instruments that are not measured at FVTPL. Loss allowances are recognized on loans to members (Note 6).

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, 2020

#### 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, as 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, 2020

#### 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 16.

##### (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 statistical 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, 2020

#### 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

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, 2020

#### 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 FVTPL' 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 classified as loans and receivables and 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, 2020

#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### *Deposits from members*

Deposits from members are disclosed in Note 8 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.

Other investment income and commission income include 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, 2020

#### 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
Vehicles	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, 2020

#### 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.

	2020	2019
Cash	\$ 3,862,695	\$ 2,835,525
Atlantic Central - Term deposits - Less than 3 months	16,500,000	11,000,000
Cash management account - Atlantic Central	1,033,701	49,672
LSM - Term deposits - Less than 3 months	197,100	-
Concentra - Term deposits - Less than 3 months	-	1,844,865
Accrued interest on term deposits	230,820	148,642
	<b>\$ 21,824,316</b>	<b>\$ 15,878,704</b>

The Credit Union has available short-term borrowings of \$3,968,000 with Atlantic Central, bearing interest at prime less 0.5%, of which \$0 was used at December 31, 2020 (2019 - \$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.

#### 5. INVESTMENTS

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

*(continues)*



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 5. INVESTMENTS (continued)

	2020	2019
	\$	\$
<b><u>Term deposits, liquidity and mortgage pools</u></b>		
Atlantic Central - Mandatory liquidity	9,763,817	8,994,265
Atlantic Central - Term deposits	8,556,153	11,691,200
Concentra Financial - Term deposits	12,500,000	10,000,000
LSM - Term deposits	12,500,000	1,697,100
Concentra Financial - Mortgage pools	-	805,743
Souris Credit Union - Mortgage pool managed by LSM	604,156	770,941
Valley Credit Union - Mortgage pools	802,142	964,784
<b><u>Investment in shares</u></b>		
Atlantic Central - Common shares	1,424,050	1,357,450
Atlantic Central - Class B shares	192,000	192,000
Atlantic Central - Class NL shares	99,000	99,000
Atlantic Central - Class NS shares	18,000	18,000
Concentra Financial - Class D shares	250,000	250,000
CU Financial Management - Shares	170,148	-
League Data Limited - Class B shares	65,180	65,180
League Savings and Mortgage - Shares	118,944	113,156
	<b>47,063,590</b>	<b>37,018,820</b>

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 17 provides the Credit Union's position in this regard. The 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, 2020, the Credit Union held liquidity deposits of \$9,763,817 (2019 - \$8,994,265).

#### ***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, 2020

#### 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, 2020			December 31, 2019
	Gross Loans \$	Allowance \$	Net Loans \$	Net Loans \$
Consumer				
Loans	19,263,472	(182,198)	19,081,274	18,901,678
Mortgages	58,955,767	(35,287)	58,920,480	57,585,834
Line of credit	4,983,908	(30,776)	4,953,132	5,530,317
Commercial				
Loans	5,423,537	(125)	5,423,412	6,326,668
Mortgages	14,392,849	(827)	14,392,022	12,159,282
Line of credit	334,872	(4,218)	330,654	1,023,283
	<b>103,354,404</b>	<b>(253,431)</b>	<b>103,100,973</b>	101,527,062
<b>Accrued interest</b>	<b>183,415</b>		<b>183,415</b>	199,592
<b>Net loans to members</b>	<b>103,537,819</b>		<b>103,284,388</b>	101,726,654

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

	2020			2019
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Consumer				
Loans	18,955,423	39,399	268,650	19,263,472
Mortgages	57,789,939	612,547	553,280	58,955,767
Line of credit	4,945,136	11,584	27,188	4,983,908
Commercial				
Loans	5,419,133		4,404	5,423,537
Mortgages	14,392,672	170	7	14,392,849
Line of credit	334,872			334,872
Accrued interest	178,768	1,305	3,342	183,415
<b>Gross carrying amount</b>	<b>102,015,943</b>	<b>665,005</b>	<b>856,871</b>	<b>103,537,819</b>
<b>Allowance for impaired loans</b>	<b>(18,642)</b>	<b>(4,359)</b>	<b>(230,430)</b>	<b>(253,431)</b>
<b>Carrying amount</b>	<b>101,997,301</b>	<b>660,646</b>	<b>626,441</b>	<b>103,284,388</b>

(continues)



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 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, 2020 loans to members are presented net of allowances for ECLs totalling \$253,431. 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	2020	2019
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	Total
	\$	\$	\$	\$	\$
Allowance for doubtful loans as at January 01, 2020	11,622	8,210	458,576	<b>478,408</b>	635,409
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
New financial assets originated	-	-	-	-	193,936
Financial assets derecognized during the Year	(133,464)	(60)	(111,232)	<b>(244,755)</b>	(179,392)
Others (i.e. change in loan balance, change in credit score that doesn't affect staging)	140,484	(3,791)	(116,915)	<b>19,778</b>	(171,545)
<b>Allowance for Doubtful Loans as at December 31, 2020</b>	<b>18,642</b>	<b>4,359</b>	<b>230,430</b>	<b>253,431</b>	478,408

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 2020 amounted to \$875,268 as at December 31, 2020.
- (2) The gross carrying amount of loans to members derecognized during fiscal 2020 amounted to \$262,908 as at December 31, 2020.
- (3) At December 31, 2020, loans to members are presented net of specific allowances for doubtful loans totalling \$253,431 (2019 \$478,708).

(continues)





## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 6. LOANS AND MORTGAGES RECEIVABLE (continued)

##### Loans Outstanding

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

	December 31, 2020	December 31, 2019
Current loans and mortgages	3,917	4,287
Impaired loans and mortgages	58	82
	<b>3,975</b>	<b>4,369</b>

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

	December 31, 2020		December 31, 2019	
	Carrying Value	Specific Provision	Carrying Value	Specific Provision
	\$	\$	\$	\$
<u>Period of delinquency</u>				
Less than 90 days	665,004	4,359	125,606	8,210
Over 90 days	856,871	230,430	1,053,776	458,576
Total loans in arrears	1,521,876	234,789	1,179,382	466,786
Total loans not in arrears	102,015,943	18,642	101,025,681	11,622
Total loans	103,537,819	253,431	102,205,063	478,408

##### Average Yields to Maturity

Loans bear interest at both variable and fixed rates with the following average yields for the years ended December 31, 2020 and December 31, 2019:

	2020		2019	
	Principal	Yield	Principal	Yield
	\$	%	\$	%
Variable Rate	6,957,390	5.08%	9,078,280	6.11%
Fixed rate	96,397,014	4.25%	92,927,191	4.47%
Accrued interest	183,415		199,592	
	<b>103,537,819</b>		<b>102,205,063</b>	

(continues)



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 6. LOANS AND MORTGAGES RECEIVABLE *(continued)*

##### Credit Quality of Loans

Security held on a portfolio basis is as follows:

	December 31, 2020 \$	December 31, 2019 \$
Mortgages secured by property	73,362,416	69,888,314
Secured loans	21,927,682	23,113,296
Unsecured loans	8,247,721	9,203,453
	<b>103,537,819</b>	<b>102,205,063</b>

##### 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 2020, \$8,247,721 (2019: \$9,203,453) of the loan portfolio represented "character" loans which are unsecured.

##### Mortgages Under Administration

Loans and mortgages receivable include \$45,904,253 (2019: \$43,925,775) in mortgages that are administered by League Savings and Mortgage Company.



**EAGLE RIVER CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**7. PROPERTY, PLANT AND EQUIPMENT**

		2020								
		Land	Buildings	Roof	Paved Areas	HVAC	Furniture & Equipment	Computers	Vehicle	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>	Balance, beginning:	230,080	3,821,706	155,501	207,530	227,288	1,155,213	157,766	17,540	5,972,621
	Additions:	-	-	-	-	-	14,591	44,463	23,174	82,221
	Disposals:	-	-	-	-	-	-	42,998	17,540	60,531
	Balance, ending:	230,080	3,821,706	155,501	207,530	227,288	1,169,803	159,232	23,174	5,994,311
<b>Accumulated Depreciation</b>	Balance, beginning:	-	1,904,336	32,762	114,513	59,672	1,024,039	98,195	17,540	3,251,057
	Additions:	-	95,869	6,220	7,441	11,364	59,476	35,300	1,936	217,601
	Disposals:	-	-	-	-	-	-	42,998	17,540	60,531
	Balance, ending:	-	2,000,204	38,982	121,955	71,037	1,083,516	90,498	1,936	3,408,121
<b>Net Book Value</b>	<b>Balance, ending:</b>	<b>230,080</b>	<b>1,821,502</b>	<b>116,519</b>	<b>85,575</b>	<b>156,251</b>	<b>86,288</b>	<b>68,734</b>	<b>21,238</b>	<b>2,586,181</b>

		2019								
		Land	Buildings	Roof	Paved Areas	HVAC	Furniture & Equipment	Computers	Vehicle	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>	Balance, beginning:	230,080	3,821,706	155,501	207,530	227,288	1,126,581	143,096	17,540	5,929,323
	Additions:	-	-	-	-	-	37,805	40,691	-	78,496
	Disposals:	-	-	-	-	-	9,173	26,020	-	35,194
	Balance, ending:	230,080	3,821,706	155,501	207,530	227,288	1,155,213	157,766	17,540	5,972,625
<b>Accumulated Depreciation</b>	Balance, beginning:	-	1,803,421	26,542	106,425	48,308	966,887	101,576	17,540	3,070,700
	Additions:	-	100,914	6,220	8,088	11,364	66,326	21,644	-	214,557
	Disposals:	-	-	-	-	-	9,173	25,025	-	34,198
	Balance, ending:	-	1,904,336	32,762	114,513	59,672	1,024,039	98,195	17,540	3,251,059
<b>Net Book Value</b>	<b>Balance, ending:</b>	<b>230,080</b>	<b>1,917,371</b>	<b>122,739</b>	<b>93,016</b>	<b>167,616</b>	<b>131,173</b>	<b>59,571</b>	<b>-</b>	<b>2,721,566</b>



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 8. MEMBERS' DEPOSITS

	December 31, 2020	December 31, 2019
	\$	\$
Chequing accounts	68,321,076	57,114,202
Term deposits (plus accrued interest)	11,204,262	18,168,597
Savings account	46,413,258	41,580,082
RRSP funds (plus accrued interest)	17,951,985	18,007,139
Equity shares	1,859,768	1,918,265
RRIF funds administered by		
Concentra Financial (plus accrued interest)	1,504,667	1,481,206
Tax-free savings accounts	17,630,199	10,743,703
Non-Equity share accounts	1,399,543	1,390,436
	166,284,758	150,403,631

#### *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, 2020 range from 0.10% to 2.55%.

##### *Savings accounts*

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

##### *Chequing accounts*

Chequing accounts are due on demand and bear interest at a variable rate up to 0.15% at December 31, 2020. Included in chequing deposits at December 31, 2020 is \$37,335 (2019: \$22,905) 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 and fixed rates of 2.55% and variable rates up to 0.25%.

##### *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 of 2.20% and variable rates up to 0.25%.

(continues)



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 8. MEMBERS' DEPOSITS *(continued)*

##### *Equity shares*

Member equity shares consist of 20 shares per adult member. 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 6,882 (2019: 6,997) fully paid equity share accounts with an aggregate dollar value of \$689,120 (2019: \$700,540).

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*

Both the patronage refunds 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 May 2021. Any difference between the amount approved and the amount ultimately paid is charged to earnings in the year of payment.

##### *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, 2020 was \$883,024 (2019: \$356,341). 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, 2020 which exceed 1% of total deposits total \$5,524,155 (2019: \$5,144,570 ).



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 9. CORPORATE SOCIAL RESPONSIBILITY RESERVE

ERCU 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.

In 2020, some of the initiatives included assistance with rent subsidy for a local food bank, educational sponsorships, donation to the Kids Eat Smart breakfast program as well as a contribution to its Warm Coats for Kids program etc. In July 2020, Eagle River Credit Union was named the recipient of the Atlantic Central Coady Award. This esteemed recognition is given to a credit union that best exemplifies leadership, support and involvement in the community. In December 2020, because of the current COVID-19 health restrictions in place then, Eagle River Credit Union with the support of Atlantic Central celebrated with its membership through a pay it forward initiative themed a "Gift that keeps Giving". This initiative saw over 150 recipients receive either a gift voucher, hamper or gift card.

Allocations from retained earnings to the CSR reserve are made to fund activities in the next year. The Credit Union has added to the CSR reserve \$20,000 (2019: \$6,045), bringing the reserve to \$46,510 as at December 31, 2020. (2019: \$50,383)

The following table outlines the activity in this reserve for 2019 and 2020:

	2020	2019
	\$	\$
Balance, beginning of the year	50,383	67,274
Allocation from retained earnings	20,000	6,045
Funds utilized during the year	(23,873)	(22,936)
	46,510	50,383



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 10. 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, 2020 the Credit Union's total capital as a percentage of assets was 5.80%. Therefore, the Credit Union has exceeded its minimum capital requirement as at December 31, 2020.

The Credit Union's objectives when managing capital are to ensure the long term viability of the Credit Union and the security of 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.

#### 11. FINANCIAL REVENUE - MEMBERS' LOANS & MORTGAGES

	2020	2019
Personal loans	\$ 1,527,878	\$ 1,756,183
Residential mortgages	1,285,072	1,132,912
RMOP	1,397,309	1,512,072
Commercial loans and mortgages	317,855	348,326
	<b>\$ 4,528,114</b>	<b>\$ 4,749,493</b>

#### 12. GOVERNMENT ASSISTANCE

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

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, 2020, 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, 2020

#### 13. INTEREST ON MEMBERS' DEPOSITS

	2020	2019
Term deposit interest	\$ 278,861	\$ 279,108
RRSP	244,253	222,740
Tax free savings account - term deposit	101,888	80,273
Your savings	98,391	135,806
High interest savings	66,980	114,577
Tax-free savings account	30,382	47,049
YC chequing	23,172	37,448
RRIF	17,415	12,788
Fat cat	2,217	2,284
Monthly savings plan	963	1,238
Head start	511	519
	<b>\$ 865,033</b>	<b>\$ 933,830</b>

#### 14. 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:

	2020	2019
Income before income taxes	\$ 1,148,728	\$ 110,410
Increase (decrease) resulting from:		
Deductible dividends paid	(179,814)	(12,734)
Non-deductible expenses	10,586	14,697
Temporary differences	(115,250)	(41,420)
Taxable income	<b>\$ 864,250</b>	<b>\$ 70,953</b>
Income taxes	<b>\$ 169,275</b>	<b>\$ 8,515</b>
Income tax rate	<b>19.59 %</b>	<b>12.00 %</b>

#### 15. RELATED PARTY TRANSACTIONS

At December 31, 2020 the aggregate amount of loans and mortgages outstanding to members of the Board of Directors and key management personnel totaled \$905,020 (2019: \$891,354) and the aggregate amount of deposits totaled \$309,138 (2019: \$233,308). These loans and mortgages have been advanced, and deposits receipted 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, 2020 was \$251,155 (2019: \$736,949). The directors also received reimbursement for the year ended December 31, 2020 of \$5,553 (2019: \$18,593 ) for their travel, meals and other out of pocket expenses.



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 16. 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, Concentra 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, 2020 and 2019.

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



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 17. 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 \$9,763,817 at December 31, 2020 (2019: \$8,994,265). At December 31, 2020, 6% of liabilities is \$9,866,285 representing a deficiency in liquidity of \$102,468. The level of demand deposits held is monitored by Atlantic Central, with transfers made on a quarterly basis from the operating account to the demand deposits to satisfy the liquidity requirements. Atlantic Central's fiscal quarters end February, May, August and November of any given year. A quarterly review was performed in February 2021, and a transfer of \$86,399 was made at that time from the operating account of the Credit Union to the demand deposits account to account for the deficiency in liquid deposits which existed at that time.

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

(continues)



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

#### 17. 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, 2020:

	Assets	Liabilities	Asset/ Liability Gap
	\$	\$	\$
Variable	6,957	86,497	(79,540)
3 months	23,427	9,172	14,255
6 months	15,252	3,851	11,401
9 months	20,670	3,120	17,550
12 months	15,516	3,371	12,145
1-5 years	88,189	18,611	69,578
> 5 years	1,864	-	1,864
Not interest sensitive	3,861	51,113	(47,253)
	175,736	175,736	0

*(continues)*



## EAGLE RIVER CREDIT UNION LIMITED

### Notes to Financial Statements

Year Ended December 31, 2020

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

##### *Interest rate risk sensitivity*

At December 31, 2020, if interest rates at that date had been 100 (2019 - 100) basis points lower with all other variables held constant, net income before income tax for the year would have been \$224,000 lower. If interest rates had been 100 basis points higher, with all other variables held constant, net income before income tax would have been \$219,000 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.

#### 18. 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, 2020, the unused authorized lines of credit totaled \$9,651,143 (2019: \$8,619,174).

#### 19. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

#### 20. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Governments have imposed measures to contain the outbreak, including business closures, travel restrictions, quarantines and social distancing measures. The spread of the COVID-19 virus has resulted in a sharp decline in global economic growth as well as causing increased volatility in financial markets. If the COVID-19 pandemic is prolonged, the adverse impact on the global economy could worsen. Accordingly, the full impact of the COVID-19 is uncertain, but there has been no material adverse impact on the Credit Union for the year ending December 31, 2020.

The Credit Union continues to take measures to mitigate the effects of the current crisis. The Credit Union is eligible for a subsidy under the Canada Emergency Wage Subsidy Program (Note 12)

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