



Annual REPORT

2019



**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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Rules of Order

1. The Meeting shall be called to order at 18:30.
2. Members can ask questions through the chat feature while the meeting is in progress. This feature will be monitored, and members will be guided by the Chair on when their line will be unmuted, or the question will be read by the moderator preceded by the members name.
3. Members wishing to speak (their line will be unmuted), shall state their names prior to speaking.
4. If a member, while speaking, be called to order, at the request of the Chair, their line will be muted until the question of order has been decided.
5. Should two or more members raise their hand 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 Any motion presented becomes the property of the Credit Union and may be withdrawn only with the consent of the assembled members.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" button can be found under the Attendees tab), except where the Chair is in doubt; a roll call shall be ordered, and voting will be done by roll call (lines will be unmuted one-by-one). For regular motions, voting will be done by poll.
12. 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.
13. 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.
14. A roll call shall require a demand for same by at least (20) members.
15. When a roll call has been ordered, no adjournment shall take place until the results have been announced.
16. The Chair shall be entitled to debate on the subject after calling a Vice Chair to the Chair.
17. 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.
18. 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.

36th Annual General Meeting

Virtual

(via GoToWebinar Online Meeting Platform)

September 15, 2020

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 35th AGM, April 30, 2019
- 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 2019
- Report of the Audit, Risk and Conduct Review Committee

New Business

- Ratification of Dividend for 2019
- Appointment of External Auditor for 2020
- Election of Directors
- Other New Business

Messages from Guests

Adjournment

Draft Minutes of the 35th Annual General Meeting

EAGLE RIVER CREDIT UNION, LIMITED
Draft Minutes - 35th Annual General Meeting
April 30, 2019

CALL TO ORDER

The Thirty-Fifth Annual General Meeting of Eagle River Credit Union was called to order by the Chair, Bert Belben at 7:25 p.m.

GREETINGS FROM THE CHAIR

Mr. Bert Belben, Chair, on behalf of the Board of Directors, welcomed members and guests to the Thirty-Fifth Annual General Meeting of Eagle River Credit Union. He extended regrets on behalf of directors and special guests who were unable to attend.

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 the registration desk had confirmed as of 7:15 p.m. there were 76 voting members, (including 15 employees and directors), 16 non-voting members, 2 guests and 1 youth in attendance for a total of 95, 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. The method of voting will be by displaying voting cards. For regular motions, votes will be registered "for" or "against" by raising the green (for) or red (against) colored voting card issued to each voting member upon registration.

The Chief Scrutineer, Tom Fraize, will ensure that the vote is conducted in an orderly fashion and confirm the count of any votes required by the Chair.

WELCOME – SPECIAL GUESTS

The chair welcomed Tom Fraize, Legal Counsel for Eagle River Credit Union and Frank Flynn, President – LFUSCL.

APPROVAL OF THE AGENDA

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

MOTION - 2019 AGM - 01 that the Agenda be approved as presented and the Chair have the discretion to change the order of the agenda if necessary.

MOVED BY Trent O'Brien, SECONDED BY Norman Letto
MOTION CARRIED

Draft Minutes of the 35th Annual General Meeting (cont'd)

MINUTES FROM THE 34TH ANNUAL GENERAL MEETING

The Chair asked if there were any corrections to the Minutes of the Annual General Meeting held March 27, 2018.

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.

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. During 2018, Eagle River Credit Union continued to experience strong growth and profitability even while experiencing a decrease in membership. Decrease in membership was due mostly to the closing of inactive accounts. We continue to invest in new technology at significant costs to support the innovation of new products and services to meet member demands. Over the past year the board participated in a Board Self-Assessment. Change continues to evolve our Credit Union system.

The Chair also announced the impending retirement of our CEO, Alvina O'Brien, effective July 31, 2019 to the membership. He advised that he would elaborate further later in the Agenda.

B. REPORT OF THE CHIEF EXECUTIVE OFFICER

Alvina O'Brien, Chief Executive Officer (CEO) provided the members with a Power Point Presentation which briefly reviewed the past 35 years of Eagle River Credit Union. Change has been happening since our inception. Expansions and amalgamations have contributed to our growth. Our success has also been greatly contributed to the "outside the box thinking" of our board and management team.

During 2018 ERCU continued to experience deposit growth. Our assets (on and off-balance sheet) are currently at \$175 million. The credit union continued to invest in communities through the CSR Program via donations and volunteerism.

The CEO thanked the membership for the confidence they had placed in her over the past 35 years. She also thanked the Management Team, the Employees, the Board of Directors and her family.

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

Due to the absence of the auditor, Mr. Brian Scammell, CA CBV, Shanti Samaroo, COO, tabled the Auditor's Report and reviewed the Auditor's Opinion on the 2018 Financial Statement as contained in the Financial Statements booklet, a copy of which forms part of these Minutes.

The COO provided an overview of the Audited Financial Statement for 2018.

Draft Minutes of the 35th Annual General Meeting (cont'd)

D. REPORT OF THE AUDIT, RISK AND CONDUCT COMMITTEE

Due to the absence of the Chair of the Audit, Risk and Conduct Review Committee, Bert Belben reported on the key activities of the Committee during the past year.

NEW BUSINESS

APPROVAL OF DIVIDEND AND PATRONAGE REBATES FOR 2018.

MOTION - 2019 AGM - 02 to ratify the payment of 1% dividend on Non-Equity Shares, 10% dividend on Equity Shares, 1.5% patronage rebate on loan interest and a 1.5% bonus on deposit interest for a total of \$163,328

MOVED BY Gail Flynn, SECONDED BY Barton Eady
MOTION CARRIED

APPOINTMENT OF EXTERNAL AUDITOR FOR 2019

In the absence of the Audit, Risk and Conduct Committee, Bert Belben recommended that Brian T. Scammell, CA CBV, be re-appointed as the external auditor for Eagle River Credit Union for the fiscal year 2019 at a remuneration to be determined by the Board.

MOTION - 2019 AGM - 03 to approve the recommendation and re-appoint Brian T. Scammell, CA CBV as the External Auditor for the fiscal year 2019.

MOVED BY Eben Humber, SECONDED BY Elsie Barney
MOTION CARRIED

ELECTION OF DIRECTORS

Bradley Hancock, Chair of the Nomination Committee, reported on the result of the Board Elections that were conducted this year. There were three directors whose terms had expired. There were also two directors who had resigned during 2018 for personal reasons, therefore leaving five vacant positions. A call for nominations was posted on December 3, 2018 with a deadline of January 18, 2019. We received three nominations for the five positions, hence all three candidates were elected by acclamation. Elected for a three-year term are:

Bert Belben, Bradley Sheppard and David Evans

Bradley Hancock advised that as per section 12.01(e) of our By-laws, if there are any vacancies after the close of nominations, an additional call for nominations shall be made at the members' meeting. Before the floor was open for nominations, Bradley Hancock informed the membership what was involved in being a director with Eagle River Credit Union. These are important factors that they need to consider if they are interested in putting their name forward.

A call was made three times for nominations for the two remaining vacancies to the Board of Directors. Being none, the nominations ceased.

Draft Minutes of the 35th Annual General Meeting (cont'd)

BOARD REMUNERATION

Dawn Pilgrim, Chair of the Governance Committee, presented a Motion for change to Board Remuneration. She advised there is no increase to the amount that was originally approved by the membership in May 2009. The recommendation is to approve a change in the wording to allow for the administration of the remuneration to be determined through Board Remuneration and Expense Policy.

The membership was provided with the current and proposed wording for their review.

MOTION - 2019 AGM - 04 to approve the recommended changes to the wording of the ERCU Board Remuneration Policy as presented.

MOVED BY Dawn Pilgrim, SECONDED BY Milton Hancock

MOTION CARRIED

OTHER NEW BUSINESS

Presentations were made to:

Dawn Pilgrim – 5-year Service Award

Robin Spence – Retiring Director

Ginger Ryland – Award for becoming an Accredited Credit Union Director

MESSAGES FROM GUESTS

- Karen Davis read a message from Yvonne Jones, MP – Labrador.
- Frank Flynn brought greetings on behalf of the Labrador Fishermen's Union Shrimp Company, Ltd.

ADJOURNMENT

MOTION - 2019 - 05 to adjourn the meeting at 9:05 p.m.

MOVED BY William Roberts

CHAIR

CORPORATE SECRETARY

Report of the Board of Directors

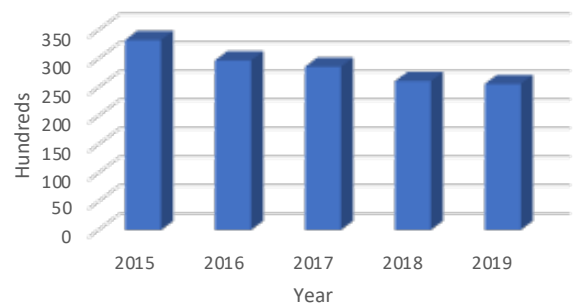
A year ago, if you asked me if I thought we would ever be hosting a virtual AGM, I would have said certainly not in the foreseeable future. However, as these past few months have proven, we must be prepared to accept and adapt to change that is often unimaginable and turn change into opportunities. Here we are, hosting our AGM in September, and in a virtual format.

As I reflect on the past fiscal year, it is obvious that the pace of change continues to accelerate and the industry within which we operate is continuously evolving. There is a rapid increase in the enhancement and introduction of new technology which impacts our service delivery options and business operations. If nothing else, the impact of COVID-19 on our business has demonstrated that leveraging the benefits of technology is the key for business continuity.

The retail banking industry is continually evolving and members' expectations for service delivery is constantly changing due to the likes of Tangerine Bank, Apple and Amazon, etc. At the same time, members want to have access to a 'real' person when they contact a branch or the ability to physically go to a branch if they need advice or conduct a transaction. We pride ourselves in that we have been and continue to be at the forefront of technological advancements and at the same time, maintain bricks and mortar presence in the areas that we serve. As I have noted in previous years, to remain sustainable, competitive and relevant to you our membership, we need to be able to embrace further changes and advancement, whether it's service delivery, product offerings or affordability (rates and service charges).

The impacts of the changing environment are being experienced right across the country. As displayed in the charts provided, since the end of Q4, 2015, the number of credit unions and credit union locations have decreased, while at the same time, the number of members increased from 5,808 million to 5,843 million. This clearly supports that members no longer need bricks and mortar in order to benefit from the value of membership.

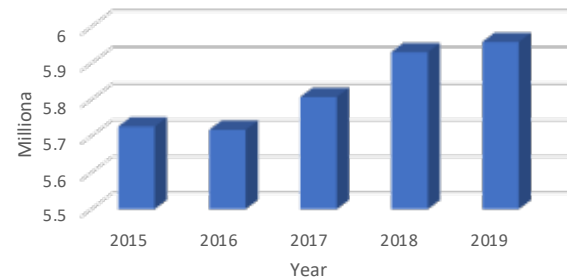
of Credit Unions Outside of Quebec



of Locations Outside of Quebec



of Members Outside of Quebec



The largest credit union in Canada (outside of Quebec), has total assets of over \$23.1 billion, and the 100th largest credit union has \$324.8 million. Yet, these credit unions are continuously seeking new and better ways to achieve efficiencies and add value to the member experience which often results in system collaboration and system partnerships. There is significant value in working together to achieve volume of business, especially as it relates to advancements in technology. The statistics noted above clearly articulates that credit unions across the country have been capitalizing on opportunities to do just that.

Report of the Board of Directors (cont'd)

Several years ago, we embarked on a journey of seeking new ways to address our recruitment challenges, service delivery options for members, and to improve on operational efficiencies. Your Board recognized that in order to achieve those goals, we needed to embrace opportunities to collaborate and build partnerships, with the guiding principle that the ultimate aim is added value to our members and staff. Today, this is becoming even more important to our success. The relationships that we have fostered with system partners locally, and in the Atlantic Region, and resulting economies of scale gained, allows us to provide services with expanded delivery options and competitive pricing that we could never achieve otherwise.

The regulatory environment in which we operate continues to add additional accountability and responsibility on the Board. As a result, we are tasked with keeping abreast of changes to regulations that impact our fiduciary duties and credit union operations. On an ongoing basis, directors continue to participate in regulatory and governance training to allow us to be effective and to ensure that we provide the level of direction and support required by management.

As in previous years, we also participated in a Board and self-evaluation exercise which allowed us the opportunity to reflect on our roles and responsibilities, as well as identify any weaknesses with the aim of building a more cohesive, effective, and stronger board.

At ERCU, we promote economic and social well-being by working collaboratively with others. We continuously seek to form partnerships and collaborate with local cooperatives, not-for-profits, and other community organizations in supporting the goals and the future visions of the communities where we live and work. Some of the highlights of our community investments over the past year was our contribution to the Early Childhood Development Corporation in Happy Valley-Goose Bay; our annual Scholarship Program whereby we awarded four scholarships to students pursuing post-secondary education; the continuation of the Each One Teach One Financial Literacy Program; and, last but not least, our commitment to work with the Southern Labrador Development Association in taking steps to

potentially renew and strengthen the organization in an effort to identify opportunities to build a strategy for further economic development in the Labrador Straits. (Further details of our CSR investments can be found in the CSR Report section of the Annual Report.)

One of the highlights of our success over the past 36 years has been our ability to share that success with the membership. Since 1984, ERCU has paid dividend payouts and/or patronage rebates every year, resulting in over \$7.02 million to date. While the total payout year over year has been decreasing over the past several years, there have been a number of factors which have had an impact, including the low interest rate environment, the required and increased costs and investments in technology, and the increasing costs of operations, etc.

As most of you would be aware, during 2019, the Global Payment Card Product was discontinued as a payment card option for credit unions. This was a card that had been highly utilized by ERCU members and the attached loyalty program was something that members saw great value in. The cost of those points had always been the responsibility of ERCU, resulting in a significant annual expense item for us, since we had to expense the actual redemptions, as well as provide for an increase in an allowance based on the number of points accumulated but not yet redeemed. However, when the decision was made to discontinue the product last year, your Board supported management in the decision to ensure that every cardholder with unredeemed loyalty points would receive value for those points. This 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 during the year, and to ensure that all members received full value for their points.

Mainly because of this additional cost to ERCU in ensuring that every member received the value for loyalty points, and the resulting impact on the year end profitability, the Board decided that it would be prudent to decrease the rebates to members for 2019. Therefore, 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.

Report of the Board of Directors (cont'd)

As you are aware, Alvina O'Brien retired as CEO on September 30, 2019 after 35 years with Eagle River Credit Union. During her tenure and through her leadership and determination towards the success of our credit union, along with the support of her team, our credit union grew from the initial \$100,000 to \$161 million (on balance sheet), and a staff of 44. Alvina was also known to the Credit Unions across Canada and around the world (having participated in various programs and committees, attended World Conferences, and participated in International research).

Alvina maintained from early on a sense of ownership for the learning, growth, and development of not only herself, her team, but also us on the Board. She was committed to the success of her team, and our credit union's growing membership. She collaborated and worked with her peers within the credit union system not only in Newfoundland and Labrador, but in Atlantic Canada as well as the rest of Canada. Through the thick and thin of it all, she held the reins and kept our credit union steady and focused to heights of success we can boast of today.

Nothing succeeds like success, and this credit union has been, and still is a wonderful success story. The reigns of leadership have now been passed over to Shanti Samaroo. Shanti joined us back in 2013, as Director of Finance and Credit Union Operations. She brought with her a wealth of education and qualifications, including 17 years' experience in the retail banking sector, and a designation as a Certified Professional Accountant. It was clear that she very quickly adapted to the credit union values and immediately immersed herself into all areas of the operations, and accepted every opportunity to participate in local, regional or national events to represent ERCU.

Recognizing the need for a solid succession plan, the CEO worked closely with Shanti to share the reigns and to pass on her knowledge and experience, and in 2018 Shanti was appointed as COO (Chief Operating Officer), placing her second in command to the CEO. As Shanti become more involved in the credit union operations, it was very clear to us as a Board that both these individuals shared a similar commitment to our credit union values of quality, integrity, honesty, and

fairness. However, when Alvina announced her decision to retire back in 2018, we began the recruitment process and engaged Atlantic Central for their expertise and assistance in recruiting for a new CEO. We are pleased Shanti was the successful incumbent after an intense recruitment process. We strongly believe that our credit union is in good hands and we look forward to the many successes we will continue to achieve and enjoy.

As I conclude, I extend sincere thanks to my colleagues for their efforts and dedication over the past year. The time, and level of commitment required to carry out your fiduciary duties is becoming more and more demanding. On behalf of the Board I would also like to thank the CEO, both outgoing and incoming, and the management team, along with the entire staff for the work that they do to ensure the continued success of our credit union.

Together our focus will remain on delivering real, tangible value to all members of Eagle River Credit Union and the communities we serve.

On Behalf of the Board,



Bert Belben
Chair

Report of the CEO

2019 marked Eagle River Credit Union's 36th year of operation. I feel honored to present to you the report of the CEO for the year ended December 31, 2019.

In today's environment, consumers have a variety of options to service their banking needs. This is great for the consumer; however, for credit unions all over the world, it is a balancing act to keep up with changing consumer demands and emerging technology. Eagle River Credit Union (ERCU), like most credit unions, rely primarily on retained earnings to build capital and grow assets. Over the last few years, we have noticed a concerning trend of a reduction in overall membership. In 2018, equity membership was 7,330, and as at December 31, 2019, this number dropped to 7,132. Similar to previous years, we have seen the top two reasons for the reduction in membership was due to the cleanup of inactive accounts (no activity on the account for at least 12 months), or the members relocated further away from the local branch area. Similarly, total assets dropped slightly by \$483 thousand or 0.30%.

Net profitability for the year, compared to 2018 was significantly down as well. In 2019, a net comprehensive income 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. In 2019, we had to increase the accounts payables on our books to the tune of just over \$1.29 million or 102 million loyalty points; that is a non-interest expense increase of \$846 thousand in 2019. The net impact of this one-time extra-ordinary expense is a reduction in net profitability of \$353 thousand.

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. At ERCU, we are proud to be part of what it means to be part of a co-operative and we take pride in the contributions we continue to make in our communities. We work hard to promote a positive, inclusive, and engaging environment, to ensure our employees provide quality financial advice, and to make a difference socially and environmentally, and we are pleased to acknowledge that 58% of our team actively work on volunteer boards or committees in their local communities. During International Credit Union Week in October 2019, the ERCU team took on a Random Acts of Kindness (RAK) Challenge. Employees

were asked to each complete 5 RAKs for a total of 35 RAKs in celebration of Eagle River Credit Union's 35th anniversary. Not only was this goal achieved; it was surpassed with a total of 43 RAKs completed. The random acts of kindness included delivering coffee to school bus drivers, local paramedics and police officers, donations of hats and scarves, volunteering with seniors, and reading books to school children, etc. For more information on the great work that we do in our communities, please refer to our CSR report which provides greater insight into our CSR initiatives for 2019.

Credit unions are member-owned financial cooperatives, controlled by its members, and operated on the guiding principle of people helping people; providing members with access to banking products and services at competitive rates. Members want friendly service, low-friction technology, and convenience, and access to products and services at competitive rates, when and where they need it. In 2019, we not only launched new services (like ClickSWITCH, Proactive Risk Manager, FX Notes Plus), but we also commenced the adoption of a Digital Account Opening and Lending Solution. This online platform launched late 2019, will transform the interaction between a member and the credit union, in a faster, more convenient hassle-free manner when fully rolled out. We also implemented encrypted security and data protection safeguards and updates that ensures that your hard-earned investments are well protected. As Eagle River Credit Union, we would not have been able to afford this alone. It is through the economies of scale derived from our collaboration with other credit unions in Atlantic Canada, and other system partners that we are able to continue to make such progress.

As Nelson Mandela has been quoted as saying, "Education is the most powerful weapon which you can use to change the world". In 2019, our employee training and development efforts focused on relationship building, compliance, service standards, and product and system knowledge. We invested \$23,350 on staff training and provided over 100 hours of formal training per employee. This investment 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. It also directly supports employee's confidence and morale, and

Report of the CEO (cont'd)

boosts overall engagement. At ERCU, our employees are empowered and encouraged to participate in system initiatives and committees. In 2019, we were represented in the Credit Union Technology Advisory Group (CUTAG), Professional Development Education Advisory Committee, Atlantic Credit Union System Regional Liquidity Working Group, and Newfoundland and Labrador Federation of Co-operatives just to name a few.

We are also proud to support a multicultural and diverse workforce, in which ideas and viewpoints can be freely expressed in a collective and collaborative manner. Our current employee population includes 17% of employees from four (4) different countries, 9.5% of employees are Baby Boomers, 43% Generation X; 43% are Millennials, and the rest Gen Z's. We have 19 staff members who have been with ERCU over 10 years (5 of which has over 22 years of service, with 2 staff members having 30 years of service), 9 staff members with between 2 to 5 years of service and the remaining under one year being with ERCU. This diversity of background, technical and formative experience, and demographic reflects our commitment to embracing our diversity as a corporate asset, utilizing the strength it creates in our business and our community.

The financial services industry is rapidly evolving, and member expectations are simultaneously increasing. At ERCU, we pride ourselves in that we continue to be at the forefront of technological advancements on service delivery options - whether it's to provide you with the ability to perform financial transactions anytime of the day with the convenience of your tablet, mobile phone or laptop; the comfort of knowing that your credit union continues to ensure that you are protected with the most up-to-date operational and cybersecurity technology; or the peace of mind of knowing that when you come to us you have been given the appropriate product, service and advice that is tailored to meet your

banking needs. All the while remaining focused on being locally involved in supporting the goals and the future visions of the communities where we live and work. This, I assure you will be our continued focus and aim. We are here for you!

In conclusion, I would like to thank the Board for their support and guidance, and the staff for their support, assistance, and trust. These individuals underpin the success of our credit union. Thank you to our system partners - the collaboration, unity and trust we share, will only serve to make us a stronger united front as we forge ahead in these uncertain times. And most of all, thank you to you our members, for the trust, confidence, and loyalty you have in your credit union, the Board, and staff.

Cooperatively yours,



Shanti Samaroo
Chief Executive Officer





Audited Financial Statements

Eagle River Credit Union Limited

Financial Statements

Year End December 31, 2019

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, 2019, 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, 2019, 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

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 28, 2020



Brian T. Scammell Professional Corporation
Chartered Professional Accountant

Statement of Financial Position

	2019	2018
ASSETS		
Cash and cash equivalents <i>(Note 4)</i>	\$ 17,230,063	\$ 18,658,659
Investments <i>(Note 5)</i>	35,667,461	35,413,408
Loans and mortgages receivable <i>(Note 6)</i>	101,726,654	100,291,143
Income taxes recoverable	22,733	29,649
Property, plant and equipment <i>(Net of accumulated amortization) (Note 7)</i>	2,721,566	2,858,623
Other assets	1,400,158	2,000,512
	\$ 158,768,635	\$ 159,251,994
LIABILITIES AND MEMBERS' EQUITY		
Accounts payable and accrued liabilities	\$ 844,775	\$ 1,275,906
Dividends and patronage refunds payable <i>(Note 8)</i>	17,493	163,328
Members' deposits <i>(Note 8)</i>	150,403,631	150,364,833
	151,265,899	151,804,067
MEMBERS' EQUITY		
Corporate social responsibility reserve <i>(Note 9)</i>	50,383	67,274
Retained earnings	7,452,353	7,380,653
	7,502,736	7,447,927
	\$ 158,768,635	\$ 159,251,994

ON BEHALF OF THE BOARD

 Director
 Director

See notes to financial statements – Appendix I

Statement of Comprehensive Income

	2019	2018
FINANCIAL REVENUE		
Members' loans and mortgage <i>(Note 11)</i>	\$ 4,749,493	\$ 4,646,006
Investment	1,077,327	883,555
	5,826,820	5,529,561
COST OF FUNDS		
Interest on members' deposits <i>(Note 12)</i>	933,830	854,094
FINANCIAL MARGIN <i>(83.97%; 2018 - 84.55%)</i>	4,892,990	4,675,467
FEES		
Service charges	1,398,736	1,476,470
Other	252,044	259,810
Commissions	224,037	220,633
Card services	163,087	366,765
Rebates	59,566	156,626
	2,097,470	2,480,304
EXPENSES		
Salaries and benefits	2,873,765	2,736,985
Choice rewards	845,557	647,582
Electronic processing and hardware maintenance	844,360	780,989
Commissions and service charges	545,005	608,100
Credit Union Deposit Guarantee Corporation	349,503	370,016
Occupancy	230,576	271,787
Amortization	214,557	224,120
Business tax	164,872	152,189
Professional fees	136,182	128,076
Travel	109,077	98,162
Office and stationary	107,919	104,614
Insurance	82,135	78,832
Board governance	74,881	87,134
Telephone	66,954	62,487
Advertising and promotion	60,531	67,972
Shared services	54,913	57,489
Miscellaneous	53,655	47,832
Training	23,336	22,610
Bad debts	22,391	34,489
Meetings	19,881	12,672
	6,880,050	6,594,137
INCOME BEFORE INCOME TAXES	110,410	561,634
INCOME TAXES		
Current	8,515	31,245
Future	11,416	342
	19,931	31,587
NET COMPREHENSIVE INCOME FOR THE YEAR	\$ 90,479	\$ 530,047

See notes to financial statements – Appendix 1

Statement of Comprehensive Retained Earnings

	2019	2018
RETAINED EARNINGS - BEGINNING OF YEAR	\$ 7,380,653	\$ 6,947,533
NET COMPREHENSIVE INCOME FOR THE YEAR	90,479	530,047
	7,471,132	7,477,580
DIVIDENDS DECLARED (Note 8)	(12,734)	(71,758)
TRANSFER TO CORPORATE SOCIAL RESPONSIBILITY RESERVE (Note 9)	(6,045)	(25,169)
RETAINED EARNINGS - END OF YEAR	\$ 7,452,353	\$ 7,380,653

See notes to financial statements – Appendix 1

Statement of Cash Flows

	2019	2018
OPERATING ACTIVITIES		
Net comprehensive income	\$ 90,479	\$ 530,047
Items not affecting cash:		
Amortization of property, plant and equipment	214,557	224,120
Provision for impaired loans and mortgages (Note 6)	22,391	34,489
Deferred income taxes (Note 13)	11,416	342
Interest revenue (Note 11)	(5,826,820)	(5,529,561)
Interest expense (Note 12)	933,830	854,094
Current income taxes (Note 13)	8,515	31,245
	(4,545,632)	(3,855,224)
Changes in operating assets/liabilities:		
Interest received	5,843,776	5,483,370
Accounts payable and accrued liabilities	(431,131)	(97,363)
Change in other operating assets	588,938	(780,958)
Change in loans and mortgages receivable	(1,475,391)	(666,531)
Interest paid	(896,687)	(845,508)
Change in members' deposits	1,655	3,331,438
Income taxes received (paid)	(1,599)	(94,901)
	3,629,561	6,329,547
Cash flow from (used by) operating activities	(916,071)	2,474,323
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(77,500)	(44,243)
Decrease (increase) in investments	(266,040)	4,774,299
Payments from corporate social responsibility reserve	(22,936)	(22,594)
Cash flow from (used by) investing activities	(366,476)	4,707,462
FINANCING ACTIVITY		
Dividends paid	(146,049)	(73,111)
INCREASE (DECREASE) IN CASH FLOW	(1,428,596)	7,108,674
Cash - beginning of year	18,658,659	11,549,985
CASH - END OF YEAR	\$ 17,230,063	\$ 18,658,659

See notes to financial statements – Appendix 1

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 discuss the results of the 2019 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,



Dave Evans
Chair



Cooperative Social Responsibility (CSR) Report

At Eagle River Credit Union (ERCU), our Cooperative Social Responsibility (CSR) Framework consists of six pillars. All six of these pillars and their related activities reflect the cooperative principles and our corporate values.



This integrated approach allows us to properly manage our resources and focus in order 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. A few of the major initiatives in 2019 were:



Our GROW (Grass Roots Opportunities Within), supports charities and non-profit organizations that help make communities better, stronger, and more vibrant places to live, work, and

do business. We provide donations of funds, time, resources, and in-kind services to charitable, non-profit, and/or community initiatives with the intention of 'giving back' from our profits for the greater common good of our communities.

In 2018, ERCU implemented a new CSR initiative aimed at ensuring children in need received a brand-new winter coat. Since then, our **Warm Coats for Kids Program** have provided over 400 New winter coats to children throughout our regions. In 2019, for the second consecutive year, \$5,000 was allocated to the CSR Fund to support this program, and \$5,345 was raised through in-branch donations, the sale of baked goods, BBQs, and anonymous



donations. A total of 250 new coats was gifted in 2019, bringing the total to 438 new coats given through this initiative.

Children living in households that are struggling financially are most times familiar to receiving second-hand clothing. By providing a new coat, especially around the holidays, a child is not only provided with warmth, but also a boost in confidence, inclusion and self-worth – our **Warm Coats for Kids Program** provides more than a warm coat for a child.

At ERCU, we work collaboratively with other co-operatives, government agencies, policymakers, and community members to maximize the potential benefits of various programs, services, and policies designed to improve the well-being of all members of the communities that we serve. We continuously seek to form partnerships and collaborate with local cooperatives, not-for-profits, non-profits, and other community organizations.

The Each One Teach One (EOTO) Program is a partnership with Vancity and Credit Unions across Canada. The premise of the Program is founded on the concept of Literacy Before Lending and is based on the reality that financial well-being depends on an individual's ability to understand and use financial information in a way that helps them make good decisions in their daily lives and for the future. In 2019, our EOTO Trainers facilitated 15 sessions to 172 participants; this brought the total to 53 sessions facilitated to 650 participants, from Deer Lake, Happy Valley-Goose Bay, Rigolet, Hampden, St Anthony, West St. Modeste, and Cook's Harbour to name a few of areas.

Kids Eat Smart Foundation Donation

ERCU made a \$5,000 donation to the Kids Eat Smart (KES) Foundation in October 2019. The donation translates into 5,000 breakfasts for school children throughout the province. This brings the contribution of Eagle River Credit Union to the Foundation to an impressive total of \$31,000.



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

In addition to the monetary donation, our employees in our L'Anse au Loup, White Hills, and Tri-Town branches volunteer their time to support the breakfast program in their local schools.

Pumpkin House

We are pleased to announce through our Cooperative Social Responsibility Fund, we have partnered with the Early Childhood Development Corporation to support the Pumpkin House Childcare Centre in Happy Valley-Goose Bay.



In addition to giving a \$20,000 grant in 2018, the employees of our Labrador Savings Branch have committed to various fundraising efforts over a multi-year period with a goal of raising a further \$2,500 - \$3,000 per year to support the project.

Our CSR program epitomizes our commitment to CSR. Since 2010, Eagle River Credit Union has paid the building rent for the Deer Lake Food Bank in the amount of \$3,600 per year. This donation allows the Food Bank to free up much needed funds to help cover other operating expenses and to also fill the shelves when the donation levels are low. In 2019, the Labrador Savings Branch had a food drive during the fourth quarter, collecting an impressive 1,419 lbs of food for the Labrador Friendship Centre (local food bank) and the local homeless shelter.

Annually, ERCU allocates funding for five scholarships in the amount of \$500 each to graduating grade 12 students who will be attending post-secondary schooling. In 2019, we had four scholarship winners. Since 1994, we have paid \$33,000 in scholarship funds to support graduates in their post-secondary studies.



2019 Scholarship Winners: Kyla O'Brien (L), Blake Rumbolt (R)



2019 Scholarship Winners: Michaela Cabot (L), Sarah White (R)

Some of other projects that our employees are also committed to are:

- Harbourview Manor – A 3-year commitment with the long-term care facility where the employees have a goal of raising \$6,000 to purchase commercial appliances (washer, dryer, dishwasher).
- Labrador Grenfell Health, Curtis Memorial Hospital – A 3-year commitment where the employees have a goal of raising \$4,000 to purchase an Endoflush Pump.
- Western Health Rufus Guinchard Health Centre – A 2-year commitment where the employees have a goal of raising \$2,400 to purchase a new Wheel Based Vital Signs Monitor.
- Souper Wednesdays- our employees serve meals at the Salvation Army Soup Kitchen. Over the past two years our employees have given 128 hours of volunteer time.
- Toy Drive - In lieu of a Christmas gift exchange, employees draw names and purchase a gift that they feel reflects what they believe their colleague would have enjoyed when they were a child. The gifts are donated to the Salvation Army who distributes the gifts to deserving children.

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. At ERCU, we proud to be part of what it means to be part of a co-operative and we take pride in the contributions we continue to make in our communities.

Board, Management and Staff

Board of Directors

Bert Belben, President
Bradley Hancock, Vice President
Dawn Pilgrim, Corporate Secretary
Ginger Ryland
Terri Gilbert
Bradley Sheppard
Dave Evans
Shanti Samaroo, Treasurer

Corporate Office

Shanti Samaroo, Chief Executive Officer
Ochuko Igbeyi, 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
Nora Fever, Manager, Marketing & Community Relations
Samantha O'Brien, Manager, Commercial Services
Haseeb Ahmad, Product & Data Analysis Coordinator
Bernadette Normore, Administrator, Accounting
Muhammad Umair, Accounting Specialist
Bernadette Normore, Administrator, Accounting
Cindy Perry, Collections Officer
Lucinda Lee, Telephone Receptionist Administrator
Melissa Baker, Administrator, Credit
Evelyn Russell, Corporate Administrative Assistant
Abdul Ahad, Administrator Special Projects
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, FSR I

White Hills Branch

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

Tri-Town Branch

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

Labrador Savings Branch

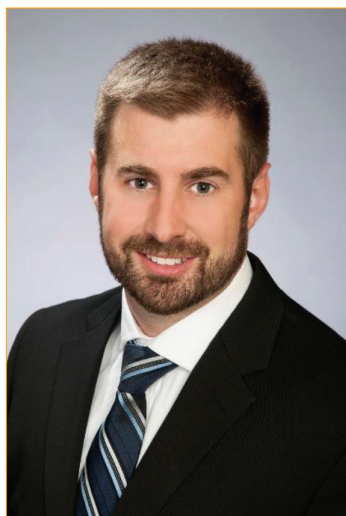
Mary Jane Hudson-Cabot, Branch Manager
Awais Akhtar, FSR I
Tiffany Fines, FSR I
Nakita Woodward, FSR I
Leila Coates, FSR I
Kelsy Langdon, FSR I

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. We are pleased to offer wealth management services through our collaboration with CU Financial Management Limited.

With ten 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 IIROC licensed. He has completed many industry courses through the Canadian Securities Institute, and holds the industry leading Chartered Investment Manager (CIM) designation. A Halifax native, Jack is excited to have settled in Corner Brook. He is enjoying everything our beautiful province has to offer.

ERCU is thrilled to have Jack on the CU Financial Management team and is pleased to continue making this valuable service available to our members.

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

709-634-0405

jlessel@ercu.ca

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 fourteen (14) times in 2019, 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), Bradley Hancock (Vice-Chair), Dawn Pike (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: Dave Evans (Chair), Ginger Ryland, Terri Gilbert, Brad Sheppard

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: (Board only): Terri Gilbert (Chair), Dave Evans, Dawn Pike

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: Brad Sheppard (Chair), Bradley Hancock, Dave Evans

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

Organization – Board and Committees (cont'd)

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: Terri Gilbert (Chair), Bert Belben, Ginger Ryland

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.

2019 Director Attendance Record

Director	Board	Audit, Risk and Conduct Review	Building and Property	Corporate Social Responsibility	Governance	Nomination and Elections	Executive
Bert Belben	14/14	-	-	-	3/3	1/1	2/2
Bradley Hancock	12/14	-	3/4	-	-	1/1	2/2
Bradley Sheppard	12/14	3/3	4/4	-	-	-	-
Terri Gilbert	13/14	3/3	-	4/4	-	2/2	-
Ginger Ryland	13/14	3/3	-	-	3/3	1/1	-
David Evans	12/14	3/3	3/3	4/4	-	-	-
Dawn Pike	13/14	-	-	3/4	3/3	1/1	2/2

Steering Committee & Past Board Members

Steering Committee

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

Past Board Members

Claude Rumbolt	1984 – 1985
Gilbert Linstead	1984 – 1987
Mary Smith	1984 – 1994
	1996 – 1999
Reg O'Brien Jr.	1984 – 1993
<i>President</i>	1987 – 1989
Reg Hancock	1984 – 1989
Ruby O'Brien	1984 – 1989
Stan Pike Sr.	1984 – 1995
Steve Letto	1984 – 1987
Wilfred Letto	1984 – 1987
<i>President</i>	1984 – 1987
Ronald O'Brien	1986 – 2005
Frank Flynn	1987 – 1997
Tim Jordan	1987 – 1997
<i>President</i>	1989 – 1995
John Dumaresque	1988 – 1990
	1995 – 1998
Milton Hancock	1988 – 2012
Woodrow Lethbridge	1989 – 1992
Dennis Normore	1990 – 2012
<i>President</i>	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

Dave Evans	2001 – 2017
Pius Walsh	2002 – 2005
	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

In Memoriam

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

Working at Eagle River Credit Union

At Eagle River Credit Union (ERCUC), we work hard to promote a positive, inclusive, and engaging environment; in which our employees provide quality financial advice, and 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



- 17% of employees from four (4) different countries
- 79% of employees are female in gender, 21% male
- 9.5% of employees are Baby Boomers,
- 43% Generation X; 43% are Millennials, and the remaining 4.5% are Gen Z's.

Employee Collaboration – We 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. In 2019, we initiated four (4) Focus Groups – Friction Points, Creating Efficiency, Process Mapping and Products & Services – each consisting of four (4) or five (5) employees in each group from all levels of the organization to work on identifying and presenting recommendations for improvements in any/all aspects of operations. The focus of the project is to have employees identify areas requiring improvement or change along with any solutions on how to resolve or overcome the issue presented; and brainstorm ideas and suggestions on initiatives that are geared towards boosting growth and increased usage of our products and services. This initiative has been embraced by the team and have reaped tangible results to date. A total of 28 recommendations were received, 11 of which was resolved, 12 being looked into and the remaining 5 referred to the external parties involved.

Our staff members are also actively involved in collaboration with partners within the communities we reside. At ERCUC, 58% of management and staff 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. This directly supports employee's confidence and morale, as well as boosts overall engagement. Our employee training and development efforts over the past year focused on relationship building, compliance, service standards, and product and system knowledge.

In 2019, we:

- invested \$23,350 on staff training,
- provided over 100 hours of formal training per employee on areas ranging from AML, Privacy to enhancing member service, policies & procedures,
- had 6 employees (for a total of 13 employees to date) become certified to deliver Each One Teach One (EOTO) financial literacy workshops,
- had 9 employees complete courses or continue to work towards formal designations.



In addition, all our branch (member facing) employees are being trained and upskilled on registered products and the lending application process in order to serve members more effectively and efficiently.

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

Employee Recognition – We recognize results that underpin and support our commitment to member excellence. During our weekly team meetings, we highlight business results, as well as team/branch and individual successes. We take this opportunity to acknowledge and congratulate;

- Brenda McCarthy for 30 years of service
- Evelyn Russell for 20 years of service
- Umair Mohammed for 5 years of service
- Haseeb Ahmad for 5 years of service
- Samantha O'Brien on her promotion to Manager, Commercial Services

The Credit Union Difference

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. As members you can voice your concerns and vote on the issues that matter to you.

We put you before profits

Credit unions' profits have a higher purpose – to benefit the people we were built to serve. We take the time to understand our members' needs and work hard to tailor our products and services to meet them. Money left over at the end of the year is returned to members in the form of dividends, and support communities in the form of donations, scholarships 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!

Banking that
Local goes Further **Honesty**
Co-operative Competitive Equality
Values **Credit Unions** Trust
Environment **Community** Participation
Member-owned Education
Principles **Fairness** **Cooperation**
Democratic

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 organization, 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. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

- ***Member Economic Participation***

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

- ***Autonomy and Independence***

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

- ***Education, Training and Information***

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

- ***Co-operation among Co-operatives***

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

- ***Concern for Community***

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Appendix I

Notes to the Financial Statements

Year ended December 31, 2019

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

1. REPORTING ENTITY

Eagle River Credit Union Limited (the "Credit Union") is incorporated 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, 2019 were authorized for issue by the Credit Union's Board of Directors on April 28, 2020.

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 15.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

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, 2019

2. BASIS OF PREPARATION *(continued)*

New standards implemented

(e) IFRS 16 - Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The date of initial application of IFRS 16 for the Credit Union is January 1, 2019.

The Credit Union has assessed the impact of this standard and has concluded no adjustments to the financial statements are required as no material lease obligations are held by the Credit Union.

Annual improvements to IFRS standards 2015-2017 Cycle Amendment to IAS 12 – Income Taxes

The Credit Union has adopted the following amendment included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvement includes the following applicable amendment:

(f) IAS 12 Income Taxes

The amendments clarify that the Credit Union should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Credit Union originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

Management has assessed this amendment will have no impact.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to the existing standards have been issued by the IASB but are not yet effective for the year ended December 31, 2019, and have not been applied in preparing these financial statements:

(g) 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, with earlier application permitted.

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

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.

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

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.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

(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.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 15.

(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;

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.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2019

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.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

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 on membership shares presented as a financial liability are recognized as a distribution of profit or loss. Dividends are recorded when declared by the Board of Directors.

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EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Paved areas	8%	declining balance method
Buildings	5%	declining balance method
Furniture and equipment	5 years	straight-line method
Computer equipment	3 years	straight-line method
Vehicles	20%	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

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 consolidated statement of net income and 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 consolidated statement of net income and 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.

	2019	2018
Cash	\$ 2,835,526	\$ 2,572,912
Atlantic Central Investments - Less than 1 Year	11,000,000	15,041,119
Atlantic Central - Cash Management Account	49,672	1,044,628
LSM Term Deposits - Less than 1 Year	1,500,000	-
Concentra Mortgage Pool - Less than 1 Year	1,844,865	-
	\$ 17,230,063	\$ 18,658,659

The Credit Union has available short-term borrowings of \$2,500,000 with Atlantic Central, bearing interest at prime less 0.5%, of which \$0 was used at December 31, 2019 (2018 - \$0). As security for the operating line of credit, the Credit Union has provided a continuing, specific and fixed first security interest, mortgage, hypothec and charge over all Property as defined in the line of credit agreement dated November 1, 2013.

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

5. INVESTMENTS

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

	2019	2018
	\$	\$
<u>Term deposits, liquidity and mortgage pools</u>		
Atlantic Central mandatory liquidity	8,994,265	9,142,976
Atlantic Central term deposits - More than 1 year	11,691,200	8,000,000
Accrued interest	148,641	160,628
LSM term deposit - More than 1 year	197,100	1,697,100
Concentra Financial - Term deposit	10,000,000	5,000,000
Concentra Financial - Mortgage pools	805,743	7,887,196
Valley Credit Union - Mortgage pools	964,784	1,349,898
Souris Credit Union - Mortgage pool managed by LSM	770,941	
<u>Investment in shares</u>		
Atlantic Central common shares	1,357,450	1,444,970
Atlantic Central Class NS shares	18,000	18,000
Atlantic Central Class B shares	192,000	192,000
Atlantic Central Class NL shares	99,000	99,000
League Data Limited - Class B Shares	65,180	65,180
Concentra Financial - Class D shares	113,156	250,000
League Savings and Mortgage shares	250,000	106,250
Other shares	-	210
	35,667,461	35,413,408

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 16 provides the Credit Union's position in this regard. At maturity, these deposits are reinvested at market rates for various terms as determined by management. 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, 2019, the Credit Union held liquidity deposits of \$8,994,265 (2018 - \$ 9,142,976)

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, 2019****6. LOANS AND MORTGAGES RECEIVABLE**

				2019	2018
	Stage 1	Stage 2	Stage 3	Total	Total
	\$	\$	\$	\$	\$
Consumer					
Loans	18,673,626	82,996	459,267	19,215,890	20,832,040
Mortgages	57,193,004	20,969	412,725	57,626,698	59,976,047
Line of Credit	5,489,709	16,928	116,066	5,622,703	6,366,590
Commercial					
Loans	6,325,155	2,778	17,908	6,345,841	4,305,916
Mortgages	12,160,441	762	663	12,161,866	8,340,055
Line of Credit	1,022,695	549	9,228	1,032,472	908,668
Accrued interest	161,050	624	37,918	199,592	197,236
Gross Carrying Amount	101,025,681	125,606	1,053,776	102,205,063	100,926,552
Allowance for Impaired Loans	(11,622)	(8,210)	(458,576)	(478,408)	(635,409)
Carrying Amount	101,014,058	117,396	595,200	101,726,654	100,291,143

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

(continues)

EAGLE RIVER CREDIT UNION LIMITED**Notes to Financial Statements****Year Ended December 31, 2019****6. LOANS AND MORTGAGES RECEIVABLE (continued)**

At December 31, 2019, loans to members are presented net of allowances for ECLs totalling \$478,408. 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.

				2019	2018
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	\$	\$	\$	\$	\$
Allowance for Doubtful Loans as at January 01, 2019	12,536	3,012	619,861	635,409	703,107
Transfer to Stage 1				-	-
Transfer to Stage 2				-	-
Transfer to Stage 3				-	-
New Financial Assets Originated		6,290	187,646	193,936	78,146
Financial Assets derecognized during the Year	(366)	(1,092)	(177,934)	(179,392)	(99,421)
Others (i.e. change in loan balance, change in credit score that doesn't affect staging)	(547)	0	(170,997)	(171,545)	(46,423)
Allowance for Doubtful Loans as at December 31, 2019	11,622	8,210	458,576	478,408	635,409

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 2019 amounted to \$497,047 as at December 31, 2019.

(2) The gross carrying amount of loans to members derecognized during fiscal 2019 amounted to \$180,667 as at December 31, 2019.

At December 31, 2018, loans to members are presented net of specific allowances for doubtful loans totalling \$635,409

Credit Quality of Loans

Security held on a portfolio basis is as follows:

	December 31, 2019	December 31, 2018
	\$	\$
Mortgages secured by property	69,888,314	68,399,140
Secured Loans	23,113,296	22,764,208
Unsecured Loans	9,203,453	9,763,204
	102,205,063	100,926,552

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

6. LOANS AND MORTGAGES RECEIVABLE *(continued)*

Terms and Conditions

Mortgages:

Mortgages are repayable in monthly blended 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 monthly blended 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.

Types of collateral generally obtained by the Credit Union include, 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.

At December 31 2019, \$9,203,453 (2018: \$9,763,204) of the loan portfolio represented "character" loans which are unsecured.

Mortgages Under Administration

Loans and mortgages receivable include \$43,925,775 (2018: \$47,008,704) in mortgages that are administered by League Savings and Mortgage Company.

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

7. PROPERTY, PLANT AND EQUIPMENT

		2019								
		Land	Buildings	Roof	Paved Areas	HVAC	Furniture & Equipment	Computers	Vehicle	Total
		\$	\$		\$		\$	\$	\$	\$
Cost	Balance, beginning:	230,080	3,821,707	155,501	207,529	227,288	1,126,581	143,095	17,540	5,929,321
	Additions:	-	-	-	-	-	37,805	40,691	-	78,496
	Disposals:	-	-	-	-	-	9,173	26,021	-	35,194
	Balance, ending:	230,080	3,821,707	155,501	207,529	227,288	1,155,213	157,765	17,540	5,972,623
Accumulated Depreciation	Balance, beginning:	-	1,791,427	30,772	106,425	56,072	966,886	101,576	17,540	3,070,698
	Additions:	-	100,914	6,220	8,088	11,364	66,326	21,645	-	214,557
	Disposals:	-	-	-	-	-	9,173	25,027	-	34,200
	Balance, ending:	-	1,892,341	36,992	114,513	67,436	1,024,039	98,194	17,540	3,251,057
Net Book Value	Balance, ending:	230,080	1,929,366	118,509	93,016	159,852	131,173	59,571	-	2,721,566

		2018								
		Land	Buildings	Roof	Paved Areas	HVAC	Furniture & Equipment	Computers	Vehicle	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost	Balance, beginning:	230,080	3,821,707	155,501	207,529	227,288	1,215,944	294,651	17,540	6,170,240
	Additions:	-	-	-	-	-	7,674	36,568	-	44,242
	Disposals:	-	-	-	-	-	97,037	188,124	-	285,161
	Balance, ending:	230,080	3,821,707	155,501	207,529	227,288	1,126,581	143,095	17,540	5,929,321
Accumulated Depreciation	Balance, beginning:	-	1,685,201	24,552	97,633	44,708	994,696	268,286	16,663	3,131,739
	Additions:	-	106,226	6,220	8,792	11,364	69,227	21,414	877	224,120
	Disposals:	-	-	-	-	-	97,037	188,124	-	285,161
	Balance, ending:	-	1,791,427	30,772	106,425	56,072	966,886	101,576	17,540	3,070,698
Net Book Value	Balance, ending:	230,080	2,030,280	124,729	101,104	171,215	159,695	41,519	-	2,858,623

EAGLE RIVER CREDIT UNION LIMITED**Notes to Financial Statements****Year Ended December 31, 2019****8. MEMBERS' DEPOSITS**

	December 31, 2019	December 31, 2018
	\$	\$
Chequing accounts	57,114,202	55,954,272
Term deposits (plus accrued interest)	18,168,597	18,562,605
Savings account	41,580,082	44,154,887
RRSP funds (plus accrued interest)	18,007,139	16,999,884
Equity shares	1,918,265	1,921,089
RRIF funds administered by		
Concentra Financial (plus accrued interest)	1,481,206	1,338,350
Tax-free savings accounts	10,743,703	10,130,130
Non-Equity share accounts	1,390,436	1,303,616
	150,403,631	150,364,833

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 annually, semi-annually, monthly or upon maturity. The interest rates offered on term deposits at December 31, 2019 range from 0.20% to 2.15%.

Savings accounts

Savings accounts are due on demand. The portfolio consists of variable rates up to 0.80%.

Chequing accounts

Chequing accounts are due on demand and bear interest at a variable rate up to 0.15% at December 31, 2019. Included in chequing deposits at December 31, 2019 is \$22,905 (2018: \$30,428) 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 variable rates of 0.25% and fixed rates up to 2.15%.

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 variable rates of 0.25% and fixed rates up to 2.15%.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

8. MEMBERS' DEPOSITS (continued)

Equity shares

Member equity shares consist of 20 shares per member at a par value of five dollars (\$5.00) per share. 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 6,997 (2018: 7,163) fully paid equity share accounts with an aggregate dollar value of \$700,540 (2018: \$717,582).

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

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

Dividends and patronage refunds

The financial statements reflect the recording of patronage refunds of \$0 (2018: \$91,570) and dividends on share accounts of \$17,493 (2018: \$71,758). Of the total patronage refunds of \$91,570 recorded in 2018, \$67,987 was netted against interest income and \$23,583 was included as additional deposit interest expense in the statement of comprehensive income. Any amounts unpaid from the prior year are netted against the dividends reported on the statement of retained earnings in the current year.

Both the patronage dividends and the dividends paid on share accounts are subject to ratification at the annual general meeting to be held in September 2020.

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, 2019 was \$356,341 (2018: \$349,517.) 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, 2019 which exceed 1% of total deposits total \$5,144,570 (2018: \$ 6,522,939).

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

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.

The activities and projects will be planned, purposeful and targeted. Projects could include items such as assistance with rent subsidy for a local food bank, contributions to the "Kids Eat Smart" breakfast program in local schools, and funding for elder abuse presentations, financial literacy programs, "Warm Coats for Kids" program, etc.

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 \$6,045 (2018: \$25,169), bringing the reserve to \$50,383 as at December 31, 2019. (2018: \$67,274)

The following table outlines the activity in this reserve for 2018 and 2019:

	2019	2018
	\$	\$
Balance, beginning of the year	67,274	64,699
Allocation from retained earnings	6,045	25,169
Funds utilized during the year	(22,936)	(22,594)
	50,383	67,274

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

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, 2019 the Credit Union's total capital as a percentage of assets was 5.90%. Therefore, the Credit Union has exceeded its minimum capital requirement as at December 31, 2019.

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

	2019	2018
Personal loans	\$ 1,756,183	\$ 1,936,992
Residential mortgages	1,132,912	961,787
RMOP	1,512,072	1,504,629
Commercial loans and mortgages	348,326	242,598
	\$ 4,749,493	\$ 4,646,006

EAGLE RIVER CREDIT UNION LIMITED**Notes to Financial Statements****Year Ended December 31, 2019****12. INTEREST ON MEMBERS' DEPOSITS**

	2019	2018
Term deposit interest	\$ 279,108	\$ 277,602
RRSP	222,740	207,208
High interest savings	114,577	140,739
Your savings	135,806	65,340
Tax fee savings account - term deposit	80,273	60,900
Tax-free savings account	47,049	47,693
YC chequing	37,448	37,373
RRIF	12,788	12,891
Fat cat	2,284	2,385
Monthly savings plan	1,238	1,398
Head start	519	565
	\$ 933,830	\$ 854,094

13. 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:

	2019	2018
Income before income taxes	\$ 110,410	\$ 561,634
Increase (decrease) resulting from:		
Deductible dividends paid	(12,734)	(71,758)
Non-deductible expenses	14,697	11,175
Temporary differences	(41,420)	21,779
IFRS adjustment to opening retained earnings	-	(282,486)
Taxable income	\$ 70,953	\$ 240,344
Income taxes	\$ 8,515	\$ 31,245
Income tax rate	12.00 %	13.00 %

14. RELATED PARTY TRANSACTIONS

At December 31, 2019 the aggregate amount of loans and mortgages outstanding to members of the Board of Directors and key management personnel totaled \$891,354 (2018: \$1,109,299) and the aggregate amount of deposits totaled \$233,308 (2018: \$430,064). 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.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

14. RELATED PARTY TRANSACTIONS *(continued)*

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, 2019 was \$736,949 (2018 \$667,119). The directors also received reimbursement for the year ended December 31, 2019 of \$18,593 (2018: \$21,666) for their travel, meals and other out of pocket expenses.

15. 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, which 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)

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

15. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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, 2019 and 2018.

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

16. 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.

(continues)

EAGLE RIVER CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2019

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

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 \$8,994,265. (December 31, 2018: \$9,142,976) 6% of liabilities total \$8,909,122 with excess liquidity being \$85,143.

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

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:

(continues)

EAGLE RIVER CREDIT UNION LIMITED**Notes to Financial Statements****Year Ended December 31, 2019****16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)**

	Assets	Liabilities	Asset/ Liability Gap
	\$	\$	\$
Variable	9,078	80,333	(71,255)
3 months	16,641	10,272	6,370
6 months	10,535	4,699	5,836
9 months	8,299	2,431	5,868
12 months	17,870	5,018	12,853
1-5 years	87,653	16,854	70,798
> 5 years	1,532	-	1,532
Not interest sensitive	7,038	39,041	(32,003)
	158,648	158,648	(0)

Interest rate risk sensitivity

At December 31, 2019, if interest rates at that date had been 100 (2018 - 100) basis points lower with all other variables held constant, net income before income tax for the year would have been \$139,000 lower. If interest rates had been 100 basis points higher, with all other variables held constant, net income before income tax would have been \$106,000 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.

17. 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, 2019, the unused authorized lines of credit totalled \$8,619,174 (2018: \$8,807,781).

18. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

The overall effect of these events on the Credit Union and its operations is too uncertain to be estimated at this time. The impacts will be accounted for when they are known and may be assessed.

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