

2020



CAISSE POPULAIRE
ÉVANGÉLINE-CENTRAL
CREDIT UNION

RAPPORT ANNUEL
ANNUAL REPORT

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2020 highlights points saillants

\$212M
assets | actif

▲ 21.0%

8K
members | adhésion

19.1%
growth in avg. member savings
croissance moyenne des épargnes des membres

\$196M
deposits | dépôts

▲ 22.7%

\$145M
loans | prêts

▲ 0.5%

\$140K
paid to members
redistribué aux membres

Our Vision Notre vision

The financial institution of choice that delivers competitive and innovative solutions to enhance its members' financial well-being.

L'institution financière de choix qui offre des solutions compétitives et innovantes pour améliorer le bien-être financier de ses membres.

Our Mission Notre mission

Focused on you: your community, your future, your prosperity. Partners in your success.

Axée sur vous : votre communauté, votre avenir, votre prospérité. Partenaire dans votre succès.

Our Values Nos valeurs

SIMPLISTIC

HOLISTIC

INCLUSIVE

HONEST

PASSIONATE

SPIRITUAL

EVOLUTIONARY

SIMPLICITÉ

HOLISTIQUE

INCLUSIVITÉ

HONNÊTETÉ

PASSION

SPIRITUALITÉ

ÉVOLUTION

Board of Directors

Conseil d'administration



Imelda Arsenault
President | présidente



Jamie Colwill
Vice President | vice président



Peter Bulger
Secretary | secrétaire



Marsha Arsenault



Giselle Bernard



Joel Brennan



Jim Cook



**Rodney
MacDonald**



Billy MacKendrick

Imelda Arsenault
President | présidente



President's Report

Now that the year 2020 is in the rear-view mirror, I certainly hope that 2021 will see our lives gradually return to normal where we are once again able to travel and reconnect in person with our families, friends and even business associates.

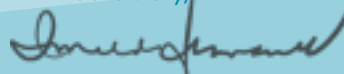
Similar to other public environments, our Credit Union implemented numerous procedures as directed by CPHO to reduce the likelihood of COVID-19 transmission within the workplace for the benefit of the entire provincial population. Some of these new procedures were a bit inconvenient at the onset, however, became somewhat normal as time wore on. I am very proud and appreciative of all our employees for their contributions toward a healthy workplace since the beginning of the pandemic. I would also like to thank our membership for your understanding as we needed to take drastic steps to limit the number of members in-branch and by directing member service functions to our online or telephone channels. A special note of appreciation to our Tyne Valley members for their understanding of our decision to temporarily close their branch for a period of 10 weeks in order to create a safe environment for some of our more at-risk employees.

Despite the obvious challenges of 2020, our Credit Union experienced tremendous growth in member deposits while seeing only moderate growth in loans. Despite seeing margins negatively affected as a result of a significant and rapid reduction in bank prime at the onset of the pandemic, we were able to achieve reasonably strong financial results for 2020. A share dividend interest of 0.50% was declared for 2020 and paid accordingly in January 2021.

Prior to the pandemic, our Credit Union Board and Senior Management began discussions of potential benefits of a merger with Tignish, Malpeque Bay and Provincial Credit Unions. Our 4 Credit Unions are very much like-minded organizations that see the remarkable benefits that are possible for our membership as a result of formally joining together. All 4 Credit Unions involved are financially strong, however, we see the significant investments that will be required over the next several years in order to remain competitive in an environment that is in the process of major transformation. We believe that joining forces will provide significantly more investment capability to proactively transition our Credit Unions over the next few years which will result in becoming stronger for members.

I would like to thank our entire Board of Directors and Senior Management for their work in the past year to steer the organization despite the major hurdles that we faced. Also, thank you to all the employees for their efforts to continue providing an excellent level of service to the membership throughout the year despite dealing with all the precautionary measures that were necessary to minimize the potential spread of the virus. And finally, thank you to all our membership for having been understanding and quite cooperative throughout this journey that we are on in spite of the obvious pandemic fatigue that we all face. We look forward to serving you all in the years to come.

Yours truly,



Imelda Arsenault
President

Rapport de la présidente

Maintenant que l'année 2020 est dans le rétroviseur, j'espère qu'au cours de l'année 2021, nos vies pourront revenir progressivement à la normale, et que nous pourrons à nouveau voyager et reprendre contact en personne avec nos familles, nos amis et même nos associés d'affaires.

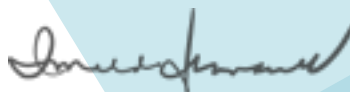
Tout comme dans d'autres environnements publics, notre Caisse populaire a mis en œuvre de nombreuses procédures, conformément aux directives de l'ACSP, afin de réduire la probabilité de transmission du COVID-19 dans le lieu de travail, pour le bénéfice de l'ensemble de la population provinciale. Certaines de ces nouvelles procédures étaient un peu inconfortables au début, mais elles sont devenues normales au fil du temps. Je suis très fière et reconnaissante envers tous nos employés pour leur contribution à un milieu de travail sain depuis le début de la pandémie. Je tiens également à remercier nos membres pour leur compréhension, car nous avons dû prendre des mesures drastiques pour limiter le nombre de membres en succursale et pour diriger les fonctions de service aux membres vers nos canaux en ligne ou par téléphone. Nous tenons à remercier tout particulièrement nos membres de Tyne Valley pour leur compréhension à l'égard de notre décision de fermer temporairement leur succursale pour une période de 10 semaines afin de créer un environnement sécuritaire pour certains de nos employés les plus à risque.

Malgré les défis évidents de 2020, notre Caisse populaire a connu une croissance énorme des dépôts de ses membres, alors que la croissance des prêts n'a été que modérée. Bien que les marges aient été affectées par une réduction importante et rapide des primes bancaires au début de la pandémie, nous avons été en mesure d'obtenir des résultats financiers raisonnablement solides pour 2020. Un intérêt de dividende sur les parts de 0,50 % a été déclaré pour 2020 et payé en conséquence en janvier 2021.

Avant la pandémie, le conseil d'administration et la direction de notre Caisse populaire ont entamé des discussions sur les avantages potentiels d'une fusion avec les caisses populaires Tignish, Malpeque Bay et Provincial. Nos quatre caisses, qui ont une vision similaire, voient les avantages remarquables qui sont possibles pour nos membres à la suite d'une union formelle. Les quatre caisses concernées sont financièrement solides, mais nous sommes conscients des investissements importants qui seront nécessaires au cours des prochaines années pour rester compétitifs dans un environnement en pleine transformation. Nous pensons qu'en unissant nos forces, nous disposerons d'une capacité d'investissement beaucoup plus importante pour assurer une transition proactive de nos caisses au cours des prochaines années, ce qui nous permettra de devenir plus puissants pour nos membres.

Je tiens à remercier notre conseil d'administration et l'équipe de direction pour le travail accompli au cours de l'année écoulée afin de diriger l'organisation malgré les obstacles majeurs auxquels nous avons été confrontés. Je remercie également tous les employés pour les efforts qu'ils ont déployés afin de continuer à fournir un excellent niveau de service aux membres tout au long de l'année, malgré toutes les mesures de précaution qui ont été nécessaires pour minimiser la propagation potentielle du virus. Et enfin, merci à tous nos membres d'avoir été compréhensifs et très coopératifs tout au long de ce voyage que nous entreprenons, malgré la fatigue évidente de la pandémie à laquelle nous sommes tous confrontés. Nous avons bien hâte de continuer à vous servir pour bien des années à venir.

Bien à vous,



Imelda Arsenault
présidente

CEO's Report

We will no doubt remember 2020 for a long time as the year that was so different and very challenging as we were encouraged to refrain as much as possible from doing so many things that we now realize their value. The collective stress level in our community was significantly elevated as most of our daily routines were upended in one way or another.

I am very proud of the performance of our employees throughout the year as they continued focussing on our purpose of existence despite facing the numerous challenges in their personal lives that a pandemic causes. Our province is very fortunate to have generally been able to maintain some sense of normalcy as compared to other regions. As everyone else, I very much look forward to moving past this pandemic so that we can once again do all the things that we certainly took for granted.

During 2020, our governments have injected significant stimulus within the economy in order to support the ones financially affected as a result of reduced income due to job losses and the various pandemic restrictions. This injection as well as people's inability to travel has resulted in significant increases in member savings in addition to reduction in debt, which is generally a good thing and should help spur the economic recovery as we move past the pandemic. We have seen an increase of 23% in member deposits for the year, bringing our assets to \$212.5 million. However, our lending increase of 0.5% was quite moderate in comparison. This was undoubtedly produced by the uncertainty and concern that the population faced during the pandemic. We are quite fortunate that most of our industries have managed to weather the economic uncertainties of 2020 reasonably well.

With the significant growth in assets experienced in 2020, our resulting net income of \$981,610, or 0.5% of assets, were certainly not sufficient to maintain our previous equity levels. This has resulted in our equity-to-assets ratio going from 7.99% at the end of 2019 down to 7.07% at the end of 2020. However, our expectations of future growth in lending and likely limited growth in deposits over the next few years should position us reasonably well to be able to rebuild our equity back up to 8% of assets or greater.

We always strive to provide the best possible level of service to our members while continuously striving to enhance our operational efficiencies. However, we never want to allow efficiencies to reduce our service level, which is paramount. We recognize that we may have fallen short of this objective at times throughout this past year. Please rest assured that our leadership team is dedicated to delivering the best possible service levels while generating efficiencies that will provide the required funding to invest in the technology of tomorrow as well as enhance our various products.

I would like to sincerely thank all our employees, our dedicated Board Members as well as our membership for your contribution, understanding and commitment to our organization. We are looking forward to a bright future as we bring forth a Board and Management unanimous recommendation to our membership in early 2021 to proceed with a merger with 3 other strong PEI Credit Unions to create a much stronger entity with the required capacity to undertake the banking transformation that is currently well in progress.



Alfred Arsenault
Chief Executive Officer



Alfred Arsenault
CEO | directeur général

Rapport du directeur général

Nous nous souviendrons sans doute longtemps de 2020 comme l'année qui a été si différente et très difficile, car nous avons été encouragés à nous abstenir autant que possible de faire tant de choses dont nous réalisons maintenant la valeur. Le niveau de stress collectif dans notre communauté a été considérablement élevé car la plupart de nos habitudes quotidiennes ont été bouleversées d'une manière ou d'une autre.

Je suis très fier de la performance de nos employés tout au long de l'année alors qu'ils ont continué à se concentrer sur notre raison d'être malgré les nombreux défis qu'une pandémie entraîne dans leur vie personnelle. Notre province est très chanceuse d'avoir pu, en général, maintenir une certaine normalité par rapport à d'autres régions. Comme tout le monde, j'ai très hâte à la fin de cette pandémie pour que nous puissions à nouveau faire toutes les choses que nous tenions certainement pour acquises.

En 2020, nos gouvernements ont injecté d'importantes mesures de relance dans l'économie afin de soutenir les personnes financièrement touchées par la réduction des revenus liée aux pertes d'emploi et aux diverses restrictions imposées par la pandémie. Cette injection ainsi que l'incapacité des gens à voyager ont entraîné une augmentation significative de l'épargne des membres ainsi qu'une réduction de leur dette, ce qui est généralement une bonne chose et qui devrait aider à stimuler la reprise économique après la pandémie. Nous avons vu une augmentation de 23 % des dépôts des membres pour l'année, ce qui porte nos actifs à 212,5 millions de dollars. Cependant, l'augmentation de 0,5 % de nos prêts a été plutôt modérée en comparaison. Ceci a sans doute été produit par l'incertitude et l'inquiétude auxquelles la population a été confrontée pendant la pandémie. Nous sommes chanceux que la plupart de nos industries ont réussi à surmonter les incertitudes économiques de 2020 de manière raisonnable.

Avec la croissance significative de l'actif en 2020, notre revenu net de 981 610 \$, soit 0,5 % de l'actif, n'a certainement pas été suffisant pour maintenir

nos niveaux d'équité antérieurs. Cela a entraîné un ratio capitaux propres/actif qui a passé de 7,99 % à la fin de 2019 à 7,07 % à la fin de 2020. Cependant, avec les prévisions de croissance future des prêts et la croissance probablement limitée des dépôts au cours des prochaines années, nous devrions être raisonnablement bien positionnés pour être en mesure de reconstruire nos capitaux propres jusqu'à 8 % des actifs ou plus.

Nous nous efforçons toujours de fournir le meilleur niveau de service possible à nos membres, tout en nous efforçant continuellement d'améliorer l'efficacité de nos opérations. Cependant, nous ne voulons jamais permettre nos efforts d'efficacité de réduire notre niveau de service, qui est primordial. Nous reconnaissons que nous n'avons peut-être pas atteint cet objectif à certains moments de l'année écoulée. Soyez assurés que notre équipe de direction s'engage à fournir les meilleurs niveaux de service possibles, tout en générant des gains d'efficacité qui fourniront les fonds nécessaires pour investir dans la technologie de demain et améliorer nos différents produits.

Je tiens à remercier sincèrement tous nos employés, les membres dévoués de notre conseil d'administration ainsi que nos membres pour leur contribution, leur compréhension et leur engagement envers notre organisation. Nous anticipons un avenir prometteur alors que nous présenterons à nos membres, au début de 2021, une recommandation unanime du conseil d'administration et de la direction en vue de procéder à une fusion avec trois autres caisses populaires de l'Île-du-Prince-Édouard, afin de créer une entité beaucoup plus forte qui détient la capacité requise pour entreprendre la transformation bancaire qui est actuellement en cours.



Alfred Arsenault
directeur général

Staff Personnel



Thank you

to all our staff and to all the front line workers.

It's been said that since the arrival of COVID-19 on Prince Edward Island a day feels like a week, and a week feels like a year. Looking back, those first few days of the pandemic now feel like a world away – and throughout the past year, we've been working hard to rise to the challenge. As a result, we have had to change the way we service our members, but one thing has remained the same – that we're here to help. We know that these changes may have caused some challenges for our members, but we want to thank each and every one of you, who have been supportive in our decisions, and understanding of these changes.

Additionally, COVID-19 has really shone a spotlight on the importance of our front-line staff and essential workers. For the front-line staff across all credit unions, the pandemic brought on a lot of changes to policies and procedures, as well as day-to-day operations. A sincere thank you is extended to everyone at the credit unions for continuing to operate, and pivot whenever needed. We couldn't have done it without you!

Merci

à tout notre personnel et à tous les travailleurs de première ligne.

On a dit que depuis l'arrivée de COVID-19 à l'Île-du-Prince-Édouard, un jour ressemble à une semaine, et une semaine à une année. En rétrospective, les premiers jours de la pandémie semblent maintenant être un monde à part – et au cours de la dernière année, nous avons travaillé fort pour relever le défi. En conséquence, nous avons dû modifier la manière dont nous servons nos membres, mais une chose est restée la même : nous sommes là pour aider. Nous savons que ces changements ont pu causer des difficultés à nos membres, mais nous tenons à remercier chacun d'entre vous, qui nous a appuyé dans nos décisions et qui a compris ces changements.

De plus, le COVID-19 a vraiment mis en lumière l'importance de notre personnel de première ligne et des travailleurs essentiels. Pour le personnel de première ligne de toutes les caisses populaires, la pandémie a entraîné de nombreux changements dans les politiques et les procédures, ainsi que dans les opérations quotidiennes. Nous remercions sincèrement tous les employés des caisses populaires qui ont continué à fonctionner et à pivoter lorsque cela était nécessaire. Nous n'aurions pas pu le faire sans vous !

Helping our members during COVID-19

Aider nos membres pendant le COVID-19

In times of crisis, it's important to come together as a community to support one another. During the COVID-19 pandemic, we provided the support our members needed through a number of targeted relief and support programs.

No two situations were the same, especially during the early days of the pandemic. We worked with our members to build relief packages specifically for them to get through any hardships they were faced with.

En temps de crise, il est important de se rassembler en tant que communauté pour se supporter mutuellement. Pendant la pandémie de COVID-19, nous avons apporté aux membres le soutien dont ils avaient besoin grâce à un certain nombre de programmes de secours et de soutien ciblés.

Aucune situation n'était identique, surtout en cette période sans précédent. Nous avons travaillé avec nos membres pour mettre en place des programmes d'aide spécifiques afin qu'ils puissent surmonter toutes les difficultés auxquelles ils étaient confrontés.

Saved members money when it counted most.

We waived key service fees for all members during the height of the pandemic so that they could send money more frequently to loved ones or in support of their favorite local businesses without paying any extra fees. We also introduced low rate financing options for those who needed access to funds quickly.

Nous avons fait économiser de l'argent aux membres quand cela comptait le plus.

Nous avons supprimé les frais de services clés pour tous les membres au moment le plus critique de la pandémie afin qu'ils puissent envoyer de l'argent plus fréquemment à leurs proches ou pour appuyer leurs entreprises locales préférées sans payer de frais supplémentaires. Nous avons également introduit des options de financement à faible taux pour ceux qui avaient besoin d'accéder rapidement à des fonds.

**Kept our members
safe at home with
new enhanced ways
to bank remotely.**

We knew not everyone was comfortable going online for their banking, so we increased our services available over the phone so that members could perform most of their banking from the comfort and safety of their own home.

**Nos membres sont en
sécurité chez eux grâce
à de nouveaux moyens
améliorés d'effectuer
des opérations bancaires
à domicile.**

Nous savions que tout le monde n'était pas à l'aise avec les services bancaires en ligne. Nous avons donc augmenté le nombre de services disponibles par téléphone afin que les membres puissent effectuer la plupart de leurs transactions bancaires dans le confort et la sécurité de leur propre maison.

**Helped our members
manage their finances
during the hard times.**

We responded quickly to our members' when they needed access to funds with a number of support options. From loan and mortgage payment deferrals to special emergency loan programs for both personal and business members who didn't qualify for any of the government programs, we offered our members the tools to help with their finances.

**Aidé nos membres à
gérer leurs finances
pendant les périodes
difficiles.**

Nous avons répondu sans délai à nos membres lorsqu'ils avaient besoin d'accéder à des fonds en leur proposant un certain nombre d'options de soutien. Qu'il s'agisse de différer des paiements de prêts et d'hypothèques ou de programmes spéciaux de prêts d'urgence pour les particuliers et les entreprises qui n'étaient pas admissibles aux programmes gouvernementaux, nous avons offert à nos membres les outils nécessaires pour améliorer leurs finances.

Tablets for Seniors



When the first wave of COVID-19 hit our province, we partnered with the Community Foundation of Prince Edward Island to provide tablets to almost 40 long-term and community care facilities across the Island.

We worked together to flatten the curve and stop the spread of COVID-19 while keeping our community physically distanced, while staying socially connected. With the tablets donated by the credit unions, residents didn't have to feel alone; with the touch of a button they were able to video chat with family and friends, browse the web, play games, or even set up online banking.

Lorsque la première vague du COVID-19 a frappé notre province, nous nous sommes associés à la Community Foundation of Prince Edward Island pour fournir des tablettes à près de 40 établissements de soins de longue durée et de soins communautaires dans toute la province de l'Île.

Nous avons travaillé ensemble pour aplatir la courbe et arrêter la propagation du COVID-19 tout en maintenant notre communauté physiquement éloignée et socialement connectée. Grâce aux tablettes offertes par les caisses populaires, les résidents n'ont pas eu à se sentir seuls; en appuyant sur un bouton, ils ont pu discuter par vidéo avec leur famille et leurs amis, naviguer sur le Web, jouer à des jeux ou même effectuer des opérations bancaires en ligne.

Tablettes pour aînés

Loyal2Local Challenge

In June, we challenged our employees to support their favorite local business by participating in the Loyal 2 Local movement – a challenge to support our local organizations during an incredibly challenging year.

The economic impact of this initiative was significant, and it created a real and meaningful difference to the businesses that help make our communities great places to live and work.

En juin, nous avons mis nos employés au défi de soutenir leur entreprise locale préférée en participant au mouvement Loyal 2 Local - un défi visant à appuyer nos organisations locales au cours d'une année incroyablement difficile.

L'impact économique de cette initiative a été important, et elle a créé une différence réelle et significative pour les entreprises qui contribuent à faire de nos communautés des endroits où il est agréable de vivre et de travailler.



Défi Loyal2Local

Rebuilding the Tyne Valley Events Centre Together

Reconstruire ensemble le Tyne Valley Events Center

In addition to providing funds to these provincial donations, Évangéline-Central had sponsored the very first event to help rebuild the Tyne Valley Events Centre. The Credit Union was the Title Sponsor of the NHL Legends Celebrity Hockey Game. The game happened in February 2020 at Credit Union Place and featured local people playing against former NHL stars, such as all-time great Ray Bourque. Our contribution of \$15,000 plus this fundraiser was a great start towards the community's fundraising efforts to rebuild.

En plus de fournir des fonds pour ces dons provinciaux, Évangéline-Central avait parrainé le tout premier événement pour aider à reconstruire le Tyne Valley Events Centre. La caisse populaire était le commanditaire en titre de la partie NHL Legends Celebrity Hockey. Le match s'est déroulé en février 2020 à Credit Union Place et mettait en vedette des gens de la région jouant contre d'anciennes vedettes de la LNH, comme le grand Ray Bourque. Notre contribution de 15 000 \$, en plus de cette collecte de fonds, a été un excellent point de départ pour les efforts de collecte de fonds de la communauté pour la reconstruction.



Investing in You Womens Conference

Conférence pour femmes Investir en vous



In 2020, we hosted our first-ever Investing in You Women's Conference: a free event that inspired guests to do more with their money through interactive panel discussions on women's financial wellness, budgeting, work-life balance, fitness, and nutrition.

Two Investing in You events – one in the west and the other in the east, were held to ensure those who wanted to attend were able to do so close to home. Over the two events, close to 300 Island women attended, and were able to gain knowledge and resources to support their financial, physical, and emotional wellness.

En 2020, nous avons organisé notre toute première conférence pour femmes "Investir en vous" : un événement gratuit qui a incité les invitées à faire plus avec leur argent grâce à des tables rondes interactives sur le bien-être financier des femmes, la budgétisation, l'équilibre entre vie professionnelle et vie privée, la forme physique et la nutrition.

Deux événements Investir en vous - l'un dans l'ouest et l'autre dans l'est - ont été organisés pour que les personnes qui souhaitaient y assister puissent le faire près de chez elles. Au cours de ces deux événements, près de 300 femmes de l'île ont participé et ont pu acquérir des connaissances et des ressources pour favoriser leur bien-être financier, physique et émotionnel.



\$25,000

La Coopérative Le Chez-Nous

We also made a major donation in the amount of \$25,000 to La Coopérative Le Chez-Nous Ltée. This substantial donation was made as part of the fundraising campaign to help purchase the equipment needed for the 12 new long-term care rooms. We understand the many benefits for seniors to continue to live in their home communities and receive the best possible health care in the language of their choice. Our seniors are the founders of our cooperatives and our Credit Unions. We are therefore very proud to participate in this important initiative that will allow them to live in comfort and security, surrounded by residents and staff members who know them and understand their needs.

Nous avons également fait un don important de 25 000 \$ à La Coopérative Le Chez-Nous Ltée. Ce don substantiel a été fait dans le cadre de la campagne de financement pour aider à acheter l'équipement nécessaire aux 12 nouvelles chambres de soins de longue durée. Nous comprenons les nombreux avantages pour les aînés de continuer à vivre dans leur communauté d'origine et de recevoir les meilleurs soins de santé possibles dans la langue de leur choix. Nos aînés sont les fondateurs de nos coopératives et de nos caisses populaires. Nous sommes donc très fiers de participer à cette importante initiative qui leur permettra de vivre dans le confort et la sécurité, entourés de résidents et de membres du personnel qui les connaissent et comprennent leurs besoins.



\$7,500 in scholarships

7 500 \$ en bourses d'études

6

students | élèves

We are pleased to announce six Évangéline-Central Credit Union Scholarship recipients for 2020 totaling \$7,500. The \$2,500 Darlene Frances Corcoran Memorial Scholarship, in honour of Darlene's love for her community, was awarded to Kristen Arsenault for her participation and contribution to her community. The other scholarship recipients received \$1,000 towards furthering their education. We wish all students the best in their studies and future endeavours.

Nous sommes heureux d'annoncer que six élèves ont reçu des bourses de la Caisse populaire Évangéline-Central en 2020 totalisant 7 500 \$. D'une valeur de 2 500 \$, la bourse Darlene Francis Corcoran Memorial Scholarship, soulignant l'amour de Darlene pour sa communauté, a été décernée à Kristen Arsenault pour sa participation et sa contribution à sa communauté. Tous les autres récipiendaires ont reçu 1 000 \$ chacun afin de poursuivre leurs études. Nous leur souhaitons bonne chance dans la poursuite de leur éducation et dans leurs projets d'avenir.



**Maria
Arsenault**



**Jillian
Arsenault**



**Loren
Enman**



**Kristen
Arsenault**



**MacKaylee
Power**



**Mary Fran
Williams**





Financial Statements

États financiers

INDEPENDENT AUDITOR'S REPORT

To the Members of Évangéline-Central Credit Union Limited

Opinion

We have audited the financial statements of Évangéline-Central Credit Union Limited (the Credit Union), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in members' equity, profit or loss and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2020, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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.

(continues)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

MRSB Chartered Professional Accountants Inc.

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Charlottetown, PE

March 16, 2021

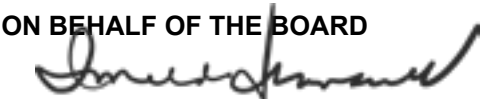
Statement of Financial Position

ÉVANGÉLINE-CENTRAL CREDIT UNION

December 31, 2020

	2020	2019
ASSETS		
Cash and cash equivalents (Note 6)	\$ 26,315,284	\$ 7,637,107
Investments (Note 7)	36,845,486	17,137,831
Accounts receivable (Note 8)	709,300	1,889,912
Member loans and mortgages (Note 9)	145,542,858	144,864,690
Provision for impaired loans (Note 10)	(1,150,696)	(1,048,185)
Prepaid expense	129,021	100,066
Due from CU PEI Investment Corp. (Note 12)	1,525,732	2,250,732
Deferred income tax asset (Note 13)	62,519	53,956
Property and equipment (Schedule 1)	2,134,327	2,245,007
Real estate held for resale	265,284	264,107
Investment in associate (Note 14)	131,923	205,814
	\$212,511,038	\$175,601,037
LIABILITIES		
Accounts payable and accrued liabilities	\$ 240,619	\$ 319,371
Income taxes payable	60,068	125,785
Employee benefits payable	411,578	485,942
Accrued interest payable	754,711	841,844
Member deposits (Note 15)	162,888,428	133,278,423
Share deposits	33,138,701	26,513,789
	197,494,105	161,565,154
Contingent liability (Note 16)		
MEMBERS' EQUITY		
Members' shares (Statement 4)	41,235	41,795
Undistributed earnings (Statement 4)	14,975,698	13,994,088
	15,016,933	14,035,883
	\$212,511,038	\$175,601,037

ON BEHALF OF THE BOARD



Director



Director

Notes 1 - 24 are an integral part of these financial statements

Statement of Changes in Member's Equity

ÉVANGÉLINE-CENTRAL CREDIT UNION

Year Ended December 31, 2020

	2020	2019
Members' shares (Note 17)		
Balance - beginning of year	\$ 41,795	\$ 42,385
Redemption of members's shares, net of issuance	(560)	(590)
Balance - end of year	<u>41,235</u>	<u>41,795</u>
Undistributed earnings		
Balance - beginning of year	13,994,088	13,076,507
Net income (Statement 5)	<u>981,610</u>	<u>917,581</u>
	<u>14,975,698</u>	<u>13,994,088</u>
Members' equity	<u>\$ 15,016,933</u>	<u>\$ 14,035,883</u>

Notes 1 - 24 are an integral part of these financial statements

Statement of Comprehensive Income

ÉVANGÉLINE-CENTRAL CREDIT UNION

Year Ended December 31, 2020

	2020	2019
Income		
Interest and investment	\$ 6,286,297	\$ 6,300,915
Cost of capital and borrowings (Note 18)	<u>1,519,015</u>	<u>1,602,637</u>
Financial margin	<u>4,767,282</u>	<u>4,698,278</u>
Other		
Commissions	1,282,530	1,357,932
Miscellaneous	94,701	130,783
Income from significant influence investment	51,108	93,313
Government assistance	<u>25,000</u>	<u>-</u>
	<u>1,453,339</u>	<u>1,582,028</u>
	<u>6,220,621</u>	<u>6,280,306</u>
Expenses		
Advertising and promotions	209,685	224,242
Amortization of property and equipment	131,561	138,236
Automated teller machines	103,222	105,893
Board honorarium	6,038	10,893
Data processing	279,088	273,221
Dues and memberships	162,109	134,142
Insurance	276,947	262,860
Loss on disposal of property and equipment	-	15,185
Meetings	8,826	25,114
Miscellaneous	3,857	7,137
Office	186,112	177,252
Premises	264,033	268,675
Professional fees	52,251	50,684
Provision for impaired loans	158,182	-
Service fees	726,959	1,087,413
Telephone	57,598	62,736
Travel	50,902	44,665
Wages and wage levies	<u>2,172,310</u>	<u>2,172,986</u>
	<u>4,849,680</u>	<u>5,061,334</u>
Income before income taxes	<u>1,370,941</u>	<u>1,218,972</u>
Income taxes (recovery)		
Current (Note 19)	397,894	330,652
Deferred	<u>(8,563)</u>	<u>(29,261)</u>
	<u>389,331</u>	<u>301,391</u>
Net income	<u>\$ 981,610</u>	<u>\$ 917,581</u>

Notes 1 - 24 are an integral part of these financial statements

Statement of Cash Flow

ÉVANGÉLINE-CENTRAL CREDIT UNION

Year Ended December 31, 2020

	2020	2019
Cash flows from operating activities		
Net income	\$ 981,610	\$ 917,581
Items not affecting cash:		
Amortization of property and equipment	131,561	138,236
Deferred income taxes	(8,563)	(29,261)
Loss on disposal of property and equipment	-	(15,185)
	<u>1,104,608</u>	<u>1,011,371</u>
Changes in non-cash working capital:		
Investments	(19,707,655)	(4,691,096)
Accounts receivable	1,180,612	(530,938)
Prepaid expense	(28,955)	459
Accounts payable and accrued liabilities	(78,753)	(636,247)
Income tax payable	(65,717)	111,727
Employee benefits payable	(74,364)	109,003
Accrued interest payable	(87,133)	130,558
	<u>(18,861,965)</u>	<u>(5,506,534)</u>
	<u>(17,757,357)</u>	<u>(4,495,163)</u>
Cash flows from investing activities		
Decrease in amount due from CU PEI Investment Corp.	725,000	475,000
Increase in member loans and mortgages	(575,656)	(12,163,935)
Decrease (increase) in investment in associate	73,891	(93,575)
Purchase of property and equipment	(20,881)	(51,328)
Decrease (increase) in real estate held for resale	(1,177)	8,563
Proceeds on disposal of property and equipment	-	30,370
	<u>201,177</u>	<u>(11,794,905)</u>
Cash flows from financing activities		
Increase in member deposits	29,610,005	13,424,646
Increase in share deposits and members' shares	6,624,352	1,398,071
	<u>36,234,357</u>	<u>14,822,717</u>
Net change in cash and cash equivalents during the year	<u>18,678,177</u>	<u>(1,467,351)</u>
Cash and cash equivalents - beginning of year	<u>7,637,107</u>	<u>9,104,458</u>
Cash and cash equivalents - end of year	<u>\$ 26,315,284</u>	<u>\$ 7,637,107</u>
Cash flow supplementary information		
Interest and dividends received	<u>\$ 6,395,752</u>	<u>\$ 6,221,290</u>
Interest paid	<u>\$ 1,379,380</u>	<u>\$ 1,245,696</u>
Income taxes paid	<u>\$ 583,747</u>	<u>\$ 228,094</u>

Notes 1 - 24 are an integral part of these financial statements

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

1. REPORTING ENTITY

Évangéline-Central Credit Union Limited was incorporated under the Companies Act of Prince Edward Island on April 1, 2012 and is governed by the Prince Edward Island Credit Unions Act. Évangéline-Central Credit Union Limited is a member-owned financial institution whose principal business activities include financial and banking services for its members at its branches in Évangéline, Tyne Valley and O'Leary, Prince Edward Island. The Credit Union's head office is located at 37 Mill Road, Wellington PEI.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with, and are in compliance with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of the financial statements are set out in Note 4.

These financial statements were authorized for issue by the Board of Directors on March 16, 2021. The members of the Évangéline-Central Credit Union Limited have the power to amend the financial statements after issuance.

3. BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis except for available-for-sale investments which are at fair value through profit or loss.

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand, cash in financial institutions and term deposit investments that have a maturity of less than three months. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

Investments

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Credit Union has the positive intent and ability to hold to maturity, and which are not designated as fair value through profit or loss (FVTPL) or as available-for-sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted investments whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

(continues)

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Accounts receivable

Accounts receivable arise from miscellaneous rebates and accrued interest on loans and mortgages and investments. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the year of recovery.

Loans and mortgages

Member loans and mortgages are initially measured at fair value, net of origination fees and inclusive of transaction costs incurred. Member loans and mortgages are subsequently measured at amortized cost using the effective interest method, less an impairment losses.

Impairment

The Credit Union applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9 for the financial assets measured at amortized cost.

The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument.

The impairment model measures credit loss allowances using a three-stage approach based on the extent of the credit deterioration since origination:

- Stage 1 - where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 - when a financial instrument experiences a credit risk subsequent to origination but it is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 - financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The probability of default (PD), exposure at default (EAD) and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical inputs are as follows:

- PD - the probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life.

(continues)

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

- EAD - the exposure at default 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, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.

- LGD - the loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

At each reporting date, the Credit Union assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral and the impact of forward-looking macroeconomic factors. Common assessments for credit risk include management judgment, delinquency, and monitoring.

When measuring expected credit loss, the Credit Union considers the maximum contractual period over which the Credit Union is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment and extension and rollover options.

The Credit Union considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- Significant financial difficulty of the borrower;
- Default or delinquency in interest or principal payments;
- High probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- Measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Credit Union considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due.

The Credit Union writes off an impaired financial asset, either partially or fully, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Impairment of financial assets

The Credit Union assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(*continues*)

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION

Year Ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Deferred income taxes

Income tax expense comprises current and deferred tax.

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

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

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

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

Property and equipment

Property and equipment is stated at cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Buildings	4%, 5%, and 10%	declining balance method
Equipment	20%	declining balance method
ATMs	30%	declining balance method
ATMs	20%	straight-line method
Pavement	8%	declining balance method
Computer hardware	30% and 45%	declining balance method
Signs	20%	declining balance method

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal.

Real estate held for resale

Real estate held for resale is carried at the market value of the loan or mortgage foreclosed, adjusted for estimates of revenues to be received and costs to be incurred subsequent to foreclosure, and the estimated net proceeds from the sale of the assets.

Finance charges

Fees related to the purchase of Index-Linked RRSP units are amortized using the straight-line method over the term of the investment and are netted against the cost of the liability.

(continues)

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Investments in associate

An associate is an entity in which the Credit Union has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is ordinarily presumed to exist when the Credit Union holds between 20% and 50% of the voting rights. The Credit Union may also be able to exercise significant influence through board representation.

Management has determined that the Credit Union's investment in Class B common shares of CU PEI Investment Corp., of which it owns 25% of the outstanding voting shares, is subject to significant influence and is accounted for by the equity method. Accordingly, the investment is initially recorded at cost, which includes the purchase price and other costs directly attributable to the purchase. Subsequently, the investment is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and dividends received. Investments in associates are evaluated for impairment at the end of each financial reporting period, or more frequently if events or changes in circumstances indicate the existence of objective evidence of impairment.

Employee future benefits

The Credit Union records annually the estimated liabilities for pension and other benefit obligations, which are payable to its employees in subsequent years under the Credit Union's policy.

The Credit Union provides post employment benefits through a defined contribution plan. Pension expenses for the defined contribution pension plan include the required employer contributions. Contributions to the plan are recognized as an expense in the period that the relevant employee services are rendered. During the year, the contributions by the Credit Union to the defined contribution pension plan were \$81,712 (2019 - \$74,775).

Liabilities are recorded for employee benefits including salaries and wages, deductions at source and bonuses that are expected to be settled within twelve months of the financial statement date. These represent present obligations resulting from employees' services provided to the financial statement date and are calculated at the undiscounted amounts based on remuneration rate that the Credit Union expects to pay at the financial statement date.

Benefits such as medical care are non-vesting and are expensed by the Credit Union as the benefits are taken by the employees.

Member deposits

Borrowings and deposits and membership shares that are classified as liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method. Term, RRSP, RRIF and demand deposits can be fixed or variable rate. Interest can be paid annually, semi-annually, monthly or upon maturity.

Share deposits pay a dividend return at the discretion of the Board of Directors. Privileges of the shares are under the authority of the Board of Directors. The dividend rate declared and paid for 2020 was 0.5% (2019 - 1%) and was based on the average of the lowest monthly share balances.

(continues)

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION

Year Ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit impaired assets, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Income and expense recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the income can readily be measured. The principal sources of income are interest and fee income. Interest on loans and mortgages is recognized and reported on an accrual basis using the effective interest method.

Other fee and commission income – including account servicing fees, loan discharge and administration fees, and syndication fees – is recognized as the related services are performed.

Operating expenses are recognized upon the utilization of the services or at the date of their origin. Expenses incurred directly in the origination of loans and mortgages are deferred and recognized in profit or loss, as a reduction to income over the expected life of the relevant loans and mortgages. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Government assistance

Government assistance for current expenses is recorded as revenue. During the year, the Credit Union received \$25,000 (2019 - \$Nil) from the Government of Canada Temporary Wage Subsidy program.

Government grants are recorded when there is a reasonable assurance that the Credit Union had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

(continues)

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Financial assets and financial liabilities

The Credit Union initially recognizes loans and advances, deposits and liabilities on the date on which they are originated. A financial asset or financial liability is measured initially at fair value plus, for an item not at (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL; the asset is held within a business model whose objective is to hold assets to collect contractual cash flow; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets are classified as measured at FVTPL. Financial assets that are held-for-trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing financial assets. There were no changes to any of the Credit Union business models during the current or prior year.

The Credit Union classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL. The Credit Union derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Credit Union derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Credit Union neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. In transactions in which the Credit Union neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Credit Union continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(continues)

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Credit Union currently has legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Credit Union has classified its financial assets and liabilities as follows:

Cash and cash equivalents - amortized cost

Available-for-sale investments - fair value through profit or loss

Held-to-maturity investments - amortized cost

Accounts receivable, member loans and mortgages, member and share deposits, accounts payable and accrued liabilities - amortized cost

Changes in accounting standards

Future accounting developments

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2020 and have not been adopted by the Credit Union in preparing these financial statements. These changes are not expected to have a material impact on the Credit Union's financial statements.

On January 23, 2020, IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments to IAS 1 are required to be applied for annual periods beginning on or after January 1, 2023. The amendments must be applied retrospectively in accordance with IAS 8.

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION

Year Ended December 31, 2020

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Credit Union makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions change. The principal areas involving a higher degree of judgment or complexity and/or areas which require significant estimates are described below:

(a) Allowance for credit losses

The expected credit loss model requires the recognition of credit losses based on up to 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant credit risk since origination.

The determination of a significant increase in credit risk takes into account many different factors since origination, and certain other criteria, such as delinquencies. In assessing whether there has been a significant increase in credit risk, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. Future assessments of credit risk may be materially different from current circumstances which could result in a significant increase or decrease in the allowance for credit losses.

(b) Estimated useful lives of property and equipment

Management estimates the useful lives of property and equipment based on the period during which assets are expected to be available for use. The amounts and timing of recorded depreciation expense of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal and other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the Credit Union's property and equipment in the future.

(c) Income taxes

The actual amounts of income tax expense only become final upon filing and acceptance of the tax return by relevant authorities which occur subsequent to the issuance of the financial statements. Estimation of income taxes include evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions, before they expire, against future taxable income. The assessment is based upon enacted tax acts and estimates of future taxable income. To the extent estimates differ from the final tax provision, earnings would be affected in a subsequent period.

6. CASH AND CASH EQUIVALENTS

	2020	2019
Term deposit investments	\$ 20,000,000	\$ -
Cash in financial institutions	4,343,818	5,929,750
Cash on hand	1,971,466	1,707,357
	<u>\$ 26,315,284</u>	<u>\$ 7,637,107</u>

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

7. INVESTMENTS

	2020	2019
Shares		
Atlantic Central Credit Union Limited - common shares	\$ 1,575,030	\$ 1,364,630
Concentra Financial Services Association - 20,000 Class A Series 1 preferred shares	500,010	500,010
Atlantic Central Credit Union Limited - Class B preferred shares	350,300	350,300
Atlantic Central Credit Union Limited - Class LSM preferred shares	106,386	101,210
League Data Limited - 6,493 Class B preferred shares	64,930	64,930
Wellington Cooperative Association Limited shares	3,101	3,101
Atlantic Central Credit Union Limited - Class PEI shares	2,100	2,100
	<u>2,601,857</u>	<u>2,386,281</u>
Debtentures		
Atlantic Central Credit Union Limited term deposits	20,000,000	4,000,000
Atlantic Central Credit Union Limited liquidity deposit - 1.26%	12,743,629	10,751,550
Concentra Financial Services term deposits	1,500,000	-
	<u>34,243,629</u>	<u>14,751,550</u>
	<u>\$ 36,845,486</u>	<u>\$ 17,137,831</u>

The Credit Union shall maintain sufficient liquid assets to meet its obligations as they come due. As prescribed in the Credit Union Regulations, Section 2, the Credit Union shall maintain liquid assets of not less than 10% of the total amount of member deposits in and borrowings of the Credit Union as follows: 9% shall be invested in eligible financial instruments of Atlantic Central; 6% of assets, or other such amount as may be determined by Central from time to time, shall be maintained in the segregated liquidity account. The remainder will be invested in: current account, cash management account, and term deposits that have a remaining term to maturity of not more than one year.

8. ACCOUNTS RECEIVABLE

	2020	2019
Accrued interest - loans and mortgages	\$ 397,011	\$ 398,970
Miscellaneous receivables	229,141	1,425,297
Accrued interest - investments	83,148	65,645
	<u>\$ 709,300</u>	<u>\$ 1,889,912</u>

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

9. MEMBER LOANS AND MORTGAGES

	Total loans	Specific allowance	Net loans
2020			
Mortgages	\$ 61,212,000	\$ (392,116)	\$ 60,819,884
Commercial	61,667,309	(358,909)	61,308,400
Personal	11,749,544	(177,047)	11,572,497
League Savings & Mortgage reverse mortgages	3,923,151	(4,929)	3,918,222
Lines of credit and overdrafts	6,990,854	(217,695)	6,773,159
	\$145,542,858	\$ (1,150,696)	\$144,392,162
2019			
Mortgages	\$ 53,940,165	\$ (42,440)	\$ 53,897,725
Commercial	54,888,687	(678,171)	54,210,516
Personal	12,689,467	(102,205)	12,587,262
Lines of credit and overdrafts	10,166,503	(215,531)	9,950,972
League Savings & Mortgage reverse mortgages	4,601,143	(6,387)	4,594,756
Concentra mortgages	8,578,725	(3,451)	8,575,274
	\$144,864,690	\$ (1,048,185)	\$143,816,505

10. PROVISION FOR IMPAIRED LOANS

	2020	2019
Provision for impaired loans - beginning of year	\$ 1,048,185	\$ 1,205,618
Provision for impaired loans - current year	158,182	-
Recovery of loans written off	16,256	30,008
Loans written off - current year	(71,927)	(187,441)
Provision for impaired loans - end of year	\$ 1,150,696	\$ 1,048,185

Members' loans can have either variable or fixed rate of interest. The rates offered to members are determined by the type of security offered, the member's credit worthiness, competition from other lenders and the current prime rate.

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

11. LOANS IN ARREARS

The following is an analysis of loans in arrears based on the age of repayments outstanding:

	2020	2019
31 to 60 days	\$ 349,384	\$ 61,083
91 to 180 days	3,985	155,371
Over 180 days	12,362	4,534
	<u>\$ 365,731</u>	<u>\$ 220,988</u>

12. DUE FROM CU PEI INVESTMENT CORP.

Évangéline-Central Credit Union Limited owns Class A and B common shares of CU PEI Investment Corp. The amount due from CU PEI Investment Corp. bears interest at 1% and there are no set terms of repayment.

	2020	2019
Due from CU PEI Investment Corp - beginning of year	\$ 2,250,732	\$ 2,725,732
Funds advanced to associate	1,750,000	2,400,000
Reimbursements received from associate	<u>(2,475,000)</u>	<u>(2,875,000)</u>
Due from CU PEI Investment Corp - end of year	<u>\$ 1,525,732</u>	<u>\$ 2,250,732</u>

13. DEFERRED INCOME TAX ASSET

Deferred income taxes reflect the tax consequences of 'temporary differences' between the statement of financial position carrying amounts and the tax bases of assets and liabilities. These deferred income taxes are calculated using the income tax rates and tax laws that are expected to apply when these temporary differences are reflected in taxable income.

Temporary differences which give rise to deferred income tax assets (liabilities) are as follows:

	2020	2019
Property and equipment	\$ (2,743)	\$ (4,065)
Retirement allowance	<u>65,262</u>	<u>58,021</u>
	<u>\$ 62,519</u>	<u>\$ 53,956</u>

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

14. INVESTMENT IN ASSOCIATE

Évangéline-Central Credit Union Limited and CU PEI Investment Corp. are associates as the Credit Union owns 25% of the participating Class B common shares of CU PEI Investment Corp. and exerts significant influence over the investee. CU PEI Investment Corp. holds loans for Co-operatives and operates in Prince Edward Island, Canada.

	2020	2019
Investment in associate - beginning of year	\$ 205,814	\$ 112,239
Proportionate share of net income	51,109	93,313
Adjustments	-	262
Dividends Received	(125,000)	-
Investment in associate - end of year	\$ 131,923	\$ 205,814

The following is a summary of the unaudited financial information of CU PEI Investment Corp. as at, and for the years ended, December 31, 2020 and 2019:

Total assets	\$ 6,681,050	\$ 9,889,891
Current assets	1,190,213	3,064,581
Non-current assets	5,490,837	6,825,310
Total liabilities	6,153,342	9,066,616
Current liabilities	55,394	68,668
Non-current liabilities	6,097,948	8,997,948
Total revenues	363,652	484,362
Net income	269,233	373,253

The investment in associate is measured using the equity method. There are no quoted market prices for the investment available to disclose its fair value.

15. MEMBER DEPOSITS

	2020	2019
Chequing accounts	\$ 73,694,333	\$ 51,676,912
Registered Retirement Savings Plan (RRSP) deposits	25,576,896	25,047,986
Call deposits	20,876,381	18,733,107
Term deposits	19,614,825	17,029,967
Tax Free Savings Account (TFSA) deposits	13,813,295	12,410,873
Registered Retirement Income Fund (RRIF) deposits	9,312,698	8,379,578
	\$162,888,428	\$133,278,423

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

16. CONTINGENT LIABILITY

Évangéline-Central Credit Union Limited has provided letters of credit on behalf of members in the amount of \$911,596.

Évangéline-Central Credit Union Limited has been named as defendant in a legal action seeking damages against the Credit Union. The Credit Union's solicitor is currently reviewing these legal actions, and the likelihood of any liability is not determinable at this time.

17. MEMBERS' SHARES

	Number of shares	December 31 2020	Number of shares	December 31 2019
Balance - beginning of year	8,359	\$ 41,795	8,477	\$ 42,385
Shares redeemed, net of issuance	(112)	(560)	(118)	(590)
Balance - end of year	8,247	\$ 41,235	8,359	\$ 41,795

18. COST OF CAPITAL AND BORROWINGS

	2020	2019
Interest and service charges	\$ 1,379,380	\$ 1,365,607
Share dividends	139,635	237,030
	<u>\$ 1,519,015</u>	<u>\$ 1,602,637</u>

19. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 31.00% (2019 - 31.15%) to the income for the year and is reconciled as follows:

	2020	2019
Income before income taxes	<u>\$ 1,370,941</u>	<u>\$ 1,218,972</u>
Income tax expense at the combined basic federal and provincial tax rate	\$ 424,992	\$ 379,710
Increase (decrease) resulting from:		
Small business deduction	(13,722)	(30,282)
Capital cost allowance claimed in excess of amortization	1,679	(7,355)
Non-deductible expenses	(18,233)	1,385
Tax reserves	3,178	(12,806)
Effective tax expense	<u>\$ 397,894</u>	<u>\$ 330,652</u>

The effective income tax rate is 29.02% (2019 - 27.13%).

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

20. LINE OF CREDIT AVAILABILITY

Évangéline-Central Credit Union Limited has an approved line of credit with Atlantic Central Credit Union Limited of \$4,428,000 which is due for renewal on December 31, 2025 and was not utilized at the year end. The line of credit bears an interest rate of prime less 0.5% and is secured by a general security agreement.

21. RELATED PARTY TRANSACTIONS

Évangéline-Central Credit Union Limited provides financial services to members. These members hold the loans, deposits and share deposits, and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

As at the year end, some members of the Board of Directors, Credit Committee, management, and employees had deposits and loans and mortgages from Évangéline-Central Credit Union Limited. All full time and permanent part time employees are eligible for special interest rates on loans, mortgages, lines of credit and RRSP term deposits based on years of service. All repayment terms and collateral will be according to normal lending practices of the Credit Union.

The Credit Union and CU PEI Investment Corp. are related parties as the Credit Union holds 21% of the outstanding Class A common shares and 25% of the Class B common shares. At the year end date, the Credit Union has loans receivable of \$1,525,732 (2019 - \$2,250,732) from CU PEI Investment Corp. The Credit Union earned interest revenue of \$22,439 (2019 - \$26,627) and recognized \$51,108 (2019 - \$93,313) income from significant influence investment during the year.

Key management personnel include the CEO and other senior officers of the Credit Union. The components of total compensation received by key management personnel and balances due to and from key management personnel are as follows:

	2020	2019
Short-term employee benefits	\$ 800,100	\$ 719,932
Contributions to a retirement pension plan or RRSP	44,043	40,261
Mortgages, loan balances, and lines of credit due from key management at December 31	273,193	309,608
Deposit balances due to key management at December 31	732,075	692,697

Short-term employee benefits include salaries, variable compensation and other benefits. The mortgage and deposit transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

22. RISK MANAGEMENT

The Credit Union manages significant risks through a comprehensive infrastructure of policies, procedures, methods, oversight, and independent review designed to reduce the significant risks and to manage those risks within an appropriate threshold. The Board of Directors is provided with timely, relevant, accurate, and complete reports on the management of significant risks. Significant risks managed by the Credit Union include credit, liquidity, currency and interest rate risks.

(a) Credit risk

Credit risk is the risk that a member will fail to meet their obligation to the Credit Union. Providing credit facilities to qualified members is one of the Credit Union's primary sources of earnings and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the member's ability to repay principal and interest over the term of the facility, which is determined by following Board approved policies and procedures, which includes assessing the member's credit history, character, collateral, and debt servicing capacity. In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with Credit Union lending policies and procedures. Also, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

Overdue loan accounts, or lending delinquency, is closely monitored and frequently reported to senior management to ensure all allowances for potential loan losses are adequately provided for and written-off when collection efforts have been exhausted. Credit risk is mitigated primarily by the nature and quality of the underlying security as described by approved lending agreements.

The Credit Union's loan portfolio is focused in two main areas: consumer and commercial loans and mortgages, the latter of which are to mainly small and mid-sized companies. A syndication process is available with other Credit Unions for larger commercial loans, when considered necessary, to appropriately mitigate the Credit Union's credit risk. Consumer mortgages are made available on a conventional basis up to 80% of the lesser of cost or appraised value of single family housing, up to 75% on other residential properties, up to 65% of the lesser of cost or appraised value on commercial properties having general purpose usage and up to 50% of the lesser of cost or appraised value on commercial properties designed for specific use. Other credit facilities provided include personal overdrafts that have no recourse to the Credit Union.

The Credit Union's policy is to pursue timely realization of the collateral in an orderly manner. The Credit Union does not generally use the non-cash collateral for its own operations. During the year, the Credit Union did not take possession of collateral held as security against loans and advances \$Nil (2019 - \$Nil).

Cash and equivalents and investments have low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio, the Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral.

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

(continues)

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

22. RISK MANAGEMENT (continued)

The Credit Union's maximum exposure to credit risk at the reporting date was:

	2020	2019
Cash and cash equivalents	\$ 26,315,284	\$ 7,637,107
Investments	36,845,486	17,137,831
Accounts receivable	709,300	1,889,912
Member loans and mortgages, net of provision	144,392,162	143,816,505
Due from CU PEI Investment Corp.	1,525,732	2,250,732
	<u>\$ 209,788,024</u>	<u>\$ 172,732,087</u>

(b) Liquidity risk

Liquidity risk is the risk of being unable to meet financial commitments without having to raise funds at unreasonable prices or sell assets on a forced basis. The Credit Union has established policies to ensure the Credit Union is able to generate sufficient funds to meet all of its financial commitments in a timely and cost effective manner. The Credit Union's liquidity management practices include ensuring the quality of investment acquired for liquidity purposes meet very high standards, matching maturities of assets and liabilities and monitoring cash flow on a regular basis. Management monitors the Credit Union's liquidity position and reports to the Board on a regular basis.

The Credit Union is required to maintain 6% of prior quarter's assets in liquid investments in which 100% must be held by Atlantic Central Credit Union Limited and the Credit Union was in compliance with this requirement at year end. Cash flows payable under financial liabilities by remaining contractual maturities are as follows:

	Under 1 year	Over 1 to 5 years	Over 5 years	Total
2020	\$ 166,552,240	\$ 30,731,345	\$ 210,521	\$ 197,494,105
2019	\$ 130,265,831	\$ 31,120,801	\$ 178,522	\$ 161,565,154

The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

The following is a maturity analysis of financial instruments on the statement of financial position that contain a current and non-current portion as of December 31, 2020:

	Under 1 year	Over 1 to 5 years	Over 5 years	Total
Investments	\$ 32,743,629	\$ 1,500,000	\$ 2,601,857	\$ 36,845,486
Member loans and mortgages	\$ 35,001,479	\$ 109,304,474	\$ 86,209	\$ 144,392,162
Employee benefits payable	\$ 201,057	\$ -	\$ 210,521	\$ 411,578
Member deposits	\$ 132,157,083	\$ 30,731,345	\$ -	\$ 162,888,428

(continues)

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION

Year Ended December 31, 2020

22. RISK MANAGEMENT (continued)

(c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Credit Union is exposed to currency risk through its cash accounts and member deposits. The Credit Union maintains deposits in foreign currencies to service its member accounts. At of December 31, 2020, the Credit Union had cash and bank balances of \$135,325 USD (2019 - \$143,252 USD) and member accounts of \$132,299 USD (2019 - \$122,932 USD).

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate materially due to changes in market interest rates. The Credit Union is exposed to interest rate risk through its loans and mortgages, providing lending services to its members for a rate based on the Bank of Canada base rate plus a risk premium determined at the loan inception. The Credit Union manages and controls interest rate risk primarily by managing asset and liability maturities. Interest rate risk is measured on a quarterly basis and the results are reported to the Board of Directors.

The following table provides the potential before-tax impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income, assuming no further hedging is undertaken. These measures are based on assumptions made by management. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Credit Union's management initiatives.

Before tax impact on net interest income of:	2020	2019
1% increase in interest rates	\$ (785,366)	\$ 1,844,642
1% decrease in interest rates	\$ (868,205)	\$(2,892,028)

Notes to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION
Year Ended December 31, 2020

23. CAPITAL MANAGEMENT

Évangéline-Central Credit Union Limited provides lending services to its members in the form of loans, lines of credit and mortgages. The Credit Union's objective in the lending process is to remain within the lending guidelines set for the institution and to provide an adequate return to its members through adjusting risk premiums with the level of assessed risk on an individual basis. These services are provided to members at the discretion of the General Manager and lending personnel within the established parameters. Total lending activities managed by the Credit Union at December 31, 2020 amounted to \$145,542,858 (2019 - \$144,864,690).

Consistent with other Prince Edward Island Credit Unions, Évangéline-Central Credit Union Limited is required by the Credit Union Deposit Insurance Corporation to maintain an equity level of 5% of the Credit Union's total assets. This ratio is calculated by adding the undistributed earnings at the end of the previous period plus the operating surplus in the current period and members' shares, divided by the total assets of the Credit Union.

	2020	2019
Undistributed earnings	\$ 14,975,698	\$ 13,994,088
Members' shares	41,235	41,795
Total regulatory equity	15,016,933	14,035,883
Total assets	212,511,038	175,601,037
	7.07 %	7.99 %

Credit Union bylaws require Évangéline-Central Credit Union Limited to maintain sufficient liquid assets and a line of credit to meet its normal cash flow requirements. Consistent with other Prince Edward Island Credit Unions, Évangéline-Central Credit Union Limited is required by the Credit Union Deposit Insurance Corporation to maintain a minimum liquid asset level of 10% of total assets to ensure ongoing cash flow requirements are met.

	2020	2019
Total assets	\$212,511,038	\$175,601,037
Liquid assets	63,870,070	26,664,849
	30.05 %	15.18 %

24. SUBSEQUENT EVENTS

The recent outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Credit Union or its clients, employees, contractors, suppliers and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the Credit Union's business, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the Credit Union's business, financial condition or results of operations. The extent to which the COVID-19 outbreak impacts the Credit Union's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

Schedule to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION

Statement of Property and Equipment Year Ended December 31, 2020

(Schedule

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Accum amort beginning of year	Amort in the year	Disposals and write downs	Accum amort end of year	Net book value
2020									
Land	\$ 200,769	\$ -	\$ -	\$ 200,769	\$ -	\$ -	\$ -	\$ -	\$ 200,769
Buildings	3,377,359	13,087	-	3,390,446	1,647,939	72,788	-	1,720,727	1,669,719
Equipment	992,231	3,969	-	996,200	888,733	21,096	-	909,829	86,371
ATMs	231,571	-	-	231,571	192,336	12,680	-	205,016	26,555
Pavement	257,948	-	-	257,948	136,541	9,713	-	146,254	111,694
Computer hardware	666,062	3,825	-	669,887	624,930	13,375	-	638,305	31,582
Signs	37,279	-	-	37,279	27,732	1,910	-	29,642	7,637
	\$ 5,763,219	\$ 20,881	\$ -	\$ 5,784,100	\$ 3,518,211	\$ 131,562	\$ -	\$ 3,649,773	\$ 2,134,327
2019									
Land	\$ 200,769	\$ -	\$ -	\$ 200,769	\$ -	\$ -	\$ -	\$ -	\$ 200,769
Buildings	3,377,359	-	-	3,377,359	1,572,335	75,604	-	1,647,939	1,729,420
Equipment	987,863	4,368	-	992,231	863,976	24,757	-	888,733	103,497
ATMs	247,855	14,086	(30,370)	231,571	195,376	12,145	(15,185)	192,336	39,235
Pavement	257,948	-	-	257,948	125,463	11,078	-	136,541	121,407
Computer hardware	633,188	32,874	-	666,062	612,665	12,265	-	624,930	41,132
Signs	37,279	-	-	37,279	25,345	2,387	-	27,732	9,547
	\$ 5,742,261	\$ 51,328	\$ (30,370)	\$ 5,763,219	\$ 3,395,160	\$ 138,236	\$ (15,185)	\$ 3,518,211	\$ 2,245,007

Notes 1 - 24 are an integral part of these financial statements

Schedule to the Financial Statements

ÉVANGÉLINE-CENTRAL CREDIT UNION

Interest Rate Sensitivity Year Ended December 31, 2020

(Schedule 2)

	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
ASSETS					
Cash and cash equivalents	\$ 24,456,153	\$ -	\$ -	\$ 1,859,131	\$ 26,315,284
Effective interest rate	0.52 %	- %	- %	- %	
Investments	32,743,629	1,500,000	-	2,601,857	36,845,486
Effective interest rate	0.90 %	1.39 %	- %	- %	
Accounts receivable	-	-	-	709,300	709,300
Mortgages	28,228,319	109,304,474	86,209	-	137,619,002
Effective interest rate	3.63 %	3.71 %	4.28 %	- %	
Lines of credit and overdrafts	6,773,160	-	-	-	6,773,160
Effective interest rate	5.18 %	- %	- %	- %	
Prepaid expense	-	-	-	129,021	129,021
Due from CU PEI Investment Corp.	1,525,732	-	-	-	1,525,732
Effective interest rate	1.00 %	- %	- %	- %	
Deferred income tax asset	-	-	-	62,519	62,519
Property and equipment	-	-	-	2,134,327	2,134,327
Real estate held for resale	-	-	-	265,284	265,284
Investment in associate	-	-	-	131,923	131,923
	\$ 93,726,993	\$110,804,474	\$ 86,209	\$ 7,893,362	\$212,511,038
LIABILITIES AND MEMBERS' EQUITY					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 240,619	\$ 240,619
Income taxes payable	-	-	-	60,068	60,068
Employee benefits payable	-	-	-	411,578	411,578
Accrued interest payable	-	-	-	754,711	754,711
Member deposits	58,631,193	30,731,345	-	73,525,890	162,888,428
Effective interest rate	1.12 %	2.22 %	- %	- %	
Share deposits	33,138,701	-	-	-	33,138,701
Effective interest rate	0.50 %	- %	- %	- %	
Members' shares	41,235	-	-	-	41,235
Effective interest rate	0.50 %	- %	- %	- %	
Undistributed earnings	-	-	-	14,975,698	14,975,698
	\$ 91,811,129	\$ 30,731,345	\$ -	\$ 89,968,564	\$212,511,038

The above table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the Credit Union's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates.

As at December 31, 2020, Évangéline-Central Credit Union Limited's net interest spread was 1.83%. The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year end interest bearing liabilities.

Notes 1 - 24 are an integral part of these financial statements





**CAISSE POPULAIRE
CREDIT UNION**

ÉVANGÉLINE-CENTRAL

**37 Mill Road
Wellington PE
COB 2EO**

**37, ch. Mill
Wellington PE
COB 2EO**

**873 Canada Road
Tyne Valley PE
COB 2CO**

**873, ch. Canada
Tyne Valley PE
COB 2CO**

**512 Main Street
O'Leary PE
COB 1VO**

**512, rue Main
O'Leary PE
COB 1VO**



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