



50
YEARS



2021 Annual
REPORT

50 YEARS

*Putting Members
First Since 1971*

“

When I was a young teacher and needed a car to travel to work, I was denied a loan from a bank I had been with all my life. I had just finished paying off a mortgage for our first home but because my husband was self employed and I who was applying for the loan was a woman, the bank refused my application. I was in shock, but Tom Trafford encouraged me to apply to be an NBTA Credit Union member and apply for a loan. I got the loan and subsequent loans ever since. I have never looked back, and I am grateful for all the wonderful services provided by my, NBTA Credit Union.

Thank You and Happy Anniversary!

~ *Susan Maxwell*



Dave Gorman Financial Strategies Inc.

Own More Wealth. Let Me Show You How.

Available to NBTA Credit Union owners is a financial planning program designed specifically for you and your needs.

Dave Gorman, can help answer your financial questions and review your overall financial situation. Let Mr. Gorman show you how to save taxes, diversify your investments and choose the right savings plan. Mr. Gorman can make available to you a wide range of products and services. For example:

- Money Management
- Retirement Planning
- Education Planning
- Investment Planning
- Estate Planning
- Life Insurance
- Business Insurance
- Critical Illness Insurance
- Income Replacement Insurance
- Health and Dental Plans
- Segregated Funds
- Diversifying investments
- Exercising the best investment options

Dave Gorman has been a member of the Million Dollar Round Table for the last 16 years, as well as a 8-year Court of the Table and third year Top of the Table qualifier. Founded in 1927, MDRT, The Premier Association of Financial Professionals®, is a global, independent association of more than 70,000 of the world's leading life insurance and financial services professionals from more than 500 companies in 72 nations and territories. MDRT members demonstrate exceptional professional knowledge, strict ethical conduct and outstanding client service. MDRT membership is recognized internationally as the standard of excellence in the life insurance and financial services business.

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Keeping more of what you earn. Earning more on what you have kept is simply a matter of getting professional advice that is right for you.



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Dear Member /Owner

Are you interested in becoming a future member of the Board of Directors or a member of one of the Committees of NBTA Credit Union?

If so, please contact the Credit Union office, and we will be sure to contact you in coming years.

Remember, you are an owner of this credit union, and being a director or committee member enables you to participate fully in the changes and progress of NBTA Credit Union.

Name _____

Account # _____

Telephone # _____

Occupation _____

Yes, I am interested in becoming:

A Director _____

A Committee Member _____

Please mail to: NBTA Credit Union
650 Montgomery St
Fredericton, NB
E3B 5R6



NBTA

2021 Bursary Winners



Olivia Lipton
Riverview



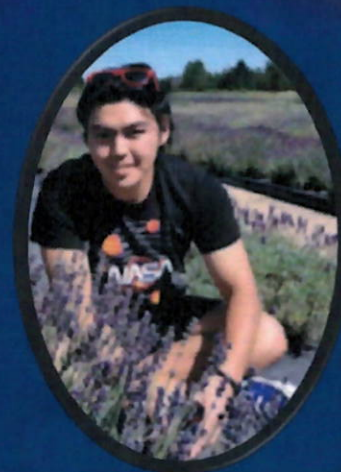
Isabelle Fletcher
Woodstock



Cynthia Cui
Fredericton



Ryca McCullough
Fredericton



Leonardo Cui
Fredericton

Deceased Members

January 2021 – December 2021

Harold Dykeman	Brenda Kelly
Kathleen Bursey	Mary Anne Lawlor
Mabel G. Meredith	Kerry Wilson
Julia Levesque	Gail White
Marguerette Mitchell	Marthe Robichaud
Constance Johnson	Minnie Foss
Carol Levesque	Helen Hopper
Michael McNeill	Ella Bishop
Alfred Paul Elias	Wendall Gillespie
Erna Leger	Vernon Harding
Norman Ferguson	Glenn Russell
Guy Jardine	Nancy Tynes
Jeffrey Toner	Laurence Burt
Karen Titus	Lloyd Allaby
Verna Hayward	Ian Anslow
Manfred Curtis	Barbara Buckley

NBTA CREDIT UNION LIMITED
FIFTIETH
ANNUAL GENERAL MEMBERSHIP MEETING
Thursday, April 28, 2022

AGENDA

1. Call to Order
2. Moment of Silence in Memory of Deceased Members
3. Determination of Quorum
4. Approval of Agenda
5. Approval of Forty-Ninth AGM Minutes – April 27, 2021.
6. Nominating Committee Report and Election of Directors
7. Reports
 - (a) President's Report
 - (b) General Manager's Report
 - (c) Auditor Report and Financial Statements
8. Approval of Reports
9. Recommendations from the Board of Directors
 - (a) Appointment of Auditors
10. New Business
11. Adjournment

**MINUTES
NEW BRUNSWICK TEACHERS' ASSOCIATION
CREDIT UNION LIMITED
49th ANNUAL GENERAL MEETING
Tuesday, April 27, 2021**

The Forty-Ninth Annual General Membership Meeting of the New Brunswick Teachers' Association Credit Union Limited was held virtually on Tuesday, April 27, 2021.

The registration list of members is on file at the Credit Union office.

CALL TO ORDER

The President, Dale Weldon, called the meeting to order at 7:09 p.m.

MOMENT OF SILENCE

The President asked those in attendance to share in a moment of silence in memory of our members who passed away throughout the year.

QUORUM

The President asked the Meeting Coordinator, Kelly Bray, to report if a quorum was present. Kelly declared we have 51 members registered; therefore, a quorum was present.

APPROVAL OF AGENDA

Bob Fitzpatrick/Jim Dysart

THAT THE AGENDA BE APPROVED AS DISTRIBUTED.
Carried

APPROVAL OF FORTY-EIGHTH ANNUAL GENERAL MEETING MINUTES, SEPTEMBER 29, 2020

Ken McIntyre/Sandra Boone

THAT THE MINUTES OF THE FORTY-EIGHTH ANNUAL
GENERAL MEETING HELD ON, SEPTEMBER 29, 2020, BE
APPROVED. Carried

APPOINTMENT OF SCRUTINEERS

The President appointed Erin McDonah and Kelly Bray as scrutineers. He explained that the scrutineers would be responsible for counting election votes.

REPORT OF NOMINATING COMMITTEE

President, Dale Weldon, introduced the following candidates for a position as director on the NBTA Credit Union Board: Sandra Boone, Jim Dysart, Bob Fitzpatrick, Kerry Leopkey, and Ken McIntyre

Nominations from the floor were called. There were no nominations from the floor. Each candidate was given the opportunity to speak to the Membership prior to the vote. The Scrutineers counted the votes by a result of the poll.

REPORTS

The President, Dale Weldon, reported on behalf of the Board of Directors for the fiscal year ending December 31, 2020.

Margery Nichol, General Manager, reported on the previous year's activities.

Margery Nichol, General Manager, presented the audited financial statements and Steve Lund from Deloitte spoke briefly to let the Membership know the audit opinion.

Peter Palmer/Derek Taggart

THAT THE ABOVE REPORTS BE APPROVED AS PRESENTED. Carried.

Dylan Shaw/Moira McLaughlin

THAT THE ADDITIONAL REPORTS SUBMITTED IN THE ANNUAL REPORT BE APPROVED. Carried

RECOMMENDATIONS TO THE OWNERS

AUDITORS

Bob Fitzpatrick/Jim Dysart

THAT THE FIRM OF DELOITTE BE APPOINTED AUDITORS FOR THE FISCAL YEAR JANUARY 1, 2021, TO DECEMBER 31, 2021. Carried

PATRONAGE REBATE

Mike Reed/Lynne Horsnell

THAT A PATRONAGE REBATE OF 5% BASED ON INTEREST PAID ON LOANS AND INTEREST EARNED ON SAVINGS ACCOUNTS FOR THE PERIOD JANUARY 1, 2020, TO DECEMBER 31, 2020, BE PAID TO MEMBERS OF RECORD AS AT DECEMBER 31, 2020. Carried.

BY-LAW CHANGES

Gabriel Copp/Allie Pospolita

THAT THE BY-LAW CHANGES BE APPROVED AS PRESENTED. Carried

RATIFICATION OF MOTIONS AT 2019 AGM

Lynne Horsnell/Rick Demmings

THAT THE MOTIONS MADE AT THE 2019 AGM BE RATIFIED. Carried

INTRODUCTION OF NEW DIRECTORS

President, Dale Weldon, introduced the successful candidates of the election.

- 3 year term: Bob Fitzpatrick
- 3 year term: Sandra Boone
- 3 Year term: Ken McIntyre
- 2 year term: Jim Dysart

NEW BUSINESS

There was no new business to report.

ADJOURNMENT

The President reminded Board Members of the meeting to be held immediately following adjournment of this session.

There being no further business, the meeting adjourned at 8:25 p.m.

President

Secretary

2021 BOARD OF DIRECTORS ANNUAL REPORT

DALE WELDON, PRESIDENT

Introductory Comments

2021 was definitely a challenging year! Last year I defined the paradigm shift the board and staff had to adjust to in dealing with the COVID-19 pandemic, and I wrote that we hoped to have a combined virtual and in-person Annual General Meeting. However, we are still meeting virtually this year, and this decision was not made lightly. As you know, most restrictions were lifted on March 14th, but the Board decided to act in a safe and prudent manner when it came to an in-person meeting. Although restrictions have lifted, the pandemic is not over when it comes to rapid transmission of the virus, and we did not want to take a chance of you our members possibly becoming exposed to the virus. We hope to return to an in-person meeting format next year.

I must point out that your Board of Directors, leadership, and staff of our Credit Union have continued to be very resilient and have wholeheartedly embraced change and continually look to adapt, improve, and find new ways to serve our membership.

2021 also marked our 50 year anniversary and we celebrated that milestone in an exceptional manner. I will detail our activities later in our report.

Your Board of Directors is pleased to say that our financial operations resulted in a surplus, however we did not achieve our budgeted results. More about our financial position later in this report.

Your Board of Directors

It is with great pleasure that I introduce your 2021 Board of Directors, starting with one new director who you elected at the AGM last year:

Bob Fitzpatrick – We welcomed Bob back as a director following last year’s election and we immediately put him to work on the Governance and Youth/Marketing committees, in addition to keeping him on the Audit committee.

Ronna Gauthier – Ronna is an NBTA teacher wellness counsellor. She has embraced her role and continues to bring us a fresh wellness perspective with wellness breaks at our monthly board meetings to break up a long day of discussions. Ronna sits on the Credit, Governance and Youth/Marketing committees.

Dylan Shaw – Dylan informed us in July that after serious reflection, he decided to resign from the Board of Directors due to personal commitments. We decided not to fill his position mid-year and his duties were redistributed for the balance of the year. We thank Dylan for his contributions to the board and wish him well in his new personal endeavor!!

Ken McIntyre- Ken continues to bring us a historical and fresh perspective to all our meetings. This serves us well in his work on the Credit, Nominating, and Youth/Marketing committees, as well as Chair of the Governance committee.

Sandra Boone – Also a former board member and retired teacher, Sandra again agreed to chair the Scholarship committee. She reviews all scholarship applications and makes recommendations to the board, a task which she takes great pride in. Sandra is your First Vice-President, sits on the Nominating committee and chairs the Credit committee.

Jim Dysart – Jim is Second Vice-President and following his re-election last year agreed to chair the Audit committee along with sitting on the Youth/Marketing and Personnel committees. He also helps us with technological issues when we are setting up our board zoom meetings.

Directors reaching the end of their three-year term can offer their candidacy for re-election of another three-year term. This year we have three directors reaching the end of their terms who are seeking re-election and we will be filling one vacant position this year:

Moira McLaughlin – Moira, along with Derek, joined our board in 2019 and thoroughly enjoys her director role. She sits on the Governance, Personnel and Audit committees.

Derek Taggart – Derek is a teacher at Leo Hayes High School and always brings a hearty laugh and seriousness when required at our meetings. Derek sits on the Credit committee and chairs the Youth/Marketing committee and continues in the role of Corporate Secretary.

Dale Weldon – I joined your board in 2016 and am seeking re-election for a final three-year term. I have sat on almost every committee prior to being elected as your President and since July I have replaced Dylan on the committees he formerly sat on. I immensely enjoy working with such a diverse and talented group of directors and interacting almost daily with the leadership and staff of your Credit Union.

Your Board of Directors are very hard working and dedicated to helping make your Credit Union as successful as possible and keep the interests of you our membership, leadership, and staff at the forefront of their work and decision making at all times.

Financial Results

Marge will provide more details on our financial position, but I am pleased to say we had a surplus, but we were disappointed that we didn't meet or exceed our budget.

Our assets on December 31, 2021 were approximately \$80.5 Million, an increase of \$9 Million, which is phenomenal growth during the pandemic. We are growing faster than we anticipated; however, our equity position is still very strong at 7.16%, and far above the Credit Union Act's minimum requirement of 5%. Our loan portfolio remained steady at \$49 Million and we added 172 new members.

We finished the year with a profit of \$54,302 before taxes and a patronage rebate. We are down approximately \$265,000 as compared to last year, but we are very pleased with this performance during the pandemic and with three decreases in prime interest rates!

Unfortunately, we will not be in a position to offer a patronage rebate this year, however we were pleased that we didn't end the year in a deficit position. We have a strong plan in place in 2022 to strengthen our profitability position and the increases in the prime lending rate will help us to achieve our goal.

Community Support

The Credit Union philosophy is to support the community and our members. We continue to financially support the Stan Cassidy Foundation with an annual donation of \$6000, and the NBTA Counselling Program with annual funding of \$18,000. Kevin Montague continues to collect pop tabs to support the Muscular Dystrophy Foundation.

Education Awards

Each year NBTA Credit Union provides five \$1000.00 Education Awards to deserving students who are members or children of members. Applications for the awards are reviewed by the Scholarship Committee and scored based on community involvement, financial need and academics. The recipients of the 2021 Education Awards were Cynthia Cui, Leonardo Cui, Isabelle Fletcher, Olivia Lipton and Ryca McCullough.

50th Anniversary

2021 marked the 50th anniversary of the NBTA Credit Union and the following is a list of our celebration activities:

- Member's names were drawn randomly for a prepaid Visa card, and we also donated \$50 to a charity of the member's choice.
- Random acts of kindness were done such as Valentine's Day flowers for a recently widowed member, and donations of groceries to the community kitchen, among others.
- Staff and Board members received a branded jacket.
- A donation of 50 turkeys to the Greener Village turkey race was made.
- Each month four \$50 bills were placed randomly in the ATM as an extra bonus when withdrawals were made.
- 50 promotional items were mailed out to members twice during the year – cutlery sets and branded tote bags.

I would like to express the Board's appreciation to Meghan Reed for chairing the committee and their work to celebrate our milestone of 50 years in business for our members. Stay tuned for information on a celebration dinner in the fall.

Committees

Your board meets ten times per year and the Audit and Credit Committees have an additional meeting in August. We have adapted to Zoom technology for our meetings when necessitated by following the rules set forth during the pandemic, but we definitely prefer meeting in person, when deemed safe for everyone. The governance, youth/marketing, personnel, nominating, and scholarship committees meet several times per year, and the chairs of each committee present a summary of their meetings to the board of directors. Each year, we strive to offer directors

diversity in committee membership to enhance their experiences, while maintaining a balance of experience on the committees. Each board member is enrolled in continuing education through the Credit Union Director Achievement (CUDA) program with the goal of receiving their accreditation certificate. Following the completion of each course, the director shares a summary on what they learned in the course to the board.

Conclusion

More than two years have passed forcing us to live with the COVID-19 pandemic, and we had no idea how long it would impact our personal and business lives. I am certain that a lot of us have had a negative experience with COVID-19. One relatable quote that comes to my mind is by Robert Brault, "Enjoy the little things, for one day you may look back and realize they were the big things". The directors and I cannot be prouder of how the leadership and staff of your Credit Union have worked together during this difficult and different time on building a new way of doing things so that everyone, especially our members, succeed in every way possible.

For several years now we have emphasized how new member growth is absolutely vital to our continuing success. This report has highlighted our many achievements in 2021, but, while exceeding our expectations during the pandemic, some key indicators are down from last year. We need our membership to increase in this and future years. Our Referral Program is still up and running. Twice a year we draw two names from the list of people who have referred new members to us for a \$1000.00 cash prize. Referral cards are available in the office or on the website. Please tell our story to friends and family.

Thank You

Thank you for again embracing the electronic format of our AGM, and I trust it will be an enjoyable experience for you all.

Thank you to our excellent, hard-working, dedicated, and forward-thinking staff who throughout the past year have always kept a smile on their face.

Thank you, Marge and Patria, for your amazing leadership.

Thank you to the board of directors and volunteers for your continuing commitment and hard work.

And finally, thank you to you and all of our members. We are pleased to work for you and the continuing success of the NBTA Credit Union.

General Manager's Report 2021

It is with great pleasure that I share with you what has been happening at your credit union over the past year. Who would have thought that we would still be dealing with the global pandemic? It has truly affected our lives and we at NBTA Credit Union see this by the way our members now choose to conduct their daily business with us. The in-branch traffic has slowed while the phones have been ringing off the hook and our email inboxes are full. I am fortunate to be working with a great group of people who rose to the challenges brought on by these changes. We have adapted our processes, introduced new technology, and supported each other through difficult times.

We know some of our members faced difficult times as well. The ever-increasing price of food, gas and housing has made it difficult for people living on fixed incomes. So, NBTA Credit Union made the decision not to lower the rate of interest we pay on our Member Life Savings Accounts. Throughout the different stages of our lives, we tend to move from saving money to borrowing money and then hopefully back to saving money again. We need members who are in all these stages. We need the young people, who are excited to open their first savings account. We need the people who borrow to fund their education, buy homes and cars. And we need the members who save for their retirement. The interest rates on loans and mortgages have been at record lows for quite a few years, and this typically means the interest rate on savings accounts has been low as well. By offering low rates on borrowing and not lowering the rate that we pay on deposits, we believe we have helped all of our members. This of course has affected our bottom line, but we felt we had the ability to do so and remain financially strong.

This is the credit union difference. We care about our members' success. You are our shareholders, our owners. It is great when we can recommend a patronage rebate, but we feel it is even more important that we do what we can to help our members when times are tough. We know that the Bank of Canada will be raising its' prime lending rate. We know we will get back to pre-pandemic profit levels. We know that we build loyalty from our members by always considering their needs when making business decisions. NBTA Credit Union will always have your best interest in mind because we succeed when you succeed.

One measure of success is the ability to attract new members. Any financial institution can offer competitive rates or the latest innovative products and services. We do this as well, but what sets us apart is our customer service. We have a reputation for providing great customer service and that is something in which we take great pride. We added 171 new members in 2020 and this year we added 172. We added members in all age groups with the most being between the ages of 35 and 44. Many of these members left their financial institution and came to us because

they have heard about our outstanding customer service. You have a great group of people working for you. They go above and beyond to assist our members. It doesn't make any difference what our job title may be, we are all customer service representatives first and foremost.

We had some changes to our staff this year. For example, Sam Drummond worked for us as a summer student for a couple of years before he joined our team full time. He fit in well and our members loved him. In the fall, Sam decided to return to university to obtain his degree in education, but we are fortunate he will be returning as our summer student again in 2022. We also hired two more member service representatives. Shari Embleton came on in May and Alynn Legere-MacNutt was hired in August. We always manage to find great people and these 2 are no exception. Shari loves working with our members, and it shows. Alynn caught on very quickly and now it seems like both have been here forever. If you do come in the branch, be sure to stop and introduce yourself. They look forward to meeting more of our members.

As many of you are aware, NBTA Credit Union is a certified B-Corp. B-Corp certification is a designation that certifies a business is meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and the environment. The certification is difficult to achieve. I am proud to report that not only did we attain recertification this year, we were also awarded the designation of "Best in The World For Employees".

The credit unions in Atlantic Canada and across the country recognize that it is important to support our local businesses and once again, we participated in the "Loyal2Local" initiative. This initiative had Atlantic Central, our trade association, give each credit union employee and each director some money to spend. The only stipulation was the money had to be spent at a local business or given to a local charity. This brought thousands of dollars into our communities.

NBTA Credit Union works with a number of partners. Some of our partnerships include League Data, Atlantic Central, League Savings & Mortgage, Dave Gorman Financial Strategies Inc., CUMIS, the Canadian Credit Union Association as well as other Credit Unions. It is because of this collaboration that we can continue to evolve our products and services and add new ones when they become available. This year we introduced Mobile Wallets. Our members can leave their debit cards at home and use the digital wallet on their mobile phone to pay for purchases. Young people are accustomed to the technology and if we don't provide the same convenient access to their accounts as the big banks do, it will be hard for us to stay relevant and compete for their business. It isn't just the young people; I think we are all immersed in the technology of today. As I mentioned earlier, we need a diverse membership to be successful. Savers, borrowers, young and old and everything in between.

NBTA Credit Union has continued to invest money in cybersecurity. As a financial institution we hold a lot of personal, confidential member information. It is imperative we keep this sensitive information secure. We are continuously working to tighten our security posture, both physical and digital. League Data, our banking service provider, has taken the lead role in assisting our credit union. There are many benefits to this partnership. One is being able to draw on the expertise of their employees. You can have confidence that the Atlantic Credit Union system is working together to safeguard your information.

NBTA Credit Union was incorporated in 1971 making this our 50th anniversary. We are planning an in-person celebration this fall. Watch the website, newsletters, and social media for details as they become available.

A number of years ago, our Board of Directors decided we should become a corporate sponsor of a deserving organization. They wanted the recipient organization to serve people from all over the province as we have members in communities throughout New Brunswick. After much consideration, we chose the Stan Cassidy Foundation. We have held various fundraisers throughout the years and this year we were asked to be the presenting sponsor of their annual Light Up a Life campaign. I am thrilled to let you know that the campaign was extremely successful. Light Up a Life raised more money for the Patient Impact Fund at the Stan Cassidy Centre than the amount of grants funded in 2021! Because of the generosity of our community, they are able to increase the grants this year from \$300 to \$400 for each patient. I want to thank all our members who also made donations.

As our province, country and the world relax the 2 years of public health restrictions, we can begin to see renewed activity in everyday life. We are ready to assist you, in all of your financial needs whether in person, on the telephone, via email or through virtual meetings. We are here for you!

Finally, I would like to thank the staff for the great work they do. I would like to thank our directors for their dedication, support, and guidance. Most of all, I want to thank you, our members for choosing NBTA Credit Union. We are very grateful for the trust you have in us. I am sure the next fifty years will see continued success for NBTA Credit Union and its' members.

Respectfully submitted,

Margery Nichol, General Manager

CREDIT COMMITTEE REPORT

2021

The NBTA Credit Union Credit Committee for this past year consisted of the following members of the Board of Directors: Sandra Boone (Chair), Derek Taggart, Ken McIntyre and Ronna Gauthier. Each member of the committee brought valuable experience, talents, and insights to his/her role in this extremely important committee. The tasks of the Credit Committee require high confidentiality and accountability. All members have been trained in the *Best Practices for Credit Committees* as well as the specific mandate of the NBTA Credit Union Credit Committee.

The Credit Committee wishes to salute and thank the hard-working Loans team of Shawna Lynn Reid, Dawna Scott, Kristy MacKinnon, and Rachel Harvey.

During this past year, the Credit Committee reviewed loans according to a variety of criteria established by the Board of Directors, FCNB (Financial and Consumer Affairs New Brunswick) and the Credit Union Act and Regulations. Loans outside regular Credit Union guidelines are forwarded to Atlantic Central for approval.

Loans are most commonly broken down into seven categories: personal lines of credit, mortgages, home equity lines of credit, auto purchase and repair, consolidation, home renovations and repairs, and other. During this past fiscal year, a total of 343 loans were disbursed. The total amount of loans disbursed for all categories in 2021 was \$9,628,145.54.

The total loan portfolio for 2021 was \$53,153,830.06

The Credit Committee continues to be concerned with the television and radio advertisements which provide misleading information that bankruptcy is a quick and easy method of getting out of debt. We have expressed our concerns to Atlantic Central.

Should you have questions concerning the Credit Committee, I, as chair, or any member of the committee will be happy to answer.

Respectfully submitted,

Sandra Boone, Chair
Credit Committee

NBTA Credit Union Audit Committee Report 2021

In his report to the 2020 Annual Meeting, Audit Committee Chair Peter Palmer stated:

“We as a Country, a Province, and a Credit Union, have had significant challenges in 2020 in the midst of a global pandemic. Through the support of our members, adroit stewardship by the NBTA Credit Union Administration and outstanding efforts and customer service by staff, we are pleased that the Audit Committee can report, not only that we, the NBTA Credit Union, have weathered the fiscal storm, but have had unprecedented growth.”

The same can be said of 2021 ...

Even with the tremendous upheaval of virtually every aspect of daily life, NBTA Credit Union was able to continue to operate, providing continued and uninterrupted service to its members, and continuing its growth by about 10%.

However, the uncertainty created by the continued pandemic, and the restrictions of social activity created an environment where our growth increased substantially, but corresponding loan activity did not. It is through loan and investment income that the profit levels of the Credit Union increase. Our growth was due to increased deposits rather than through earned interest and profit.

Members of the Audit Committee included Dylan Shaw, Moira McLaughlin, and Bob Fitzpatrick as well as NBTA Credit Union President Dale Weldon. General Manager Marge Nichol and Assistant General Manager Patria White provide support for the committee.

The work of the Audit Committee includes monthly review of all expenses as well as all bank reconciliations for accuracy and management approval. The committee also is provided with a line-by-line report of income and expenditures for the month and year-to-date, and notes related to any deviation from budget for the month.

In addition, the committee reviews quarterly reports covering such topics as Anti-money Laundering, Personal Protection and Electronic Documents Act (PIPEDA) issues, Fraud Protection and Prevention, reports related to Cash Flow and Capital, and a GAP analysis report that provides a measure of the potential impact on the Credit Union of any increases or decreases in interest rates.

We also receive a monthly Liquidity Coverage Ratio (LCR) Report that provides a snapshot of the overall balance between cash outflow and liquid assets. NBTA Credit Union is currently well above the minimum ratio recommended by our regulators.

The committee also considers policies related to financial best practices and management, as well as any adjustments required by the regulatory agencies that oversee the work of Credit Unions in the province.

Surprise Cash Counts are initiated by the Audit Committee a few times throughout the year. This process has members of the committee arrive unannounced at the beginning of a banking day and form teams to count all the cash on the Credit Union premises, including the contents of the ATM, all teller cash drawers, and the entire contents of the "Treasury" (all the cash on site including Canadian and US dollars, British Pounds, and Euros). The count ensures the amount of cash on hand and the amount stated in reports balance.

I am pleased to report that we did not find any unresolved issues in any of the report reviews or counts. The management and staff are meticulous in following all policies and procedures to ensure accurate and secure operation and protection of members' funds.

NBTA Credit Union has a strong management team and a very dedicated and enthusiastic staff. It is comforting to know that although the pandemic has been extremely unpredictable, members of the NBTA Credit Union have been able to continue to count on the professional and friendly personal service by our staff to help with their financial needs.

Jim Dysart

Chair
NBTA Credit Union Audit Committee
2021

Governance Committee

2021 Annual Report

The Governance Committee consisted of Sandra Boone, Ronna Gauthier, Moira McLaughlin and Ken McIntyre. The committee is responsible for recommending new policies to the board as well as reviewing and updating all policies and bylaws on a three year cycle. This year the committee met six times and reviewed and recommended the following:

- A new policy on mandatory proof of Covid vaccination for staff and board.
- An updated Investment Policy
- A new Market Conduct Code Policy. This policy is based on credit union principles and values and was created to protect credit union members and to assure them of proper conduct.

The committee also completed a thorough review of our bylaws. This review first began in 2020 to align our bylaws to the new Credit Union Act.

Respectively submitted

Ken McIntyre

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Management of New Brunswick Teachers' Association Credit Union Limited is responsible for the integrity, objectivity and consistency of the financial information presented in this annual report. This responsibility includes selecting appropriate accounting principles and ensuring that the financial information is based on informed judgments and estimates with appropriate consideration as to materiality. The Board of Directors has approved the financial statements for issuance to the members.

Management maintains the necessary system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records maintained.

The Board of Directors oversees Management's responsibilities for financial statements through the Audit Committee. The Audit Committee conducts a detailed review of the financial statements with Management and the independent auditors before recommending their approval to the Board of Directors.

Deloitte, the independent auditors, have examined our financial statements and issued their report, which follows. The auditors have full and complete access to, and meet periodically with, the Audit Committee to discuss the audit and matters arising there from.

Dale Weldon
President
Board of Directors

Margery Nichol
General Manager

RECOMMENDATIONS TO THE MEMBERS

10 a)

AUDITORS

NBTA Credit Union is recommending that the firm Deloitte be appointed auditors for the fiscal year January 1, 2022, to December 31, 2022.

Financial statements of
New Brunswick Teacher's Association
Credit Union Limited

December 31, 2021

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Independent Auditor's Report

To the Members of
New Brunswick Teacher's Association Credit Union Limited

Opinion

We have audited the financial statements of New Brunswick Teacher's Association Credit Union (the "Credit Union"), which comprise the statement of financial position as at December 31, 2021, and the statements of income and comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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 GAAS 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 GAAS, 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.

Deloitte LLP

Chartered Professional Accountants
April 19, 2022

New Brunswick Teacher's Association Credit Union Limited
Statement of income and comprehensive income

Year ended December 31, 2021
(CDN dollars)

	Notes	2021 \$	2020 \$
Interest income			
Interest on loans	4	2,112,899	2,256,049
Interest on investments	4	53,773	96,332
		<u>2,166,672</u>	<u>2,352,381</u>
Interest expense	5	431,613	514,733
Net interest income		1,735,059	1,837,648
Provision for credit losses	10	136,337	162,135
		<u>1,598,722</u>	<u>1,675,513</u>
Other income	6, 12	512,880	532,636
Total operating income		<u>2,111,602</u>	<u>2,208,149</u>
Operating expenses			
Personnel		1,003,988	935,215
General and administrative		655,251	604,561
Member security		128,217	124,168
Operations		102,466	74,962
Finance costs	12	24,634	27,094
Occupancy		13,562	11,983
Depreciation			
Right-of-use asset	12	81,365	81,365
Property and equipment		47,817	29,553
Total operating expenses		<u>2,057,300</u>	<u>1,888,901</u>
Earnings before patronage rebate and income taxes		54,302	319,248
Patronage rebate	16	5,041	113,183
Earnings before income taxes		<u>49,261</u>	<u>206,065</u>
Income tax expenses			
Current	15	2,003	30,795
Deferred		4,100	2,600
		<u>6,103</u>	<u>33,395</u>
Net income and comprehensive income for the year		<u>43,158</u>	<u>172,670</u>

The accompanying notes are an integral part of the financial statements.

New Brunswick Teacher's Association Credit Union Limited

Statement of changes in members' equity

Year ended December 31, 2021

(CDN dollars)

	2021	2020
	\$	\$
Retained earnings, beginning of year	4,077,130	3,904,460
Net comprehensive income	43,158	172,670
Retained earnings, end of year	4,120,288	4,077,130

The accompanying notes are an integral part of the financial statements.

New Brunswick Teacher's Association Credit Union Limited

Statement of financial position

As at December 31, 2021

(CDN dollars)

	Notes	2021 \$	2020 \$
Assets			
Cash and cash equivalents	7	8,486,437	7,718,138
Investments	8	21,583,604	12,350,286
Loans receivable	9	49,525,657	49,913,618
Accrued interest receivable		45,860	68,402
Other receivables		49,956	105,847
Prepaid expenses		31,229	21,373
Property and equipment	11	59,545	77,569
Right-of-use asset	12	650,918	732,283
Current tax receivable		33,437	9,644
Deferred income taxes	15	25,200	29,300
		80,491,843	71,026,460
Liabilities			
Deposits from members	14	73,737,496	64,220,191
Accrued patronage rebate		—	104,780
Accrued interest payable		59,605	66,538
Accounts payable		170,087	73,256
Lease liability	12	672,838	744,473
Retirement allowance		91,213	79,213
Membership shares	16	1,640,316	1,660,879
		76,371,555	66,949,330
Members' equity			
Retained earnings		4,120,288	4,077,130
		80,491,843	71,026,460
Commitments	19		

The accompanying notes are an integral part of the financial statements.

On behalf of the Board

_____, Director

_____, Director

New Brunswick Teacher's Association Credit Union Limited

Statement of cash flows

Year ended December 31, 2021

(CDN dollars)

	Notes	2021 \$	2020 \$
Operating activities			
Net income and comprehensive income		43,158	172,670
Adjustments for			
Provision for credit losses	10	136,337	162,135
Interest income		(2,166,672)	(2,352,381)
Interest expense		431,613	514,733
Retirement allowance		12,000	11,000
Patronage rebate	16	5,041	113,183
Depreciation		47,817	29,553
Deferred income taxes	15	4,100	2,600
Current income taxes	15	2,003	30,795
		(1,484,603)	(1,315,712)
Changes in operating assets/liabilities:			
Change in loans receivable		251,624	(2,365,701)
Change in deposits from members		9,517,305	8,185,641
Change in other operating assets		46,035	68,541
Change in other operating liabilities		96,831	(97,096)
		8,427,192	4,475,673
Interest received		2,189,214	2,360,070
Interest paid		(438,546)	(534,942)
Income taxes paid		(18,393)	(10,405)
		10,159,467	6,290,396
Investing activities			
Increase in investments		(9,233,318)	(3,158,277)
Purchase of property and equipment		(29,793)	(24,532)
		(9,263,111)	(3,182,809)
Financing activities			
(Decrease) increase in membership shares		(20,563)	72,556
Payment of patronage rebate		(104,780)	(186,413)
Interest paid on leased asset	12	(24,634)	(27,094)
Repayment of lease liability	12	21,920	12,190
		(128,057)	(128,761)
Net change in cash and cash equivalents		768,299	2,978,826
Cash and cash equivalents, beginning of year		7,718,138	4,739,312
Cash and cash equivalents, end of year		8,486,437	7,718,138

The accompanying notes are an integral part of the financial statements.

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

1. Reporting entity

New Brunswick Teacher's Association Credit Union Limited (the "Credit Union" or "NBTA") is incorporated under the Credit Unions Act of New Brunswick (the "Credit Unions Act") and is a member of the New Brunswick Credit Union Deposit Insurance Corporation ("NBCUDIC"). The Credit Union was incorporated on October 13, 1971 and was organized for the benefit of the members of the New Brunswick Teacher's Association. Effective June 2010, the Credit Union opened to the general public.

The Credit Union provides financial services including lines of credit, mortgages, loans and deposit taking to its members. The registered office of the Credit Union is at 650 Montgomery Street, Fredericton, New Brunswick.

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Credit Union's Board of Directors ("Board") and authorized for issuance on April 12, 2022.

Basis of preparation

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

Use of significant accounting judgments, estimates and assumptions

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

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

2. Basis of preparation (continued)

Judgments made by management in the application of IFRS that have a significant effect on these financial statements and estimates with a significant risk of material adjustment in the next year are discussed below. Areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the Credit Union's financial statements are as follows:

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from observable markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives, discount rates and prepayment rates. The valuation of financial instruments is described in more detail in note 21.

(b) Impairment losses on loans and advances under IFRS 9 – Financial Instruments ("IFRS 9")

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

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

The impairment loss on loans to members is disclosed in more detail in Note 9 and Note 10.

(c) Economic lives of property and equipment

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

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

2. Basis of preparation (continued)

(d) Provisions

The amount recognized as provisions and accrued liabilities, including legal, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Credit Union assesses its liabilities and contingencies based upon the best information available.

3. Significant accounting policies

The following accounting policies have been applied consistently by the Credit Union:

Financial instruments

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

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

Financial assets

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

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

Specifically:

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

New Brunswick Teacher's Association Credit Union Limited
Notes to the financial statements

December 31, 2021
(CDN dollars)

3. Significant accounting policies (continued)

Financial assets (continued)

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

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

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

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

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

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

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

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

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

3. Significant accounting policies (continued)

Debt instruments at amortized cost

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

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

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

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

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

Fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are:

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

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 21.

Impairment of financial assets

The Credit Union assesses loss allowances for expected credit losses ("ECLs") on its financial instruments that are not measured at FVTPL. Loss allowances are recognized on loans to members (Note 10).

No impairment loss is recognized on equity investments.

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

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

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.

New Brunswick Teacher's Association Credit Union Limited
Notes to the financial statements

December 31, 2021
(CDN dollars)

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided below.

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

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

(i) Credit-impaired financial assets

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

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

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

(ii) Definition of default

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

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

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

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

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

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

(iii) Significant increase in credit risk

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

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

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

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

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

For retail lending the Credit Union considers events such as bankruptcy and consumer proposals.

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

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

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

More information about significant increase in credit risk is provided in Note 21.

(iv) Measurement of ECL

The key inputs used for measuring ECL are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

New Brunswick Teacher's Association Credit Union Limited
Notes to the financial statements

December 31, 2021
(CDN dollars)

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

(iv) Measurement of ECL (continued)

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

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

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

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

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

(v) Write-offs

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

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

3. Significant accounting policies (continued)

Modification and derecognition of financial assets

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

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

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

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

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

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

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

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

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

Financial liabilities

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

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

3. Significant accounting policies (continued)

Other financial liabilities

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

Derecognition of financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with Atlantic Central and other liquid investments with original maturities of three months or less. Cash and cash equivalents are used by the Credit Union in the management of its short-term commitments.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is considered to be equivalent to fair value due the short term nature of these assets.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant components of property and equipment have different useful lives, they are accounted for as separate assets.

Depreciation is recognized in profit or loss on a straight-line basis over the respective assets' estimated useful lives. The depreciation rates for each class of asset in the current and comparative period are as follows:

Office equipment	1 to 10 years
Computer hardware	1 to 5 years
Computer software	1 to 5 years
Automated banking machine	5 years
Leasehold improvements	10 years

Depreciation methods, useful lives, and residual values are reassessed at the end of each reporting period.

The Credit Union as a lessee

The Credit Union assesses whether a contract is or contains a lease, at inception of the contract. The Credit Union recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Credit Union recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

3. Significant accounting policies (continued)

The Credit Union as a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Credit Union remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Credit Union expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

3. Significant accounting policies (continued)

The Credit Union as lessor

When the Credit Union is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as an operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from an operating lease is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Deposits from members

Deposits from members are disclosed in Note 14 and represent the Credit Union's main source of funding. They are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Provisions

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

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

Employee benefits

(a) Short-term employee benefits

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

(b) Retirement allowance

Upon retirement, eligible employees are paid a retirement allowance based on years of service. The allowance is recognized when eligible employees reach the age of retirement or it is probable that the employee will receive the retirement allowance. If the allowance is payable more than twelve months after the reporting period, it is recorded at the discounted present value.

Membership shares

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

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

3. Significant accounting policies (continued)

Revenue recognition

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

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

Other income, which includes commission fees, account service fees, investment management fees and insurance fees are recognized over the period the services are performed.

Income taxes

Income tax expense comprises current and deferred tax.

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

Deferred tax is recognized in respect of temporary differences between the tax bases of assets and liabilities and their respective carrying amounts for financial reporting purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the asset can be utilized.

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

Foreign currency translation

The financial statements are presented in Canadian dollars.

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

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

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

4. Interest income

	2021	2020
	\$	\$
Interest on loans		
Personal loans	882,412	951,493
Pooled fund mortgages	619,192	613,911
Lines of credit and overdraft	611,295	690,645
	2,112,899	2,256,049
Interest on Investments	53,773	96,332
	2,166,672	2,352,381

New Brunswick Teacher's Association Credit Union Limited
Notes to the financial statements

December 31, 2021
(CDN dollars)

5. Interest expense

	2021	2020
	\$	\$
Member Life savings	224,120	235,184
TFSA and other	106,465	126,308
Term deposits	59,054	91,518
Chequing	41,974	61,723
	431,613	514,733

6. Other income

	2021	2020
	\$	\$
Commissions, net	282,715	274,397
Service charges	162,311	159,935
Foreign exchange gain (loss)	35,729	(16,429)
Other	11,175	49,122
Atlantic Central rebate	10,522	49,150
Rent	10,428	16,461
	512,880	532,636

7. Cash and cash equivalents

	2021	2020
	\$	\$
Cash on deposit with Atlantic Central	7,677,316	7,008,932
Cash on hand	432,235	422,442
Cash – CEBA	366,880	273,114
Cheque clearing	10,006	13,650
	8,486,437	7,718,138

The Credit Union has an available line of credit of \$1,770,000 with Atlantic Central, bearing interest at a rate of 1.95%. This line of credit was unutilized as at December 31, 2021 (2020 - \$nil). The line of credit is secured by investments with Atlantic Central and a general assignment of book debts.

The Credit Union has cash on deposit with Atlantic Central of \$366,880 (2020 - \$273,114) relating to the issuance of Canadian Emergency Business Account ("CEBA") loans as part of the Government of Canada's response to COVID-19. The Credit Union is acting as an intermediary for these loans on behalf of the Government of Canada and therefore this cash balance is restricted for funding CEBA loans only.

New Brunswick Teacher's Association Credit Union Limited**Notes to the financial statements**

December 31, 2021

(CDN dollars)

8. Investments

	2021	2020
	\$	\$
Amortized cost		
Atlantic Central shares	9,917,720	3,705,050
Pooled fund mortgages	3,417,073	3,294,970
Concentra term deposit	2,000,000	—
League Data shares	50,940	50,940
FVTPL		
Atlantic Central liquidity reserve deposit	6,197,871	5,299,326
	21,583,604	12,350,286

As required by the Credit Unions Act, the Credit Union maintains investments in Atlantic Central to satisfy the legislated liquidity level of 10% of total liabilities of which 8% is to be in liquidity reserve deposits with Atlantic Central.

9. Loans receivable

	2021	2020
	\$	\$
Personal	20,360,794	20,790,706
Mortgages	18,604,542	17,260,512
Lines of credit	10,771,422	12,126,974
	49,736,758	50,178,192
Less: allowance for impaired loans (Note 10)	211,101	264,574
	49,525,657	49,913,618

Personal loans and mortgages are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum term of five years. Line of credit loans are repayable on a revolving credit basis and require minimum monthly payments. All loans are open and, at the option of the borrower, may be repaid at any time without notice. Types of collateral generally obtained by the Credit Union include member's personal property such as vehicles or homes.

New Brunswick Teacher's Association Credit Union Limited
Notes to the financial statements

December 31, 2021
(CDN dollars)

10. Allowance for impaired loans

The activity in the allowance for impaired loans is summarized as follows:

	Personal and LOCS \$	Mortgages \$	2021 Total \$	2020 Total \$
Balance, beginning of year	263,846	728	264,574	255,609
Collection of loans previously written-off as uncollectible	65,772	—	65,772	45,503
Loans written-off as uncollectible	(255,582)	—	(255,582)	(198,673)
Provisions for credit losses	122,345	13,992	136,337	162,135
Balance, end of year	196,381	14,720	211,101	264,574

The tables below analyze the movement of the IFRS 9 loss allowance during the fiscal 2021 year:

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Loss allowance Personal and LOCs				
Loss allowance as at January 1, 2021	126,584	9,745	127,517	263,846
Transfer to stage 1	23,863	(589)	(23,425)	(151)
Transfer to stage 2	—	50,360	(26,324)	24,036
Transfer to stage 3	—	(8,747)	40,457	31,710
Financial assets that have been derecognized	(31,458)	(1,465)	(38,106)	(71,029)
Change in model inputs	—	(20,459)	(31,572)	(52,031)
Loss allowance as at December 31, 2021	118,989	28,845	48,547	196,381

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

- (1) The gross carrying amount of new personal loans and LOCs to members originated during fiscal 2020 amounted to \$5,537,997 as at December 31, 2021.
- (2) The gross carrying amount of new personal loans and LOCs to members originated during fiscal 2019 amounted to \$7,440,697 as at December 31, 2020.

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

10. Allowance for impaired loans (continued)

Carrying amounts Personal and LOCs				Year ended 2021
	Stage 1	Stage 2	Stage 3	ECL Staging Total
	\$	\$	\$	\$
Credit Grading	30,904,432	—	—	30,904,432
Standard monitoring	—	—	—	—
Under 30 days past due	—	—	—	—
Greater than 30 days past due, but not in default	—	128,200	—	128,200
Default	—	—	99,584	99,584
Total gross carrying amount	30,904,432	128,200	99,584	31,132,216
Loss allowance	(118,989)	(28,845)	(48,547)	(196,381)
Carrying amount	30,785,443	99,355	51,037	30,935,835
Carrying amounts Personal and LOCs				Year ended 2020
	Stage 1	Stage 2	Stage 3	ECL Staging Total
	\$	\$	\$	\$
Credit Grading				
Standard monitoring	32,675,221	—	—	32,675,221
Under 30 days past due	—	—	—	—
Greater than 30 days past due, but not in default	—	56,805	—	56,805
Default	—	—	185,654	185,654
Total gross carrying amount	32,675,221	56,805	185,654	32,917,680
Loss allowance	(126,584)	(12,781)	(124,481)	(263,846)
Carrying amount	32,548,637	44,024	61,173	32,653,834

New Brunswick Teacher's Association Credit Union Limited
Notes to the financial statements
December 31, 2021
(CDN dollars)

10. Allowance for impaired loans (continued)

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Loss allowance				
Mortgages				
Loss allowance as at January 1, 2021	555	173	—	728
Transfer to stage 1	151	—	—	151
Transfer to stage 2	—	—	—	—
Transfer to stage 3	—	—	9,268	9,268
Financial assets that have been derecognized	—	—	—	—
Change in model inputs	3,355	(173)	1,391	4,573
Loss allowance as at December 31, 2021	4,061	—	10,659	14,720

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

- (1) The gross carrying amount of new mortgages to members originated during fiscal 2020 amounted to \$4,023,356 as at December 31, 2021.
- (2) The gross carrying amount of new mortgages to members originated during fiscal 2019 amounted to \$5,932,085 as at December 31, 2020.

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Year ended 2021 ECL Staging Total \$
Carrying amounts				
Mortgages				
Credit Grading	18,506,981	—	—	18,506,981
Standard monitoring	—	—	—	—
Under 30 days past due	—	—	—	—
Greater than 30 days past due, but not in default	—	—	—	—
Default	—	—	97,561	97,561
Total gross carrying amount	18,506,981	—	97,561	18,604,542
Loss allowance	(4,061)	—	(10,659)	(14,720)
Carrying amount	18,502,920	—	86,902	18,589,822

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

10. Allowance for impaired loans (continued)

Carrying amounts Mortgages				Year ended 2020
	Stage 1	Stage 2	Stage 3	ECL Staging Total
	\$	\$	\$	\$
Credit Grading				
Standard monitoring	17,219,897	—	—	17,219,897
Under 30 days past due	—	—	—	—
Greater than 30 days past due, but not in default	—	40,615	—	40,615
Increase in credit risk	—	—	—	—
Default	—	—	—	—
Total gross carrying amount	17,219,897	40,615	—	17,260,512
Loss allowance	(555)	(173)	—	(728)
Carrying amount	17,219,342	40,442	—	17,259,784

11. Property and equipment

	Cost	Accumulated depreciation	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Leasehold improvements	361,066	360,810	256	5,300
Office equipment	263,915	256,922	6,993	12,667
Computer hardware	130,531	121,608	8,923	12,226
Automated banking machine	63,106	30,857	32,249	37,508
Computer software	30,622	19,498	11,124	9,868
	849,240	789,695	59,545	77,569

12. Leases

Right of use asset

At December 31, 2021 the carrying amount of the right-of-use asset was \$650,918 (\$732,283 in 2020), the cost was \$813,648 (\$813,648 in 2020) and the accumulated depreciation was \$162,730 (\$81,365 in 2020).

The Credit Union's obligations are secured by the lessors' title to the leased assets for such leases.

New Brunswick Teacher's Association Credit Union Limited**Notes to the financial statements**

December 31, 2021

(CDN dollars)

12. Leases (continued)*Amounts recognized in profit and loss*

	2021	2020
	\$	\$
Depreciation expense on right-of-use-asset	81,365	81,365
Interest expense on lease liability	24,634	27,094
Income from subleasing right-of-use-asset	47,136	46,136

Lease liabilities

Lease liability maturity over the next five years are as follows:

	\$
2022	604,936
2023	528,338
2024	449,015
2025	366,871
2026	281,806

13. Operating lease arrangements*The Credit Union as a lessor*

Operating leases, in which the Credit Union is the lessor, relate to property leased by the Credit Union with a sublease term of 10 years. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Credit Union, as they relate to property which is located in a location with a constant increase in value over the last number of years. The Credit Union did not identify any indications that this situation will change.

Minimum operating lease payments over the next four years are as follows:

	\$
2022	76,723
2023	76,723
2024	76,723
2025	76,723
Total	<u>306,892</u>

New Brunswick Teacher's Association Credit Union Limited**Notes to the financial statements**

December 31, 2021

(CDN dollars)

14. Deposits from members

	2021	2020
	\$	\$
Member savings	33,256,112	27,008,987
Chequing	22,526,063	21,061,319
Term deposits	6,949,952	6,821,487
Tax free savings	6,753,946	5,984,550
Demand	2,873,677	2,113,194
Plan 24	1,377,746	1,230,654
	73,737,496	64,220,191

15. Income taxes

The provision for income taxes reported for the year ended December 31, 2021 differs from the amount computed by applying the Canadian statutory rate to income before income taxes mainly due to the impact of the allowance for impaired loans and the retirement allowance obligation.

	2021	2020
	\$	\$
Earnings before patronage rebate and income taxes	54,302	319,248
Income tax expense based on statutory rate of 11.5% (11.5% in 2020)	6,245	36,714
Effect of permanent differences	(478)	(15,788)
Prior year true up	386	12,380
Other	(50)	89
	6,103	33,395

Temporary differences, which give rise to the following deferred income tax asset, are as follows:

	2021	2020
	\$	\$
Deferred income tax assets (liability)		
Capital assets	2,300	2,800
Retirement allowance	10,500	9,100
Collective reserve	24,300	30,400
Right of use asset	2,500	1,400
Deferred distribution	(14,400)	(14,400)
	25,200	29,300

New Brunswick Teacher's Association Credit Union Limited
Notes to the financial statements
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16. Membership shares

	2021	2020
	\$	\$
Surplus shares unlimited	1,617,732	1,632,904
Membership shares unlimited	22,584	27,975
	<u>1,640,316</u>	<u>1,660,879</u>

Authorized share capital and classification

Membership shares

Section 30-1 of the Credit Unions Act describes shares as the capital of the Credit Union. Pursuant to the Credit Union's by-laws, the value of each membership share is \$5. As a condition of membership, each adult member is required to hold one share.

These shares have specific restrictions on withdrawal and are not covered by Credit Union Deposit Insurance. Since membership shares are redeemable on demand, they are presented as a liability on the Credit Union's Statement of Financial Position in accordance with IAS 32 Financial Instrument Presentation and IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments.

Surplus shares

Pursuant to the Credit Union's by-laws, the value of each surplus share is \$1 and may be issued to eligible members holding at least forty membership shares. These shares have specific restrictions on withdrawal and are not covered by Credit Union Deposit Insurance. Surplus shares are presented as a liability on the Credit Union's balance sheet in accordance with IAS 32 Financial Instrument Presentation and IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments.

Patronage rebates

Patronage rebates on membership shares may be declared by the Credit Union's Board of Directors, subject to availability of sufficient earnings to meet the regulatory requirements of the Credit Unions Act and the approval of the members. The Board of Directors of the Credit Union have recommended that a patronage rebate be issued for the year ended December 31, 2021 for \$nil (\$113,183 in 2020).

17. Capital management

The Credit Union's capital consists of membership and surplus shares, and retained earnings. The Board approves annually the capital management policy and the annual business plan. This policy outlines the Credit Union's overall objectives and guidelines to ensure that the Credit Union has the required quantity, quality and appropriate composition of capital needed to address the inherent risks of the Credit Union and to support the current and future operating plans.

The Credit Unions Act requires that each Credit Union maintain a minimum level of equity of 5% of its total assets to provide protection against potential financial losses. The equity level of the Credit Union for the year ended December 31, 2021 was 7.2% (8.1% in 2020).

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

18. Related party transactions

Key management personnel, directors and their related parties have transacted with the Credit Union as follows:

	2021	2020
	\$	\$
Loan to members	883,672	1,450,137
Member deposits	355,159	199,568
Membership and surplus shares	6,691	6,185
	<u>1,245,522</u>	<u>1,655,890</u>

Preferential interest rates are charged on balances outstanding from key management personnel, directors and their related parties in accordance with the Credit Union's policies. Loans and lines of credit balances are secured as per the Credit Union's lending policies.

Key management personnel received compensation for the year ended December 31, 2021 of \$205,851 (\$196,552 in 2020) for salaries and short-term employee benefits.

Directors received reimbursement for the year ended December 31, 2021 of \$8,794 (\$9,272 in 2020) for travel and out of pocket expenses.

19. Commitments

The Credit Union has a contract with League Data Limited for data processing services. The contract is automatically renewed every five years until terminated by either party giving a three year notice period. The costs incurred from League Data Limited services are based on membership transactions. Cost incurred for the year ended December 31, 2021 totalled \$230,445 (\$230,986 in 2020).

20. Fair value of financial instruments

Fair value

The amounts set out below represent the fair values of the Credit Union's financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets that are not considered financial instruments, such as prepaids, property and equipment, deferred income taxes and accrued retirement allowance.

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

The following methods and assumptions were used to estimate the fair value of financial instruments:

- (i) The fair values of cash and cash equivalents, other receivables and accounts payable approximate their carrying values, due to their short-term nature.

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

20. Fair value of financial instruments (continued)

Fair value (continued)

- (ii) The fair value of investments is based on quoted market values where available (see Note 3). Where the Credit Union has concluded that the fair value cannot be reliably measured, the investments are recorded at cost. The Credit Union holds investments in Atlantic Central and League Data, which are not traded in an active market. As the fair value cannot be reliably measured, these investments are carried at cost, less any identified impairment losses. The Credit Union has not recorded any impairment losses on these investments.
- (iii) The estimated fair value of floating rate loans and floating rate deposits is assumed to be equal to book value as the interest rates on these loans and deposits reprice to market on a periodic basis.
- (iv) The fair value of fixed rate loans and member deposits do not approximate their fair market value. Any difference between fair values and book values of these financial instruments would not be significant or material to these financial statements.

Fair value hierarchy

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

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

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

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

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

As at December 31, 2021 and December 31, 2020 all financial instruments carried at fair value were classified as Level 2 financial instruments, except for investments in Atlantic Central and League Data which are carried at cost as fair values could not be reliably measured.

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the years ended December 31, 2021 and December 31, 2020. Additionally, there are no financial instruments classified in Level 3.

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

21. Nature and extent of risks arising from financial instruments

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

Credit risk

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

The Credit Union's credit risk is primarily attributable to its loans receivable. The amounts disclosed on the statement of financial position are net of allowance for impaired loans, estimated by management of the Credit Union based on previous experience and its assessment of the current economic environment. The credit risk on cash and investments is limited because the assets are held with Atlantic Central.

The carrying amounts of financial assets on the Statement of Financial Position represent the Credit Union's maximum credit exposure at the statement date.

The Credit Union's Board of Directors sets policy and oversees the risk management process. Senior management ensures adherence to policy on risk management issues, assesses the risk exposure of the Credit Union and reviews the effectiveness of internal control processes.

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

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

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

Liquidity risk

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

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

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

New Brunswick Teacher's Association Credit Union Limited
Notes to the financial statements
December 31, 2021
(CDN dollars)

21. Nature and extent of risks arising from financial instruments (continued)

Liquidity risk (continued)

The Act requires credit unions to maintain investments in Atlantic Central, to satisfy the legislated liquidity level. Assets held by the Credit Union for such purposes are investments, and demand deposits with Atlantic Central, as outlined in the table below.

	2021	2020
	\$	\$
Cash on deposit with Atlantic Central	7,677,316	7,008,932
Investments		
Atlantic Central shares	9,917,720	3,705,050
League Savings and Mortgage shares	293,472	189,131
Liquidity reserve deposit	5,904,399	5,110,195
	<u>23,792,907</u>	<u>16,013,308</u>

Contractual maturities of financial liabilities are shown under interest rate risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. All accounts payable and accrued interest payable is current as at year-end.

Market risk

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

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

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

Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's earnings and net asset values when maturities of its financial liabilities are not matched with the maturities of its financial assets or which are priced on a different basis. The Credit Union manages the impact of interest rate changes with self-imposed limits on borrowings and deposits, thus minimizing fluctuations of income during periods of changing interest rates. The Credit Union's major source of income is the financial margin between the income earned on investments and loans to members, and the interest paid to members on their deposits and interest on temporary borrowings.

New Brunswick Teacher's Association Credit Union Limited

Notes to the financial statements

December 31, 2021

(CDN dollars)

21. Nature and extent of risks arising from financial instruments (continued)

Interest rate risk (continued)

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk by maturity dates:

	On Demand \$	Less than 1 year \$	One to five years \$	2021 Total \$
Assets				
Cash and cash equivalents	8,486,437	—	—	8,486,437
Investments	16,166,531	272,141	5,144,932	21,583,604
Loans receivable	49,525,657	—	—	49,525,657
Liabilities				
Deposits from members	(66,795,981)	(4,330,230)	(2,611,285)	(73,737,496)
Membership shares	(1,640,316)	—	—	(1,640,316)
	5,742,328	(4,058,089)	2,533,647	4,217,886
<hr/>				
	On Demand \$	Less than 1 year \$	One to five years \$	2020 Total \$
Assets				
Cash and cash equivalents	7,718,138	—	—	7,718,138
Investments	9,055,316	1,504,644	1,790,326	12,350,286
Loans receivable	49,913,618	—	—	49,913,618
Liabilities				
Deposits from members	(57,398,705)	(5,473,338)	(1,348,148)	(64,220,191)
Membership shares	(1,660,879)	—	—	(1,660,879)
	7,627,488	(3,968,694)	442,178	4,100,972

An analysis of the Credit Union's risk due to changes in interest rates determined that a .50% increase in interest rates, with all other variables held constant, would result in an increase in net income of approximately \$3,165 (\$15,474 in 2020) while a .25% decrease in interest rates, with all other variables held constant, would result in a decrease in net income of approximately \$1,582 (\$7,737 in 2020).



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