

**COLUMBIA VALLEY CREDIT UNION**

**Financial Statements**

**Year Ended December 31, 2020**

**COLUMBIA VALLEY CREDIT UNION**

**Index to Financial Statements**

**Year Ended December 31, 2020**

---

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Income	5
Operating expenses	6
Statement of Comprehensive Income	7
Statement of Retained Earnings	8
Statement of Cash Flow	9
Notes to Financial Statements	10 - 44

---

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


---

The financial statements of Columbia Valley Credit Union have been prepared in accordance with International Financial Reporting Standards (IFRS). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Columbia Valley Credit Union's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.


The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Adams Wooley, Chartered Professional Accountants, in accordance with Canadian auditing standards.

DocuSigned by:  
  
CB15820B86434D6

---

Mr. Paul Ricard, President

DocuSigned by:  
  
0B6892B2D82340E

---

Mrs. Sharon Eddy, General Manager

Golden, BC  
March 03, 2021



---

## INDEPENDENT AUDITOR'S REPORT

---

To the Members of Columbia Valley Credit Union

### *Opinion*

We have audited the financial statements of Columbia Valley Credit Union (the Credit Union), which comprise the statement of financial position as at December 31, 2020, and the statements of income, retained earnings, comprehensive income and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2020, and the financial performance and cash flow 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. 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 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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

(continues)

---

824 - 1<sup>st</sup> Street South, Cranbrook, BC V1C 7H5  
**Phone** 250-426-8277      **Fax** 250-426-4109  
**Email** mail@cgafirm.com      **Web** www.cgafirm.com

David M.W. Adams, BSc, CPA, CGA, CFP\*  
James R. Wooley, BPE, CPA, CGA\*  
Brian F. Adams, FCPA, FCCGA\* (Associate)

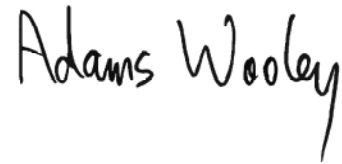
\* Denotes Professional Corporation

Independent Auditor's Report to the Members of Columbia Valley Credit Union *(continued)*

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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.

Cranbrook, BC  
March 3, 2021

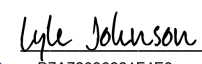


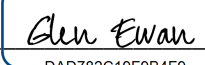
Adams Wooley  
Chartered Professional Accountants

**COLUMBIA VALLEY CREDIT UNION****Statement of Financial Position****December 31, 2020**

	2020	2019
<b>ASSETS</b>		
CASH AND TERM DEPOSITS (Note 5)	\$ 44,425,140	\$ 29,468,251
INVESTMENTS (Note 6)	850,779	895,209
MEMBERS' LOANS (Notes 7 and 8)	146,819,470	137,951,110
PROPERTY, PLANT AND EQUIPMENT (Note 9)	1,665,362	1,870,306
INTANGIBLE ASSETS (Note 10)	84,014	18,980
OTHER ASSETS (Note 11)	105,683	87,590
DEFERRED INCOME TAXES (Note 12)	4,160	33,764
	<b>\$ 193,954,608</b>	<b>\$ 170,325,210</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 350,958	\$ 363,507
MEMBER DEPOSITS (Note 13)	175,650,193	152,643,947
	<b>176,001,151</b>	<b>153,007,454</b>
MEMBERS' EQUITY		
SHARE CAPITAL (Note 14)	106,115	106,113
ACCUMULATED OTHER COMPREHENSIVE INCOME	100,770	-
RETAINED EARNINGS	17,746,572	17,211,643
	<b>17,953,457</b>	<b>17,317,756</b>
	<b>\$ 193,954,608</b>	<b>\$ 170,325,210</b>

**ON BEHALF OF THE BOARD**

DocuSigned by:  
  
 B7A72036221F4E3... Director

DocuSigned by:  
  
 DAD782C19F9B4F9... Director

See notes to financial statements

**COLUMBIA VALLEY CREDIT UNION****Statement of Income****Year Ended December 31, 2020**

	2020	2019
<b>INTEREST INCOME</b>		
Interest from Loans	\$ 5,220,826	\$ 5,011,659
Interest from Investments	<u>378,796</u>	<u>546,592</u>
	5,599,622	5,558,251
<b>INTEREST AND LOAN RELATED EXPENSES</b>	<u>1,910,000</u>	<u>1,805,567</u>
<b>FINANCIAL MARGIN</b>	<u>3,689,622</u>	<u>3,752,684</u>
<b>OTHER INCOME (EXPENSES)</b>		
Service Fees, Commissions and Rental	731,096	767,290
Processing and Handling Fees	(80,702)	(82,473)
Losses on Loans Expense <i>(Note 8)</i>	<u>(88,358)</u>	<u>(4,267)</u>
	562,036	680,550
<b>OPERATING EXPENSES</b>	<u>3,227,972</u>	<u>3,116,550</u>
<b>INCOME BEFORE INCOME TAXES AND REWARDS TO MEMBERS</b>	<u>1,023,686</u>	<u>1,316,684</u>
<b>INCOME TAXES</b>		
Current <i>(Note 15)</i>	208,034	271,371
Deferred	<u>(7,667)</u>	<u>(18,814)</u>
	200,367	252,557
<b>INCOME BEFORE REWARDS TO MEMBERS</b>	<u>823,319</u>	<u>1,064,127</u>
<b>REWARDS TO MEMBERS <i>(Note 14)</i></b>	<u>288,390</u>	<u>334,457</u>
<b>NET INCOME</b>	<u>\$ 534,929</u>	<u>\$ 729,670</u>

See notes to financial statements

**COLUMBIA VALLEY CREDIT UNION****Operating expenses****Year Ended December 31, 2020**

	2020	2019
<b>Administrative</b>		
Staff Salaries	\$ 1,203,502	\$ 1,149,920
Staff Benefits	363,463	356,153
Data Processing and Accounting	316,033	318,554
Director Remuneration	50,396	33,840
Director Costs	42,916	61,227
Staff Travel and Training	32,313	39,002
Postage	28,687	24,999
Stationery and Supplies	25,908	21,459
Insurance	19,350	19,244
Telephone	14,844	31,202
	<u>2,097,412</u>	<u>2,055,600</u>
<b>Building and Occupancy</b>		
Amortization	143,204	143,204
Repairs and Maintenance	75,975	23,693
Janitor	32,676	30,837
Utilities	27,773	20,896
Property Taxes	27,018	31,426
Insurance	13,215	11,288
	<u>319,861</u>	<u>261,344</u>
<b>Other</b>		
Legal and Consulting	256,666	303,456
Dues	172,999	127,851
Amortization	143,294	112,238
Audit and Inspection	90,418	63,281
Stabilization Central Assessment Fees	45,793	91,822
Donations	41,495	42,701
Promotion and Advertising	25,768	15,609
Equipment Rental and Maintenance	17,255	22,349
Miscellaneous	17,011	20,299
	<u>810,699</u>	<u>799,606</u>
	<u>\$ 3,227,972</u>	<u>\$ 3,116,550</u>

See notes to financial statements



**COLUMBIA VALLEY CREDIT UNION****Statement of Comprehensive Income****Year Ended December 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>NET INCOME</b>	<b>\$ 534,929</b>	<b>\$ 729,670</b>
<b>CHANGES IN COMPREHENSIVE INCOME (net of deferred income tax)</b>		
Unrealized gain on available-for-sale liquidity assets	<u><b>100,770</b></u>	<u>-</u>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>\$ 635,699</b></u>	<u><b>\$ 729,670</b></u>

See notes to financial statements

**COLUMBIA VALLEY CREDIT UNION****Statement of Retained Earnings****Year Ended December 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<b>\$ 17,211,643</b>	<b>\$ 16,481,973</b>
NET INCOME	<u>534,929</u>	<u>729,670</u>
<b>RETAINED EARNINGS - END OF YEAR</b>	<b><u>\$ 17,746,572</u></b>	<b><u>\$ 17,211,643</u></b>

See notes to financial statements

**COLUMBIA VALLEY CREDIT UNION****Statement of Cash Flow****Year Ended December 31, 2020**

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 534,929	\$ 729,670
Items not affecting cash:		
Amortization of building and parking lot	143,204	143,204
Amortization of furniture and equipment	143,294	112,238
Deferred income taxes	(7,667)	(18,814)
Unrealized gain on available-for-sale liquidity assets	138,042	-
	<u>951,802</u>	<u>966,298</u>
Changes in non-cash working capital:		
Other assets	(18,093)	(39,505)
Accounts payable and accrued liabilities	(12,548)	(103,014)
	<u>(30,641)</u>	<u>(142,519)</u>
Cash flow from operating activities	<u>921,161</u>	<u>823,779</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(29,277)	(66,232)
Purchase of intangible assets	(117,313)	(17,416)
Members' loans	(8,868,360)	(7,878,827)
Investments	44,430	(84,103)
Cash flow used by investing activities	<u>(8,970,520)</u>	<u>(8,046,578)</u>
<b>FINANCING ACTIVITIES</b>		
Member deposits	23,006,246	11,380,192
Share capital	2	400
Cash flow from financing activities	<u>23,006,248</u>	<u>11,380,592</u>
<b>INCREASE IN CASH FLOW</b>	<b>14,956,889</b>	<b>4,157,793</b>
Cash - beginning of year	<u>29,468,251</u>	<u>25,310,458</u>
<b>CASH - END OF YEAR</b>	<b>\$ 44,425,140</b>	<b>\$ 29,468,251</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 25,620,917	\$ 9,809,442
Deposits - special and term	<u>18,804,223</u>	<u>19,658,809</u>
	<u>\$ 44,425,140</u>	<u>\$ 29,468,251</u>

See notes to financial statements

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

---

**1. NATURE OF OPERATIONS**

Columbia Valley Credit Union (the "Credit Union") is incorporated under the Credit Union Incorporation Act ("the Act") of British Columbia and is a member of Central 1 Limited (Central 1). The Credit Union operates as one operating segment in the loans and deposit taking industry in British Columbia. Products and services offered to its members include mortgages, personal and commercial loans, chequing and savings accounts, term deposits, RRSPs, RRIFs, RESPs, TFSAs, automated banking machines ("ABMs"), debit and credit cards and Internet banking. The Credit Union head office is located at 511 Main Street, Golden, British Columbia.

These financial statements have been authorized for issue by the Board of Directors on March 3, 2021.

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (the IASB).

These financial statements were prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets measured at fair value.

The Credit Union's functional and presentation currency is the Canadian dollar. The financial statements are presented in Canadian dollars.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in *Note 4*.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less; and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

Cash and cash equivalents are carried at amortized cost, which is equivalent to fair value.

Investments - deposits

These deposit instruments are classified as loans and receivables and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost, adjusted to recognize other than a temporary impairment in the underlying value.

---

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Equity instruments

These instruments are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair market value is not reliably determinable in which case they are carried at cost.

Changes in fair value, except for those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

Where there is a significant or prolonged decline in the fair value of an equity instrument (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in equity.

Purchases and sales of equity instruments are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in accumulated other comprehensive income.

On sale, the amount held in accumulated other comprehensive income associated with that instrument is recognized in equity.

Members loans

All members loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Member loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment (losses).

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the original effective interest rate, short-term balances are not discounted.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net income.

---

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Bad debts written off

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision of impairment had previously been recognized. If no provision had been recognized, the write-offs are recognized as expenses in net income.

Loan securitization

No securitization transactions have been initiated after the date of transition to IFRS; however, if they are initiated in the future, loans will be derecognized only when the contractual rights to receive the cash flows from these assets have ceased to exist, or substantially all the risk and rewards of the loans have been transferred. If the criteria for derecognition has not been met, the securitization will be reflected as a financing transaction and the related liability initially recorded at fair value and subsequently measured at amortized costs, using the effective interest rate method.

Property, plant and equipment

Property, plant and equipment is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment (losses), with the exception of land which is not amortized and was written up as provided in *Note 9*. Amortization is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Building	40 years
Furniture and equipment	3 - 5 years

Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Intangible assets

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Credit Union. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment (losses). Software is amortized on a straight-line basis over its estimated useful life, but no more than 3 years.

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment changes are included in net income, except to the extent they reverse gains previously recognized on other comprehensive income.

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax is recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

Member deposits

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

Pension plan

The Credit Union participates in a defined benefit pension plan administered by Central 1. The Credit Union accounts for the plan by recognizing contributions as an expense in the year to which they relate.

Accounts payable and other payables

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Members' shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

---

**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2020**

---

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Patronage distributions

Patronage distributions are recognized in net income when circumstances indicate the Credit Union has a constructive obligation it has little or no direction to avoid, and it can make a reasonable estimate of the amount required to settle the obligation.

Revenue recognition

Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

---



**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Leased assets

For any new contracts entered into on or after January 1, 2019, the Credit Union considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Credit Union assesses whether the contract meets three key evaluations which are whether:

the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Credit Union

the Credit Union has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

the Credit Union has the right to direct the use of the identified asset throughout the period of use. The Credit Union assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use

**Measurement and recognition of leases as a lessee**

At lease commencement date, the Credit Union recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Credit Union, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Credit Union depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Credit Union also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Credit Union measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Credit Union's incremental borrowing rate, which has been deemed to be the prime rate, since the Credit Union does not currently borrow.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Credit Union has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, there is an option to include right-of-use assets in property and equipment and lease liabilities in trade and other payables, but they have been included in separate line items instead.

**The Credit Union as a lessor**

The Credit Union's accounting policy under IFRS 16 has not changed from the comparative period.

---

**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2020**

---

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

As a lessor the Credit Union classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Foreign currency translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at the date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and (losses) arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and (losses) on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive income consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

---

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

---

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*Measurement uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of property, plant and equipment;
  - the estimated useful lives of assets;
  - the allowance for losses on loans;
  - the recoverability of long-term investments;
  - the recoverability of intangible assets;
  - the amount and composition of income tax assets and income tax liabilities, including the amount of unrecognized tax benefits;
  - certain actuarial and economic assumptions used in determining present value of future lease obligations; and
  - IFRS 16 requires entities to make certain judgements and estimations, and those that are significant should be disclosed here or within the asset and liability notes within the financial statements. Critical judgements are often required when an entity is, for example:
    - determining whether or not a contract contains a lease.
    - establishing whether or not it is reasonably certain that an extension option will be exercised.
    - considering whether or not it is reasonably certain that a termination option will not be exercised.
    - determining whether or not variable leased payments are truly variable, or in-substance fixed.
    - for lessors, determining whether the lease should be classified as an operating or finance lease.
    - Examples of key sources of estimation and uncertainty include:
      - calculating the appropriate discount rate to use.
      - estimating the lease term.
      - estimating variable lease payments dependant on an index or rate.
-

**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2020**

---

3. IFRSs NOT YET EFFECTIVE

Following is a listing of amendments, revisions and new International Financial Reporting Standards (IFRSs) issued and the effective date. Unless otherwise indicated, earlier application is permitted. The Credit Union is currently evaluating the impact of adopting the changes, which it intends to do when required.

*IFRS 17 - Insurance contracts (annual periods beginning on or after January 1, 2021)*

Establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

*IAS 16 - Property, Plant and Equipment (annual periods beginning on or after January 1, 2022)*

The amendments prohibit an entity from deducting from the cost of property, plant and equipment the proceeds from selling items produced before the asset is available for use. Instead, an entity will recognize such sales proceeds and related cost in profit or loss.

*IAS 37 - Provisions, Contingent Liabilities and Contingent Assets (annual periods beginning on or after January 1, 2022)*

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

---

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

---

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experiences may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in other comprehensive income, or current income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in *Note 6*.

Member loan loss provision

In determining whether an impairment loss should be recorded in the statement of income the Credit Union makes its judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

In determining a collective loan loss provision, management used estimates based on the understanding of possible risks in the economy and objective evidence of impairment. The Credit Union has employed a collective loan loss provision in 2020 of \$245,329 (2019 - \$62,876).

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate for the tax liability including the related interest and penalties in the current tax provision. Management believes it has adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

---

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****5. CASH AND CASH EQUIVALENTS**

The Credit Union's cash and current accounts are held with Central 1 and various other financial institutions. The average yield in the accounts at December 31, 2020 is 1.06% (2019 - 2.00%).

	<u>2020</u>	<u>2019</u>
Liquidity reserve deposit - Canadian	\$ 13,334,160	\$ 11,450,636
Liquidity reserve deposit - US	381,058	389,326
Deposits - fixed income	5,016,201	7,685,076
Demand deposits - Canadian	24,739,637	9,172,367
Demand deposits - US	676,027	362,333
Accrued interest	72,804	133,772
	<hr/>	<hr/>
Total deposits	44,219,887	29,193,510
Other cash and deposit accounts	205,253	274,741
	<hr/>	<hr/>
	<b>\$ 44,425,140</b>	<b>\$ 29,468,251</b>

The Credit Union must maintain liquidity reserves with Central 1 Credit Union (Central 1) at 8% of total assets at December 31, each year. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total assets or upon withdrawal of membership from Central 1. The liquidity reserves mature over periods of up to 5 years and bear interest at rates ranging from 0.20% to 1.894%. At maturity, these deposits are reinvested at market rates for various terms.

## a) Initial measurement

Liquidity deposits are initially measured at fair value plus transaction costs that are directly attributable to their acquisition.

## b) Classification and subsequent measurement

Liquidity deposits are classified and subsequently measured at amortized cost because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Liquidity deposits are subsequently reduced by any loss allowance.

## c) Credit risk

The Credit Union holds cash held on deposit with Central 1. Liquidity deposits have been determined to have low credit risk and therefore the loss allowances for liquidity deposits is measured at an amount equal to 12-month ECL.

## d) Fair value measurement

The carrying amounts of liquidity deposits and cash held on deposit with Central 1 approximate fair value due to having similar characteristics as cash and equivalents.

Discount deposits at Central 1 are due within one year.

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****6. INVESTMENTS**

The following tables provide information on the investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as detailed below.

	<u>2020</u>	<u>2019</u>
<b>Equity instruments</b>		
Central 1 Credit Union - Class A Shares	\$ 56,904	\$ 57,067
Central 1 Credit Union - Class E Shares	54	54
Central 1 Credit Union - Class F Shares	574,258	598,307
Southern Interior Innovation Fund Inc.	120,000	120,000
CUPP Services Ltd. Shares	67,590	67,590
Kootenay Risk Services Ltd.	14,574	19,103
Stabilization Central Shares	171	171
	<hr/>	<hr/>
Subtotal	833,551	862,292
Accrued Dividends - Central 1 Shares	17,228	32,917
	<hr/>	<hr/>
	\$ 850,779	\$ 895,209

## a) Recognition and initial measurement

The Credit Union recognizes equity instruments on the settlement date, which is the date that the asset is received by the Credit Union. The instruments are initially measured at fair value. Any change in fair value between trade date and settlement date is recognized in net income.

Any change in fair value between trade date and settlement date is recognized in net income.

## b) Classification and subsequent measurement

The Credit Union classifies its equity instruments as FVTOCI. The equity instruments are subsequently measured at fair value with changes in fair value recognized in OCI. Gains and losses are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI.

## c) Derecognition

The Credit Union derecognizes investments when the contractual rights to the cash flows from the investment expires or the Credit Union transfers the investment. On derecognition, any cumulative gain or loss recognized in OCI is not recognized in profit or loss.

## d) Fair value measurement

The carrying amounts of investments approximate fair value. The table above provides information on the investments by type of security and issuer.

The credit union is a member of a national financial services entity named Central 1.

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the direction of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors.

Class A Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares; however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****6. INVESTMENTS (continued)****2020****2019**

Class E Central 1 shares are redeemable at \$100 per share. The Credit Union accounts for the 5,389 Class E shares at cost, as redemption of the shares at the shares' stated redemption value is uncertain.

The Board of Directors of Central 1 approved the redemption of all Class F shares at par value effective January 1, 2021. The redemption was completed on January 8, 2021 and the redemption price of \$574,258 was paid to the Credit Union on that date.

Dividends on these shares are at the discretion of the Board of Directors of Central 1.

The investment in Southern Interior Innovation Fund Inc. consists of 500,000 Class A shares.

The CUPP Services shares are participating preference shares. There is no separately quoted market value for these shares however, as these are preferred shares fair value is determined to be carrying value.

The Credit Union holds 25% of the voting shares of Kootenay Risk Services Ltd. and the investment is recorded using the equity method.



**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****7. MEMBERS' LOANS**

	<u>2020</u>	<u>2019</u>
Residential Mortgages	\$ 117,861,230	\$ 110,680,049
Commercial Mortgages and Loans	22,452,108	20,807,933
Personal Loans	5,820,606	5,291,517
Commercial Revolving Credits	557,356	1,102,104
Accrued Interest Receivable	373,499	227,002
	<hr/>	<hr/>
Subtotal	147,064,799	138,108,605
Deduct: Allowance for Impaired Loans (Note 8)	(245,329)	(157,495)
	<hr/>	<hr/>
	<b>\$ 146,819,470</b>	<b>\$ 137,951,110</b>

**Terms and conditions**

Member loans can have either a variable or fixed rate of interest and they mature within five years.

Variable rate loans are based on a "prime rate" formula, ranging from prime to prime plus 7%. The rate is determined by the type of security offered and the members' credit worthiness. At December 31, 2020, the credit union's prime rate was 3.25% (2019 - 4.25%).

The interest rate offered on fixed rate loans being advanced at December 31, 2020 ranges from 2.00% to 21.00%. The rate offered to a member varies with the type of security offered and the member's credit worthiness.

Residential mortgages are loans and lines of credit secured by residential property and are generally repayable monthly with blended payments of principal and interest only.

Personal loans consist of term loans and lines of credit that are non real estate secured and, as such, have various repayment terms. Some of the personal loans are secured by promissory notes and personal property or investments, and others are secured by promissory notes only.

Commercial loans consist of term loans, operating lines of credit and mortgages to individuals, partnerships and corporations, and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, investments and personal guarantees.

**Average yields to maturity**

Loans bear interest at both variable and fixed rates with the following average yields at:

	<u>2020</u>	<u>2019</u>
Variable rate	4.48%	5.68%
Fixed rate due less than one year	3.60%	3.60%
Fixed rate due between one and five years	3.30%	3.60%

**a) Recognition and initial measurement**

The Credit Union initially recognizes member loans on the date on which they are originated. Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred

**b) Classification and subsequent measurement**

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

---

7. MEMBERS' LOANS *(continued)*

Member loans are classified and subsequently measured at amortized cost, using the effective interest rate method, because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Member loans are subsequently reduced by any allowance for loan losses.

## c) Derecognition and contract modifications

The Credit Union derecognizes member loans when the contractual rights to the cash flows from the member loans expire, or the Credit Union transfers the member loans.

On derecognition, the difference between the carrying amount at the date of derecognition and the consideration received is recognized in profit or loss.

If the terms of a member loan are modified, then the Credit Union evaluates whether the cash flows of the modified member loan are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original member loan are deemed to have expired and are derecognized and a new member loan recognized at fair value.

If the terms of a member loan are modified but not substantially, then the member loan is not derecognized. If the member loan is not derecognized, then the Credit Union recalculates the gross carrying amount of the member loan by discounting the modified contractual cash flows at the original effective interest rate and recognizes the resulting adjustment to the gross carrying amount as a modification gain or loss in profit or loss and presented as interest revenue. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with the provision for credit loss on member loans.

## d) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Credit Union's member loans.

## i) Credit risk management

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration;
  - Loan lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;
  - Loan collateral security classifications which set loan classifications, advance ratios and amortization periods;
-

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**7. MEMBERS' LOANS *(continued)*

- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears;
- Maintaining the Credit Union's watch list for loans whose credit risk has increased since origination with appropriate follow-up and risk mitigation techniques;
- Developing and maintaining the Credit Union's internal credit risk grading system; and
- Audit procedures and processes are in existence for the Credit Union's lending activities.

The Credit Union allocates a credit risk grade at initial recognition based on available information about the borrower. Under this system, the credit risk grades are defined as follows:

- 1 - undoubted - assigned to undoubted member loans with virtually no risk
- 2 - low - assigned to member loans that have minimal risk of any loss
- 3 - moderate – assigned to member loans that have normal risk of any loss
- 4 - cautionary – assigned to member loans that are higher risk and that should be placed on a watch list for increased monitoring
- 5 - unsatisfactory – assigned to member loans that are impaired and require immediate action
- 6 - unacceptable - assigned to member loans where there is little or no likelihood of repayment

The Credit Union does not have any member loans that originate in a credit risk grade of 4. Member loans are subject to ongoing monitoring, which may result in the member loan being moved to a different credit risk grade. The monitoring typically involves the use of information obtained during periodic review of customer files, for example, audited financial statements, data from credit reference agencies, actual and expected significant changes in the regulatory and technological environment of the borrower or in its business activities, payment record including overdue status and existing and forecast changes in business, financial and economic conditions.

The Credit Union monitors personal loans primarily by delinquency status.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of the provision for credit losses on member loans and allowance for loan losses quarterly.

A sizeable portfolio of the loan book is secured by residential property in Golden, BC. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio (LTV) cover should the property market be subject to a decline. The risk of (losses) from loans undertaken is primarily reduced by the nature and quality of the security taken.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

## ii) Amounts arising from ECL

The Credit Union recognizes allowance for loan losses for ECL on member loans.

The Credit Union measures allowance for loan losses at each reporting period date according to a three-stage ECL model as follows:

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

## 7. MEMBERS' LOANS (continued)

Stage	1 – No Significant Increase in Credit Risk Since Initial Recognition	2 – Significant Increase in Credit Risk Since Initial Recognition	3 – Credit-Impaired
Definition	From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition.	Following a significant increase in credit risk (SICR) relative to the initial recognition of the financial asset.	When a financial asset is considered to be credit impaired (i.e. when credit default has occurred).
Criteria for movement	<p>At origination, all member loans are categorized into stage 1. A commercial or agricultural loan that has experienced a SICR or default may migrate back to stage 1 if the increase in credit risk and/or default is cured and the movement in the credit risk grading is approved by credit managers.</p> <p>For personal loans, migration back to stage 1 may occur upon approval of loan officers if all signs of previous credit deterioration are remedied and the member has 6 months of principal and interest payments made with no delinquency.</p>	<p>The Credit Union determines a SICR has occurred when:</p> <ul style="list-style-type: none"> <li>• the loan moves to the Credit Union's watch list;</li> <li>• the member migrates to a credit risk grade of 4; or</li> <li>• a contractual payment is more than 30 days past due.</li> </ul> <p>Additionally, the Credit Union incorporates forward looking information into its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition.</p>	<p>A member loan is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the member loan have occurred:</p> <ul style="list-style-type: none"> <li>• a breach of contract such as a default or delinquency in interest or principal payments;</li> <li>• significant financial difficulty of the borrower;</li> <li>• the restructuring of a loan by the Credit Union on terms that the Credit Union would not consider otherwise;</li> <li>• payment on a loan is overdue 90 days or more; or</li> <li>• it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.</li> </ul> <p>A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.</p>

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

## 7. MEMBERS' LOANS (continued)

Stage	1 – No Significant Increase in Credit Risk Since Initial Recognition	2 – Significant Increase in Credit Risk Since Initial Recognition	3 – Credit-Impaired
ECL methodology	Impairment is estimated based on the expected losses over the expected life of member loans arising from default events occurring in the next 12 months (12-month expected credit loss)	Impairment is estimated based on the expected losses over the expected life of member loans arising from default events occurring in the lifetime of the instrument (lifetime expected credit loss)	
Collective or individual assessment	Collective assessment of member loans grouped on the basis of similar risk characteristics based on loan type, industry, geographical location, type of loan security, the length of time		Each credit-impaired member loan is individually assessed.
Application of ECL methodology	Expected credit loss on a group of member loans is measured on the basis of a loss rate approach. The Credit Union develops loss rates for member loans in stage 1 and loss rates for member loans stage 2, based on historical default and loss experiences for those types of member loans, adjusted for current economic conditions and forecasts of future economic conditions. The loss rates are also applied to the estimate of drawdown for undrawn loan commitments (unadvanced loans, unused lines of credit, letters of credit). For member loans in stage 1 with undrawn loan commitments, the estimate of drawdown within 12 months of the reporting date is based on historical drawdown information. For member loans in stage 2 with undrawn loan commitments, the estimate of drawdown over the life of the loan commitment is also based on historical drawdown information.		The probability of default on credit-impaired member loans is 100%, therefore, the key estimation relates to the amount of the default. Expected credit loss on a credit-impaired member loan is measured based on the Credit Union's best estimate of the difference between the loan's carrying value and the present value of expected cash flows discounted at the loan's original effective interest rate.
Key forward looking information	Local unemployment rates, local economic outlook, credit environment, and other relevant economic variables impacting subsets of the Credit Union's members.		

## e) Fair value measurement

The fair value of member loans at December 31, 2020 was \$147,581,994 (December 31, 2019 - \$137,143,642).

The estimated fair value of the variable rate loans is assumed to be equal to the book value as the interest rates on these loans re-price to market on a periodic basis. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

**Credit quality of loans**

It is not practical to value all collateral as at the year end date due to the variety of assets and conditions.

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****7. MEMBERS' LOANS (continued)**

	<u>2020</u>			<u>2019</u>	
	12-month Expected Credit Loss	Lifetime Expected Credit Loss (not credit- impaired)	Lifetime Expected Credit Loss (credit- impaired)	Total	Total
<b>Residential Mortgages and Personal Loans</b>					
Current	\$123,230,421	\$ 24,446	\$ -	\$123,254,867	\$115,794,295
> 30 days past due	246,437	129	-	246,566	1,031
> 90 days past due	306	-	180,097	180,403	176,240
Otherwise defaulted	-	-	-	-	-
	<u>123,477,164</u>	<u>24,575</u>	<u>180,097</u>	<u>123,681,836</u>	<u>115,971,566</u>
Allowance for loan loss	-	(24,575)	(180,097)	(204,672)	(133,045)
Carrying amount	<u>\$123,477,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$123,477,164</u>	<u>\$115,838,521</u>
<b>Commercial Loans</b>					
1 - undoubted	\$ -	\$ -	\$ -	\$ -	\$ -
2 - low	57,041	80	-	57,121	233,875
3 - moderate	21,987,800	39,289	-	22,027,089	21,191,053
4 - cautionary	923,966	1,288	-	925,254	485,109
5 - unsatisfactory	-	-	-	-	-
6 - unacceptable	-	-	-	-	-
	<u>22,968,807</u>	<u>40,657</u>	<u>-</u>	<u>23,009,464</u>	<u>21,910,037</u>
Allowance for loan loss	-	(40,657)	-	(40,657)	(24,450)
Carrying amount	<u>\$ 22,968,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,968,807</u>	<u>\$ 21,885,587</u>
Balance at December 31	<u>\$146,445,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$146,445,971</u>	<u>\$137,724,108</u>

**Concentration of risk**

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments.

The majority of member deposits are with members located in and around Golden, British Columbia.

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****8. ALLOWANCE FOR IMPAIRED LOANS**

Total allowance for impaired loan provision is comprised of a collective provision at December 31, 2020 of \$245,329 (2019 - \$62,876) and an individual specific provision at December 31, 2020 of \$nil (2019 - \$94,619).

Movement in individual specific provision and collective provision for impairment:

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 157,495	\$ 156,214
Provision (recovery) charged to net income	<b>88,358</b>	4,267
	<b>245,853</b>	160,481
Loans written off	<b>(524)</b>	(2,986)
Balance at December 31	<b>\$ 245,329</b>	\$ 157,495

Analysis of individual loans that are impaired or potentially impaired based on age of repayments outstanding at December 31.

	<u>2020</u>	<u>2019</u>
Period of delinquency		
Less than 30 days	\$ 1,038,989	\$ 560,078
30 to 90 days	174,779	22,347
Over 90 days	<b>180,190</b>	176,240
Total loans in arrears	<b>1,393,958</b>	758,665
Total loans not in arrears	<b>145,297,342</b>	137,122,938
Total loans	<b>\$ 146,691,300</b>	\$ 137,881,603

**Key assumptions in determining the allowance for impaired loans collective provision**

The Credit Union has determined the likely impairment loss on loans which have not maintained loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment (losses). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The Credit Union determined that a collective (non-specific) impaired loan provision should be applied to 2020 in the amount of \$245,329 (2019 - \$62,876).

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****9. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 386,500	\$ -	\$ 386,500	\$ 386,500
Building	3,278,121	2,053,272	1,224,849	1,368,053
Furniture and equipment	1,235,016	1,181,003	54,013	115,753
	<u>\$ 4,899,637</u>	<u>\$ 3,234,275</u>	<u>\$ 1,665,362</u>	<u>\$ 1,870,306</u>

As a result of an appraisal prepared by Corrie Appraisals Ltd. on January 21, 2010 the carrying value of the land owned by the credit union was increased to fair value as at January 1, 2010 in accordance with the provisions of IFRS 1 and IAS 16. The credit union owns the land on which the building and parking lot are located in Golden, B.C., with an historical cost of \$108,309. The fair value of the land, as determined from the appraisal prepared by Corrie Appraisals Ltd. on January 21, 2010 is \$386,500. No impairment in the fair value has accrued in 2020.

**10. INTANGIBLE ASSETS**

	2020	2019
<b>Computer software</b>		
Cost	\$ 490,798	\$ 373,485
Accumulated amortization	(406,784)	(354,505)
	<u>\$ 84,014</u>	<u>\$ 18,980</u>

**11. OTHER ASSETS**

	2020	2019
Prepaid expenses	<u>\$ 105,683</u>	<u>\$ 87,590</u>



**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****12. DEFERRED INCOME TAXES**

Deferred income taxes are calculated on timing differences between amounts claimed as expenses or revenues on the financial statements and the corporation income tax return. Such differences may include claims for amortization of property, plant and equipment being different from rates of capital cost allowance allowed under the Income Tax Act and amounts that have been amortized over an expected useful life that are allowable for full write off in the year of acquisition under the Income Tax Act.

The adoption of IFRS allowed the Credit Union to increase the carrying value of its land to fair value. Those increases also gave rise to deferred income tax that was calculated on the income that would otherwise be taxable if those assets were sold at the fair value. In addition, the change in fair value of available-for-sale liquidity assets reflected in the Statement of Other Comprehensive Income is shown net of deferred income taxes, with an offset to deferred income tax liability or asset.

The deferred income taxes reflected on the Statement of Financial Position include both of the above components as follows:

	<u>2020</u>	<u>2019</u>
Arising from timing differences, accounted for in operations	\$ (116,542)	\$ (108,875)
Arising from fair values, accounted for in retained earnings and accumulated other comprehensive income	<u>112,382</u>	<u>75,111</u>
	<u>\$ (4,160)</u>	<u>\$ (33,764)</u>

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****13. MEMBERS' DEPOSITS**

	<u>2020</u>	<u>2019</u>
Chequing	\$ 51,964,333	\$ 39,162,575
Savings	32,576,255	25,451,570
Special savings	1,909,547	1,432,644
Term deposits	40,999,669	40,688,096
Registered savings plans	15,699,588	15,557,105
Registered retirement income funds	6,885,039	6,309,474
Registered education savings plans	940,392	805,084
Tax free savings account	8,295,640	7,435,404
Class "D" non-equity shares (Note 14)	15,532,659	15,103,701
	<u>174,803,122</u>	151,945,653
Accrued interest payable	847,071	698,294
	<u>\$ 175,650,193</u>	<u>\$ 152,643,947</u>

**Terms and conditions**

Chequing deposits are due on demand and bear interest depending on deposit balance.

Demand deposits are due on demand and bear interest at a variable rate up to 0.25% at December 31, 2020. Interest is paid on the accounts monthly.

Savings and special savings deposits bear interest at 0.10%. Interest is calculated daily and paid monthly.

The Elite High Interest Savings deposits bear interest at 0.25%. Interest is calculated daily and paid semi-annually.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually or upon maturity. The interest rates offered on term deposits issued on December 31, 2020 range from 0.10% to 0.50%.

The registered retirement savings plan (RRSP) accounts can be fixed or variable rate. The fixed rate RRSPs have terms similar to the term deposit accounts described above. The interest rates offered on RRSPs issued on December 31, 2020 range from 0.30% to 1.25%. The variable rate RRSPs bear interest at rates up to 0.10% at December 31, 2020.

Registered retirement income funds (RRIFs) consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above. Members may make withdrawals from a RRIF account on a monthly, semiannual, or annual basis. The regular withdrawal amount vary according to individual needs and statutory requirements.

The tax-free savings accounts can be fixed or variable rate with terms and conditions similar to those of the RRSPs described above.

Included in chequing deposits is an amount of \$1,717,783 denominated in US dollars (December 31, 2019 - \$1,279,386).

**Average yield to maturity**

Members' deposits bear interest at both variable and fixed rates with an average yield of 1.13% at December 31, 2020 (2019 - 1.48%).

a) Recognition and initial measurement

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**13. MEMBERS' DEPOSITS *(continued)*

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

## b) Classification and subsequent measurement

Member deposits are classified and subsequently measured at amortized cost, using the effective interest rate method.

## c) Concentration of risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments.

Individual or related groups of member deposits which exceed 5% of member deposits:

	2020	2019
Chequing	\$ 51,964,333	\$ 39,162,575
Demand	32,576,255	25,451,570
Term	40,999,669	40,688,096
Registered savings plans	15,699,588	15,557,105
Tax free savings accounts	8,295,640	7,435,404
	<u>\$ 149,535,485</u>	<u>\$ 128,294,750</u>

The majority of member deposits are with members located in and around Golden, British Columbia.

## d) Liquidity risk

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. Liquidity risk primarily arises from the Credit Union's members' deposits, which are its most significant financial liability.

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Credit Unions and Caisse Populaires Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The credit union has set a minimum liquidity ratio of 10%.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

The Board of Directors receives monthly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal year.

As at December 31, 2020, the position of the Credit Union is as follows:

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****13. MEMBERS' DEPOSITS (continued)**

	<b><u>Maximum exposure</u></b>
Qualifying liquid assets on hand	
Cash	\$ 205,253
Liquidity reserve deposits	13,715,218
Fixed income deposits	5,016,200
Discount deposits and term deposits	<u>25,415,664</u>
	44,352,335
Total liquidity requirement (8% of total assets)	<u>15,516,368</u>
Excess liquidity requirement	<u>\$ 28,835,967</u>

The maturities of liabilities are shown in Note 9. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

## e) Fair value measurement

The fair value of members deposits and shares at December 31, 2020 was \$177,216,606 (December 31, 2019 - \$153,173,363)

The estimated fair value of the demand deposits and variable rate deposits are assumed to be equal to book value as the interest rates on these loans and deposits re-price to market on a periodic basis. The estimated fair value of fixed rate deposits is determined by discounting the expected future cash flows of these deposits at current market rates for products with similar terms and credit risks.

**Concentration of risk**

The credit union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments.

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****14. MEMBERS' SHARES**

At the Annual General Meeting held on April 3, 1990 the membership of the Columbia Valley Credit Union authorized the establishment of three classes of shares:

"A" Equity Membership

"C" Voluntary Equity Shares

"D" Non Equity Shares

Rights and privileges attached to the various classes are set out in Credit Union Rules 1.1 to 2.16.

As at December 31, there were no Class "C" shares issued. The remaining two classes of shares consisted of the following issued and fully paid shares:

	<u>2020</u>	<u>2019</u>
Class "A" membership equity shares	<u>\$ 106,115</u>	<u>\$ 106,113</u>
Class "D" non-equity shares	<u>\$ 15,532,659</u>	<u>\$ 15,103,701</u>

Investment shares are recognized as a liability, equity or compound instrument based on the terms and in accordance with IAS 32, Financial Instrument Presentation and IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments. If they are classified as equity, they are recognized at cost. If they are recognized as liability, they are initially recognized at fair value net of any transactions costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

**Membership shares**

As a condition of membership, which is required to use the services of the Credit Union, each member is required to hold \$25 in membership shares. These membership shares are redeemable at par only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors.

Funds invested by members in "A" shares are not insured by Credit Union Deposit Insurance Corporation of British Columbia. The withdrawal of member shares is subject to the Credit Union maintaining adequate regulatory capital, as is the payment of any dividends on these shares. Membership shares that are available for redemption are classified as equity.

**Distributions to members**

	<u>2020</u>	<u>2019</u>
Patronage distributions	<u>\$ 288,390</u>	<u>\$ 334,457</u>

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

## 15. INCOME TAXES

The Credit Union incurs tax at the general corporate rate of 27.0% for taxable income that exceeds the \$500,000 Business Limit. The Business Limit is reduced by a formula when the Taxable Capital of the Credit Union exceeds \$10,000,000 in the previous year, and is completely eliminated when the Taxable Capital exceeds \$15,000,000.

The Taxable Capital at December 31, 2020 was \$17,322,071 (2019: \$16,657,035).

	<u>2020</u>	<u>2019</u>
Income before income taxes	\$ 735,296	\$ 982,227
Increase (decrease) resulting from:		
Non-deductible expenses	2,152	5,950
Capital cost allowance in excess of amortization	19,737	32,410
Adjustment to reserve for allowance for losses on loans	8,783	128
Equity income from subsidiary	4,529	(15,643)
Taxable income	<u>\$ 770,497</u>	<u>\$ 1,005,072</u>
Income taxes	<u>\$ 208,034</u>	<u>\$ 271,371</u>
Income tax rate	<u>27.00 %</u>	<u>27.00 %</u>

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020****16. RELATED PARTY TRANSACTIONS**

The Credit Union entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

	<u>2020</u>	<u>2019</u>
<b>Compensation</b>		
Salaries and other short-term benefits	\$ 578,440	\$ 570,280
Other long term benefits	<b>78,896</b>	80,283
	<u>\$ 657,336</u>	<u>\$ 650,563</u>
<b>Loans to key management personnel</b>		
Aggregate value of loans advanced	\$ 1,756,976	\$ 1,896,387
Interest received on loans advanced	<b>45,823</b>	51,935
Total value of lines of credit advanced	<b>228,500</b>	238,500
Unused value of lines of credit	<b>215,812</b>	169,286
	<u>\$ 2,564,770</u>	<u>\$ 2,498,770</u>
<b>Deposits from key management personnel</b>		

**Loans to key management personnel**

The Credit Union's policy for lending to key management personnel is that the loans are approved and deposits accepted on the same terms and conditions which apply to Members for each class of loan or deposit; however, as part of its remuneration and benefit package the Credit Union offers key management personnel a reduction from current interest rates subject to specific maximum amounts as approved by the Board of Directors.

**Deposits from key management personnel**

The Credit Union's policy for receiving deposits from Key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which apply to Members for each type of deposit. There are no benefits or concessional terms and conditions applicable to key management personnel or close family members.

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

## 17. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE

The following table represents the carrying amount by classification.

	<u>2020</u>	<u>2019</u>
Cash and term deposits	\$ 44,425,139	\$ 29,468,251
Investments	850,779	895,209
Members' loans	146,819,470	137,951,110
Other	<u>105,683</u>	<u>87,590</u>
	<b>192,201,071</b>	168,402,160
Members' deposits	<b>(175,650,193)</b>	(152,643,947)
Members' shares	<b>(106,115)</b>	(106,113)
	<u><b>\$ 16,444,763</b></u>	<u>\$ 15,652,100</u>

An analysis of instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of three levels.

All of the investments are classified under level 2. See *Note 6* for investments.

There were no transfers between level 1 and level 2 for the years ended December 31, 2020 and 2019.



**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

---

**18. FINANCIAL INSTRUMENT RISK MANAGEMENT****General objectives, policies and processes**

The Board of Directors has overall responsibility for determination of the Credit Union's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing the operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function. The Board of Directors receives quarterly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

**Credit risk**

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor or credit obligations.

**Risk measurement**

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration;
- Loan lending limits include Board of Directors limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods;
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears; and
- Audit procedures and processes are in existence for the Credit Union's lending activities.

With respect to credit risk, the Board of Directors receives quarterly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans quarterly.

For the current year, the amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is NIL (2019 - NIL).

A sizeable portfolio of the loan book is secured by residential property in Golden, British Columbia. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio (LVR) cover should the property market be subject to a decline. The risk of (losses) from loans undertaken is primarily reduced by the nature and quality of the security taken.

---

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**18. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

**Liquidity risk**

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

**Risk measurement**

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective firm specific market conditions and the related behaviour of its members and counterparties.

**Objectives, policies and procedures**

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Credit Unions Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union has set a minimum liquidity ratio of 10%.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

The Credit Union is required to measure its capital adequacy based on the BC Financial Services Authority ("BCFSA") regulations. Based on the credit risk of each type of asset, the book value of each asset is multiplied by a risk weighting factor. The regulatory ratio is computed and must meet a minimum capital to risk-weighted ratio of 8%. The Credit Union manages its capital based on the statutory requirements applied to its assets on a monthly basis and reported to the Board. There have been no significant changes from the previous year in the exposure to risk, or policies, procedures and the methods used to measure the risk and/or capital adequacy.

As at the year end date, the position of the Credit Union is as follows:

	<u>2020</u>	<u>2019</u>
• Risk weighted assets	\$69,026,397	\$64,660,464
• Capital adequacy ratio	28.11	28.54
• Risk weighted asset ratio	35.58	37.97

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk, and equity risk.

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**18. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)***Interest rate risk**

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

**Risk measurement**

The Credit Union's position is measured monthly. Measurement of risk is based on rates charged to clients as well as funds transfer price rates.

**Objectives, policies and procedures**

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and members loans and interest paid on member deposits. The objective of asset / liability management is to match interest sensitive assets with interest sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the regulatory bodies in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with the Deposit Insurance Corporation of British Columbia as required by Credit Union regulations. For the year-ended 2020, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest changes. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have not been included in this chart.

Maturity dates	Assets	Yield (%)	Liabilities	Cost (%)	Asset / Liability Gap
Interest sensitive					
0 - 3 months	\$ 6,215,197	3.79	\$ 12,209,377	2.74	\$ (5,994,180)
4 - 12 months	19,140,151	3.57	25,804,352	1.76	(6,664,201)
1 - 2 years	17,191,940	3.10	13,464,062	2.23	3,727,878
2 - 5 years	85,557,072	3.28	19,258,337	2.70	66,298,735
	<u>\$128,104,360</u>		<u>\$ 70,736,128</u>		<u>\$ 57,368,232</u>

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of the Credit Union is to intermediate between the expectations of borrowers and depositors.

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase in interest rate of 1% could result in an increase to net income of \$278,000 (2019 - increase of \$186,000) while a decrease in interest rates of 1% could result in a decrease to net income of \$120,000 (2019 - decrease of \$134,000).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2020**

---

18. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

**Currency risk**

Currency risk relates to the Credit Union operating in different currencies and converting non Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Credit Union's foreign exchange risk is related to United States dollar deposits and loans denominated in United States dollars. Foreign currency changes are monitored by the Credit Union for effectiveness of its foreign exchange mitigation activities and holdings are adjusted from time to time.

**Risk measurement**

The Credit Union's position is measured on an ongoing basis. Measurement of risk is based on rates charged to clients as well as currency purchase costs. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

---

**COLUMBIA VALLEY CREDIT UNION****Notes to Financial Statements****Year Ended December 31, 2020**

## 19. COMMITMENTS

**Credit Facilities**

The Credit Union has authorized lines of credit with Central 1 totaling \$8,000,000 (2019 - \$3,000,000). These credit facilities are secured by a registered assignment of book debts and a general security agreement covering all assets of the Credit Union.

**Member loans**

The Credit Union has the following commitments to its members at the year-end date on account of loans, unused lines of credit and letters of credit:

	<u>2020</u>	<u>2019</u>
<b>Consumer</b>		
Unadvanced loans	\$ 1,342,591	\$ 2,938,133
Unused lines of credit	<u>4,371,718</u>	<u>4,669,255</u>
	<u>\$ 5,714,309</u>	<u>\$ 7,607,388</u>
<b>Commercial</b>		
Unused lines of credit	\$ 2,721,134	\$ 2,060,386
Letters of credit	<u>389,616</u>	<u>495,616</u>
	<u>\$ 3,110,750</u>	<u>\$ 2,556,002</u>

**Contractual obligations**

The Credit Union has an agreement with FISERV Canada which provides the Credit Union with data processing services and access to various automated banking machines and electronic funds transfer at point of sale networks. An amendment to the agreement was signed December, 2014 to extend the agreement an additional 84 months. Therefore the agreement continues in effect from January 1, 2015 through December 31, 2022.

**Capital**

The Credit Union has no material commitments for capital expenditures.

**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2020**

---

20. PENSION PLAN

The BC Credit Union Employees' Pension Plan is a contributory, multiemployer, multidivisional registered pension plan governed by a Board of Trustees responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. Columbia Valley Credit Union is one of several employers participating in the 1.75% Defined Benefit Division of the Plan. At September 30, 2020, this Division covered about 3,630 active employees and approximately 1,185 retired plan members, with reported assets of approximately \$923.6M.

At least once every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of the funding levels. The most recent actuarial valuation of the 1.75% Division of the Plan as at December 31, 2018 indicated a going concern surplus of \$31.6M and a solvency deficiency of \$99.5M, based on market value assets of approximately \$735M. Employer contributions to the Plan are established by the Trustees upon advice from the Plan's actuaries, including amounts to finance any solvency deficiencies over time. The next formally scheduled actuarial valuation is for the reporting date of December 31, 2021 although the Trustees have the discretion of conducting a valuation for an earlier reporting date.

Columbia Valley Credit Union paid \$160,990 (2019 - \$125,691) in employer contributions to the plan in fiscal year 2020.

---