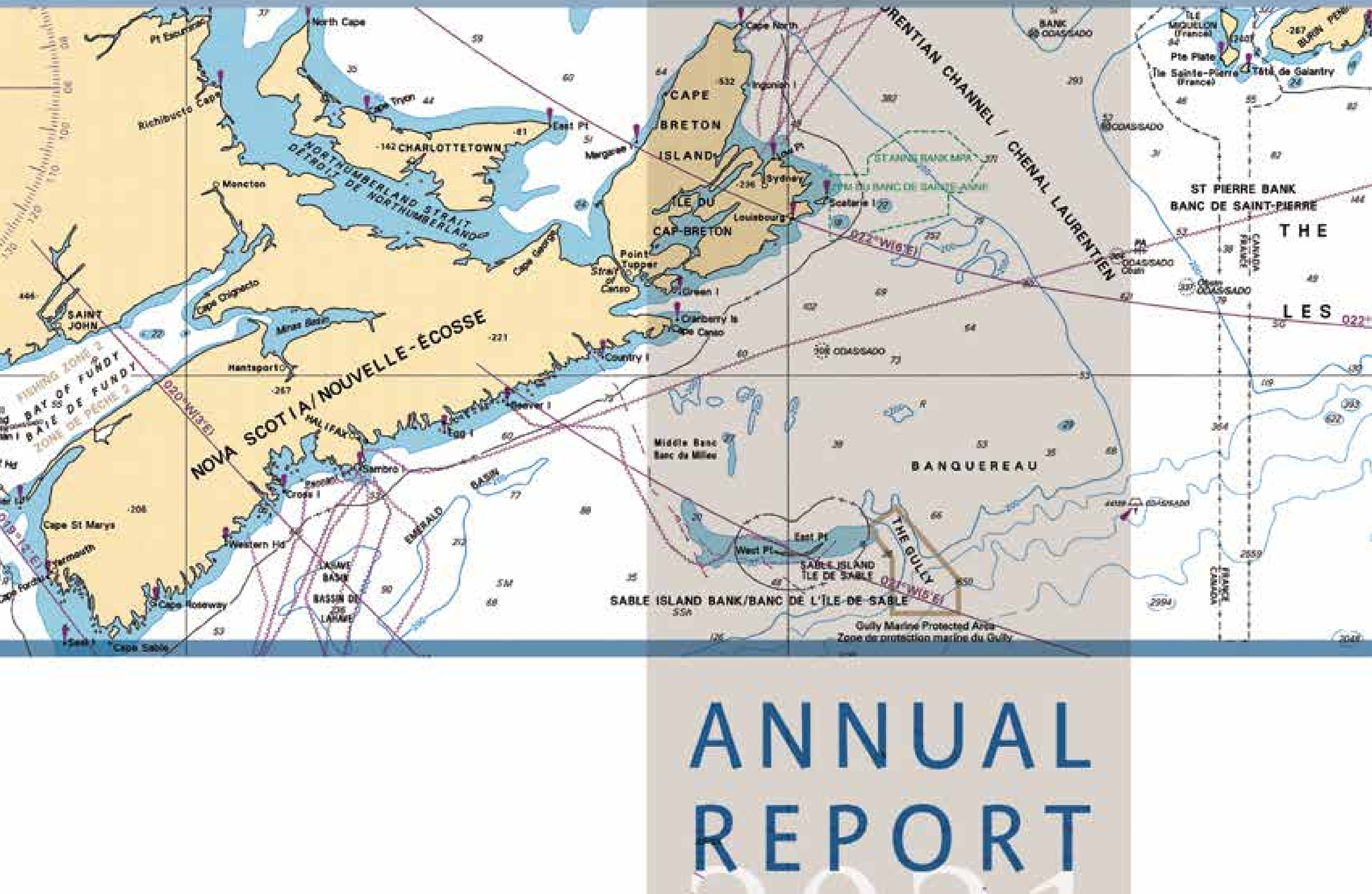
CUDIC

Nova Scotia Credit Union Deposit Insurance Corporation



ANNUAL REPORT 2021

OUR MISSION

Mission Statement

To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Atlantic Central, and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act.

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Report of the Chair of the Board

On behalf of the Board of Directors of the Nova Scotia Credit Union Deposit Insurance Corporation (CUDIC), I am pleased to provide the annual report for 2021. Like everybody else, and everything else in this world, CUDIC and the Credit Union system was, and still is, impacted by COVID-19. Surprisingly, again this year, the financial results for the Credit Union system were stronger than expected. Normally system liquidity runs around 10% - 15% but in 2020 it rose to a high of 23% and in 2021 it rose again by a couple of percentage points.

As of year-end, CUDIC continues to use a hybrid office model with staff working from home and in the office. CUDIC's main focus is on protecting the member-owners deposits and assessing risks in credit unions by doing onsite reviews. Despite the pandemic, Analysts continued to do on-site reviews and all scheduled, and one deferred, loan reviews, were completed by year end. Except for a couple of deferrals, all other internal reviews were also, completed. Throughout the review process, all of the appropriate COVID-19 protocols were strictly followed, and Credit Unions were very cooperative and helpful. A sincere thank you is extended to all CUDIC staff and contract employees for their excellent work during these very difficult times. It is most appropriate that we extend a special thank you to CEO Mike Hurley for his superior work ethic and his outstanding leadership.

Because the CUDIC Board is small, most of the meetings throughout the year were held in person while adhering to all Public Health COVID guidelines. Four quarterly Board meetings were held plus a half-day session to review the 2020-2023 strategic plan. Additionally, all of the committees were able to meet. Between Board meetings, the CEO kept the members up to date by issuing board bulletins.

The relationship with the Office of the Superintendent of Credit Unions, Atlantic Central and CUDIC continues to be of great importance. Atlantic Central's CEO and the Superintendent of Credit Unions normally attend each of our Board meetings and they meet regularly with CEO Mike Hurley. Our relationship with these two organizations is very positive and we extend our thanks to Superintendent Dave McCarron and CEO Mike Leonard for this. We were very pleased to hear and extend our congratulations to Dave McCarron on his permanent appointment as Superintendent of Credit Unions. Superintendent McCarron attended all four of our Board meetings and CEO Leonard attended two. The third meeting saw Atlantic Central Vice-President, Corporate Services and Chief Legal Officer Brenda Roberts-Harmon attend on behalf of CEO Mike Leonard and at another meeting she accompanied CEO Mike Leonard. Mr. Leonard announced that he plans to retire in May 2022, and we want to extend to him our best wishes for his well-deserved retirement. Mike Leonard was a tremendous leader and the credit union system benefitted greatly from his hard work, his dedication, his initiatives and his ability to work well with everyone. He certainly is going to be missed.

Ongoing professional development for Board members is an important part of our mandate. When circumstances permitted, we scheduled a PD session following each board meeting. Also, this year, all Board members completed a virtual IT training program, and in 2022 we will be considering taking some of the offerings provided by the Institute of Corporate Directors.

During the year, a planned merger between East Coast Credit Union, Teachers Plus Credit Union and Valley Credit Union did not proceed when the required percentage of approval votes was not received by all three. Merger conversations appear quiet at the present time but will likely pick up in the future. In 2020, CUDIC adopted a three-year strategic plan. Updates on the plans' progress is received each quarter and as mentioned earlier, in September a special half day review session was held.

Acquiring Emergency Lending Assistance (ELA) remains one of our goals. For years, one of those avenues was the possible acquisition of re-insurance. Following our September Board meeting we, for the first time ever, received a proposal for reinsurance, however the Board decided not to pursue the proposal presented but we have not ruled out other re-insurance products. At the same time, we continue to work on securing other ELA opportunities.

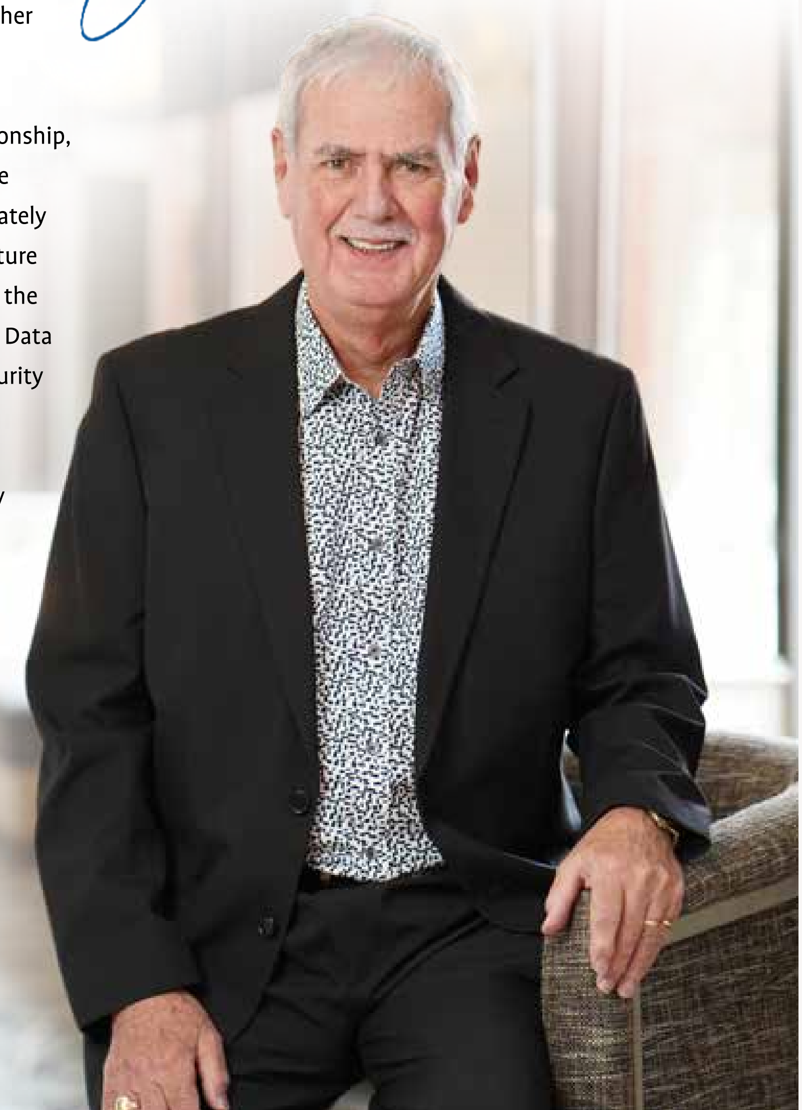
CUDIC and League Data have a very good relationship, and we received an excellent update on the Core Banking Model from CEO Carrie Forbes immediately following our December Board meeting. The future of banking revolves around digital products, so the Core Banking Model is a critical project. League Data provides leadership and guidance on Cyber Security for the credit union system and great progress has been made in recent months. CUDIC's involvement in IT/Cyber Security is dramatically increasing as we look at various tools that can be implemented to ensure compliance to Internationally recognized Cyber Security Standards.

CUDIC's year-end financial statements showed that spending, for a second year in a row, was well under budget. This, again, was due in large part to the dramatic decrease in travel by staff and board members and the cancellation of a number of conferences and meetings. Additionally, revenues were up substantially with the year-end record returns on our investments.

Finally, I wish to thank all of my fellow board members for their genuine interest and commitment and their great work and support throughout the past year.

Respectfully submitted,

Jim Kavanaugh, *Chair*



Report of the Chief Executive Officer

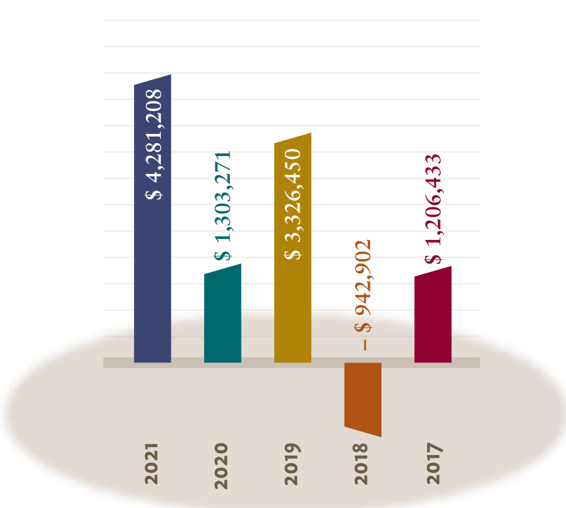
CEO

I am pleased to report on the operational results for the Corporation and the state of the system for 2021.

The Year in Review

In 2021, CUDIC and the credit union system dealt with the impacts of COVID-19 for a second year. The province of Nova Scotia was under a State of Emergency for the entire year and there were varying degrees of COVID-19 restrictions implemented by the Provincial Department of Public Health throughout the year. CUDIC and Nova Scotia Credit Unions demonstrated resolve and the ability to quickly adjust to the changing nature of the COVID-19 virus and resultant restrictions. Most importantly, CUDIC and credit unions continued to provide service to members however modified operations to ensure the safety of its employees, board members, credit union members and the public. From a COVID-19 perspective, these initiatives included:

- To reduce the spread of COVID-19, CUDIC staff that could work from home, were encouraged to do so. CUDIC adopted a hybrid model that allowed staff to work in the office or from home.

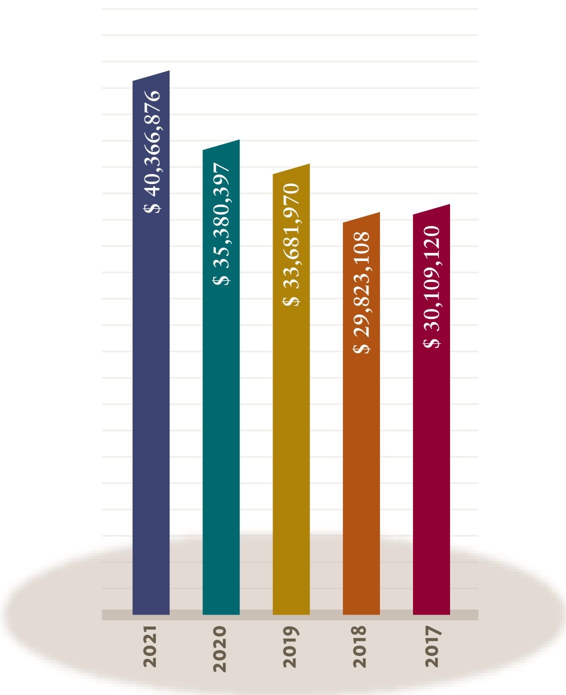


INVESTMENT INCOME

- CUDIC was able to complete all planned Loan Reviews in 2021. Due to COVID-19 restrictions, CUDIC staff were unable to do onsite reviews from April – June however were able to do additional reviews from August to November.
- On-site reviews were modified to include COVID-19 rapid testing prior to entering credit unions, the use of masks, and ensuring physical distancing while in the branch. Staff also used technology, primarily email, video conferencing and phones to communicate directly with credit union staff rather then in-person.
- Like 2020, guidance and support were offered to credit unions on the timing of Annual General Meetings as most were unable to have an in-person Annual General Meeting by April 30th and most were not able to meet in person resulting in many being held virtually.

As noted above, CUDIC successfully responded to the impacts of COVID-19 while also completing other major initiatives in 2021.

- The CUDIC Board of Directors and staff held a Strategic Plan review session in September 2021. Information from the meeting was used to update the 2020-2023 CUDIC Strategic Plan as well as the development of a Strategic Planning Reporting document that monitors performance and results.
- Progress continued on the Information Technology Risk Mitigation Project led by League Data/CGI. Nova Scotia credit unions continued to implement policies and procedures based on the risk assessments completed in 2020.
- Atlantic Central, the Atlantic CUDIC's/CUDGC and the Office of the Superintendent of Credit Unions continued a multi-year Liquidity Project in 2021 with a focus on Statutory Liquidity held with the Central.



TOTAL INVESTMENT

External Affiliations

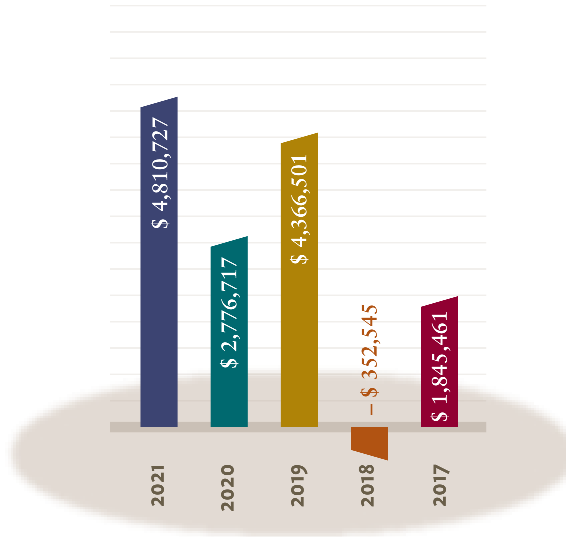
The Corporation continues to have regular and ongoing involvement with several regulatory associations.

The Credit Union Prudential Supervisors Association of Canada (CUPSA). The organization is composed of credit union deposit insurers and prudential supervisors from across Canada. CUPSA works toward maintaining a sound and sustainable credit union sector. Our work in the past year has focused on the impacts of COVID-19 with a focus on credit risk, liquidity and potential loan losses. Even though there were no in-person meetings in 2021, there were numerous virtual meetings with peers from across the country.

- CUDIC continued its work with the Bank of Canada to ensure Nova Scotia has access to Emergency Lending funding, including the Short-Term Lending Facility offered by the Bank of Canada if there is a systemic liquidity event.
- CUDIC continues to work with credit unions to ensure that good governance is being practiced. The CUDIC Standards of Sound Business and Financial Practices (27 standards) are expected to be followed. A review of the standards, including consultation with credit unions, is planned for 2022.
- Intervened as necessary with credit unions to ensure that risk levels remain within acceptable parameters.

The International Credit Union Regulators Network (ICURN). This organization has members from around the world who are engaged in regulation of the credit union systems in their countries. The 2021 Annual meetings were scheduled for Montreal, Quebec in July however were changed to a virtual conference as a result of COVID-19. The focus of the meetings was on the impact of COVID-19 as well as climate change risk, Open Banking, liquidity, and delinquency.

The Financial Protection Forum is an association of prudential regulators that span the financial services industry including insurance, investment dealers and federally regulated deposit taking institutions. The association meets annually to discuss current issues. This year's meeting took place virtually and focused on emerging/increasing risks related to information technology/cybersecurity and environmental risks including climate change.

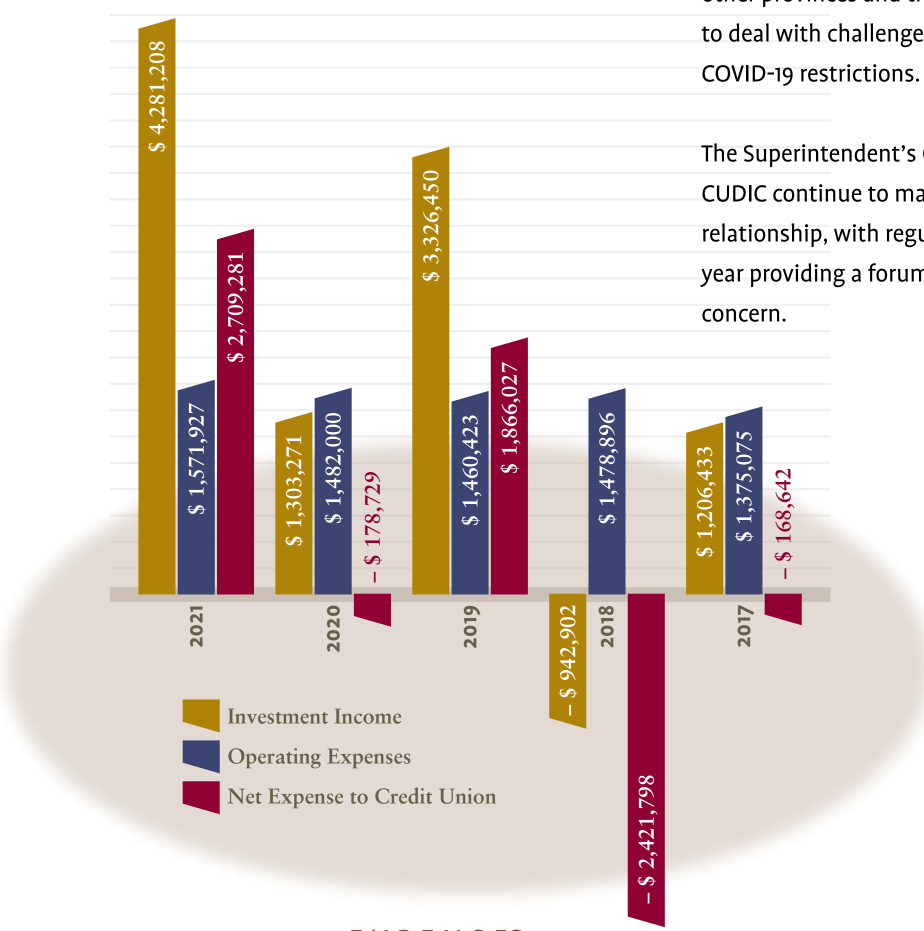


NET INCOME

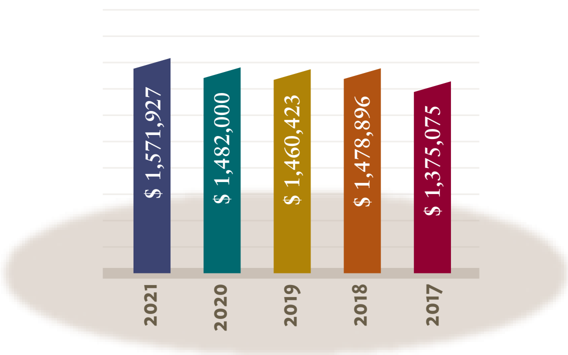
Local Relationships

There continues to be regular communication with leaders from the other Atlantic Canadian regulators and deposit insurers to share information and best practices which has increased significantly because of COVID-19. It was helpful to understand the impacts in other provinces and the sharing/discussion of ideas to deal with challenges that occurred because of COVID-19 restrictions.

The Superintendent's Office, Atlantic Central and CUDIC continue to maintain an excellent working relationship, with regular meetings held during the year providing a forum to discuss areas of mutual concern.



EXPENSES



OPERATING EXPENSES

Teamwork

I wish to extend my sincere thanks to the Staff of the Corporation who continued to go above and beyond to deal with the challenges related to COVID-19 in 2021. The willingness of staff to be understanding and flexible while dealing with continually changing work requirements is a testament to their commitment to the profession and the Corporation.

I want to extend my gratitude to the CUDIC Board of Directors for their contributions including wise counsel and strong support during 2021. I want to pass along a sincere thank you to the Chair, Jim Kavanaugh, who provided exceptional guidance and counsel during the year.

CUDIC Results

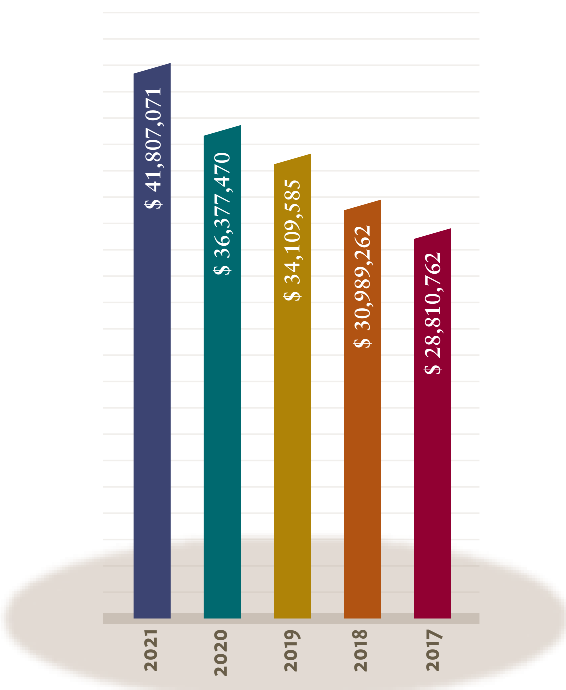
CUDIC produced positive results in 2021. Net earnings were $4,810,727 ($2,776,717 – 2020). There was an increase compared to 2020, because of strong investment markets throughout most of 2021 and strong fiscal management by CUDIC staff. Assessments charged to credit unions increased slightly to $2.72 Million. Weighted average differential premium for the system decreased to 7.78 basis points (7.92 bp '20) as a result of lower risk assessments in the credit union system.

Operating expenses overall increased by 6.0% or $90K from 2020. Material increases were in Boards and Committees because of lower activity in 2020 due to COVID-19. An increase of 32K for Contracted Services related to credit union oversight. Salaries and Benefits increased by 68K overall. Other expense categories were largely in line with historical figures.

The Investment Committee and Board exercise thorough oversight of our investment portfolio. A third party manages approximately 96.5% of our funds; the portfolio is comprised of fixed income products in combination with Canadian and US Equities. The one-year return on our managed portfolio was 10.05% (5.40% '20). These results demonstrate strong performance in 2021 following a solid year in 2020.

The holdings in our portfolio are carefully selected for quality by our investment counsel and are well diversified. Since its inception in 1992, the portfolio has had an overall return of 6.20%. As at December 31, 2021, our investments were 3.96% in cash and equivalents, 51.19% in Fixed Income, 30.95% in Canadian Equity, and 13.90% in US Equity. All investments have a ready aftermarket and can be liquidated on short notice if necessary.

Fund balance at year-end was $40,366,876 or 1.08% of system assets (2020 – $35,380,397 or 1.05%) versus a benchmark of 1%.



RETAINED EARNINGS

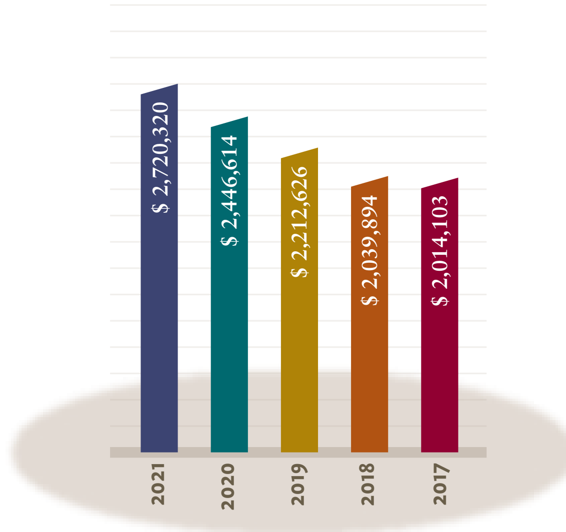
System Results

Audited results reflect net income after taxes of $31.4 Million or 88bps. ($20.5M or 64bps '20). Credit Unions are to be congratulated on a 53% improvement in collective bottom line under challenging circumstances. The improvement is a combination of tight expense control, 2.55% of WAA (2.74% '20) and reduced personnel expenses of .11% (11 bps) with a decrease of 15 bps in Gross Financial Margin to 2.44% (2.59% in 2020).

Strong Asset growth of 10.99% or $370 Million (13.35% '20). Equity position increased slightly to 7.39% (7.38% '20) mainly due to strong asset growth. Deposits grew by 10.38% or $318M (13.46% '20), while loan growth was 7.57% or $180M (3.11 % '20). Loan / asset ratio is 68.35% (70.52% '20).

As mentioned, the Loan book grew $180 Million in 2021 compared to growth of $72 Million in 2020. Commercial lending led the way in 2021 with growth of $123 Million, an increase of 46% over 2020 ($82 Million). Atlantic Central Syndication deals contributed $38 Million towards the Commercial growth ($16 Million '20). Personal Mortgages were the only other area to grow in 2021 ($83 Million) an 361% increase over 2020 ($18 Million).

Delinquency has improved to 0.83% (1.21% '20) for all accounts and LOCs over 30-day and 90-day delinquency rate decreased to 0.47% (0.61% '20).



ASSESSMENTS

Conclusion

Overall, 2021 was another successful year financially for the system considering the challenges from COVID-19 restrictions as well as the competitive financial services environment. Participants have continued to find ways to adapt to and overcome the many challenges that their financial institutions are confronted with. We appreciated the excellent cooperation we have received from all system participants in executing our mandate.

Respectfully submitted,

Mike Hurley
Chief Executive Officer

	2021	2020	2019	2018	2017
Return on Assets (% of average assets)	0.88	0.64	0.50	0.46	0.39
Total Equity	7.39	7.38	7.68	7.95	7.98
Delinquency >30 days	0.83	1.21	1.24	1.31	1.47
Delinquency >90 days	0.47	0.61	0.61	0.70	0.80
Asset Growth	10.99	13.35	9.82	5.68	5.82
Deposit Growth	10.38	13.46	9.73	5.43	6.42
Loan Growth	7.57	3.11	6.43	5.55	7.72

SYSTEM RESULTS

THE BOARD OF DIRECTORS

Beverley Cooke, *Secretary*

Jim Kavanaugh, *Chair*

Johnny Armstrong

Rick Parker, *Vice-Chair*

Carol Barr

Marc Britney

Karen MacWilliam

THE BOARD

Committees of the Board of Directors

Executive Committee

- Jim Kavanaugh, *Chair*
- Rick Parker, *Vice-Chair*
- Bev Cooke, *Secretary*

Audit Committee

This committee reviews the audited annual financial statements of the Corporation. They also review recommendations made by the external auditor regarding internal controls and procedures and ensures that appropriate action is taken.

- Carol Barr, *Chair*
- Karen MacWilliam
- Rick Parker
- Jim Kavanaugh, *Ex-Officio*

Policy Committee

This committee develops and monitors policies for the Corporation. Furthermore it shall provide support, advice and recommendations to the Board on issues related to CUDIC policies and assist the Board in fulfilling its governance obligations.

- Marc Britney, *Chair*
- Karen MacWilliam
- Johnny Armstrong
- Bev Cooke
- Jim Kavanaugh, *Ex-Officio*

Human Resources Committee

This committee reviews and makes recommendations to the Board on policies relating to the Corporation's human resources plans, compensation, employee benefits and related matters.

- Johnny Armstrong, *Chair*
- Bev Cooke
- Rick Parker
- Carol Barr
- Jim Kavanaugh, *Ex-Officio*

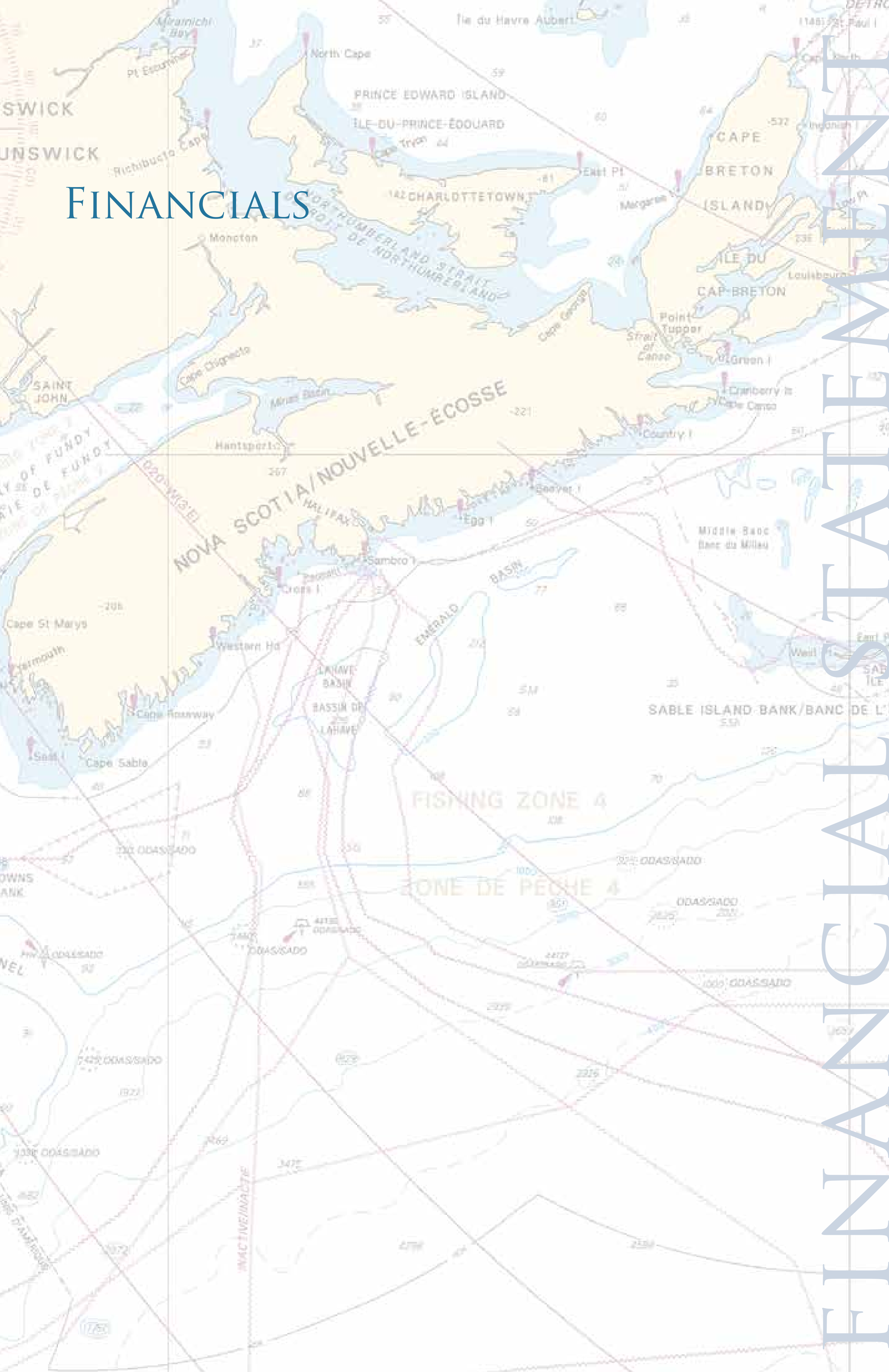
Investment Committee

This committee reviews the Corporation's investment performance, policies and procedures.

- Rick Parker, *Chair*
- Karen MacWilliam
- Marc Britney
- Jim Kavanaugh, *Ex-Officio*

Financials

FINANCIAL STATEMENTS



Independent Auditor's Report

To the Directors of Nova Scotia Credit Union Deposit Insurance Corporation

Opinion

We have audited the financial statements of Nova Scotia Credit Union Deposit Insurance Corporation ("NSCUDIC"), which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income, changes in equity and cash flows 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 NSCUDIC as at December 31, 2021, 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 NSCUDIC 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 NSCUDIC'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 NSCUDIC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NSCUDIC'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:

- 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 NSCUDIC'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 NSCUDIC'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 NSCUDIC 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.

Millar Sweeney Limited

Chartered Professional Accountants
Dartmouth, Nova Scotia
March 7, 2022

Statement of Financial Position

December 31	2021	2020
Assets		
Cash and equivalents (restricted $1,223,715; 2020 - $1,172,487)	$ 3,039,774	$ 3,138,685
Accounts receivable *(Note 4)*	7,680	5,505
Investments *(Note 7)*	40,366,876	35,380,397
Prepaid expenses	14,224	13,451
Property, plant and equipment *(Note 9)*	210,995	78,205
	$ 43,639,549	$ 38,616,243
Liabilities		
Accounts payable and accrued liabilities *(Note 5)*	$ 255,267	$ 240,941
Unclaimed balances *(Note 8)*	1,223,715	1,172,487
Current portion of lease liabilities *(Note 11)*	43,559	17,031
	1,522,541	1,430,459
Lease liabilities *(Note 11)*	124,230	3,733
	1,646,771	1,434,192
Contingency *(Note 6)*		
Equity		
Accumulated other comprehensive income, net of tax	185,707	804,581
Retained earnings	41,807,071	36,377,470
	41,992,778	37,182,051
	$ 43,639,549	$ 38,616,243

Approved on behalf of the board:

Director   Director

(See accompanying notes to the financial statements)

Statement of Comprehensive Income

Year ended December 31	2021	2020
Revenue		
Assessments and recoveries	$ 2,720,320	$ 2,446,614
Investment and other income *(Note 10)*	4,281,208	1,303,271
	7,001,528	3,749,885
Expenses *(Note 12)*	1,571,927	1,482,000
Net income	5,429,601	2,267,885
Other comprehensive income		
Unrealized gains (losses) on fixed income investments	(618,874)	508,832
Total comprehensive income	$ 4,810,727	$ 2,776,717

(See accompanying notes to the financial statements)

Statement of Changes in Equity

December 31, 2021

	Retained Earnings	Other Comprehensive Income	Total Equity
Balance at December 31, 2019	$ 34,109,585	$ 295,749	$ 34,405,334
Net income	2,267,885	—	2,267,885
Other comprehensive income	—	508,832	508,832
Balance at December 31, 2020	36,377,470	804,581	37,182,051
Net income for the year	5,429,601	—	5,429,601
Other comprehensive income (loss)	—	(618,874)	(618,874)
Balance at December 31, 2021	$ 41,807,071	$ 185,707	$ 41,992,778

(See accompanying notes to the financial statements)

Statement of Cash Flows

Year ended December 31	2021	2020
Cash provided by (used for)		
Operating activities		
Investment and other income received	$ 2,839,239	$ 797,608
Assessments and recoveries received	2,720,320	2,446,614
Receipts from unclaimed balances, net of paid outs	51,228	169,601
Payments to employees and suppliers	(1,471,696)	(1,391,594)
Cash flows provided by operating activities	4,139,091	2,022,229
Financing activities		
Cash payments on lease liabilities	(60,070)	(58,735)
Investing activities		
Purchase of investments, net of proceeds of sale	(4,163,384)	(683,932)
Additions to equipment and leaseholds	(14,548)	(62,938)
Cash flows used for investing activities	(4,177,932)	(746,870)
Increase (decrease) in cash	(98,911)	1,216,624
Cash, beginning of the year	3,138,685	1,922,061
Cash, end of year	$ 3,039,774	$ 3,138,685

(See accompanying notes to the financial statements)

Notes to the Financial Statements

1. GOVERNING LEGISLATION AND OPERATIONS

NSCUDIC was established in 1995 under the Credit Union Act (Chapter 4 of the Acts of 1994). NSCUDIC is a continuation of the Nova Scotia Credit Union Stabilization Fund. It is funded by premiums assessed against credit unions.

The purposes of NSCUDIC are to provide insurance against the loss of part or all of deposits in member credit unions, to provide financial assistance to credit unions for the purpose of stabilization and to protect deposits in credit unions by the development of sound business and financial policies and by implementation of loss prevention programs and other controls. These purposes are to be pursued for the benefit of depositors in credit unions and in such a manner as will minimize the exposure of NSCUDIC to loss.

Under the Credit Union Act, NSCUDIC has the power to do all things necessary or incidental to the furtherance of its purposes, including acquiring assets from credit unions, guaranteeing loans in credit unions and providing any form of assistance to credit unions. Among other things, it may make standards of sound business and financial practices, make or cause to be made examinations or inquiries in relation to credit unions, place limitations on the lending activities and loan policies of a credit union, issue directives (in consultation with Atlantic Central and the Superintendent of Credit Unions of Nova Scotia), and act as liquidator of a credit union.

On March 7, 2022, NSCUDIC's Board of Directors approved and authorized for issue the financial statements for the year ended December 31, 2021.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Statement of compliance

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

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for available for-sale financial assets, which are measured at fair value in the Statement of Financial Position. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional currency

These statements are denominated in Canadian dollars which is NSCUDIC's functional currency.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected

Information about the area of estimation uncertainty in applying accounting policies that has the most significant effect on the amounts recognized in the financial statements is described in Note 3 – Credit union assistance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and equivalents

Cash and cash equivalents include cash on hand and on deposit.

Financial assets

All financial assets are intially recognized at fair value in NSCUDIC's Statement of Financial Position and are subsequently classified as measured at fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortized cost based on NSCUDIC's assessment of the business model within which the financial asset is managed and the financial asset's contractual cash flow characteristics. Financial assets can be only be reclassified when there is a change to the business model within which they are managed.

Such classifications are applied on a prospective basis.

(i) Classification

Cash	Amortized cost
Fixed income investments	FVTOCI (debt instruments)
Equity investments	FVTPL (equity instruments)
Accounts receivable	Amortized cost

(ii) Amortized cost

A financial asset is measured at amortized cost if it is held within a business model of holding financial assets and collecting contractual cash flows and those cash flows are comprised solely of payments of principal and interest. Amortized cost financial assets are accounted for at amortized cost using the effective interest method, less any impairment. Interest revenue is recognized through investment income by applying the effective interest rate.

(iii) Fair value through other comprehensive income

Debt instruments that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal.

Equity instruments that are held for trading are measured at FVTPL.

FVTOCI financial assets are carried at fair value with unrealized gains and losses recorded in the Statement of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income (AOCI) forms part of NSCUDIC's equity.

Realized gains and losses on fixed income and equity investments are recorded in investment and other income.

Interest on interest-bearing fixed income investments is calculated using the effective interest method and recorded in investment income.

Dividends on equity investments are recorded in investment income upon declaration.

(iv) Fair value through profit or loss

All financial assets not measured at amortized cost or FVTOCI are measured by FVTPL. A financial asset that would otherwise be measured at amortized cost or FVTOCI can be designated as FVTPL through an irrevocable election if doing so eliminates or significantly reduces an accounting mismatch. Unrealized and realized gains and losses, dividends declared, and interest income on these financial assets are recorded in investment and other income.

(v) Impairment of financial assets

NSCUDIC recognizes loss allowance for expected credit losses (ECL) for any FVTOCI debt instrument or amortized cost asset. Loss allowance is measured as 12-month ECL if debt investment securities held at reporting date are of low credit risk. NSCUDIC considers a debt security to have a low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The ECL is a probability weighted estimate of credit losses measured as the present value of all cash shortfalls that are possible within 12 months after the reporting date.

At each reporting date, NSCUDIC assesses whether FVTOCI debt instruments or amortized cost assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

In making an assessment of whether an FVTOCI debt instrument or amortized cost asset is credit-impaired, NSCUDIC considers the following factors:

- The market's assessment of creditworthiness as reflected in bond yields.
- The rating agencies' assessment of creditworthiness.
- The issuer's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

(vi) Derecognition of financial assets

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

Financial liabilities

Financial liabilities are classified either as measured at amortized cost using the effective interest method or as FVTPL, which are recorded at fair value.

Classification

- Accounts payable and accrued liabilities
- Amortized cost
- Derivative liabilities
- FVTPL

Financial liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

NSCUDIC uses the effective interest method to recognize investment income or expense which includes premiums or discounts earned on financial instruments.

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating investment income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (other than premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Property, plant and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The residual values, useful lives and depreciation methods are reviewed each year-end and changed if necessary. Cost includes expenditures that are directly attributable to bring the asset into working condition for their intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components of property and equipment).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Depreciation

Depreciation is recognized in income on a basis that reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation of property and equipment for the current and comparative periods is based on estimates of useful life using the following rates and terms:

Right to use assets	straight-line	term of lease
Furniture and equipment	straight-line	3 years
Vehicle	declining balance	30%

Leases

NSCUDIC classifies a contract, or component of a contract, as a lease if it conveys a right to control the use of an identifiable asset for a period of time in exchange for consideration. NSCUDIC recognizes a right of use asset and lease liability for all leases at the commencement date.

Lease liabilities are initially measured at the present value of the lease payments due over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at NSCUDIC's incremental borrowing rate. Lease payments included in the measurement of the lease liability include fixed contractual payments, variable contractual payments based upon a rate or index and any amounts payable with respect to purchase, extension and/or termination options when it is reasonably certain NSCUDIC will exercise the option. Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method.

Lease liabilities are presented on the statement of financial position and the interest expenses are recognized under expenses on the statement of comprehensive income.

Right of use assets are initially measured at cost, which comprise the initial amount of the lease liability plus initial direct costs and estimated decommissioning costs, less any lease incentives received. Right of use assets are subsequently amortized on a straight line basis over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Right of use assets are presented under property, plant and equipment on the statement of financial position and the depreciation of right of use assets are recognized under expenses on the statement of comprehensive income.

Income tax

Current and deferred taxes are provided for in the same periods as the revenues and expenses to which they relate, except when they relate to items that are recognized outside the Statement of Comprehensive Income, in which case the taxes are also recognized outside the Statement of Comprehensive Income. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which NSCUDIC expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets or liabilities, are included in the Statement of Financial Position as either a non-current asset or liability, with changes in the year recorded in the Statement of Comprehensive Income in tax expense.

Deferred tax assets and liabilities are offset when there is a legally enforced right to set off current tax assets against current tax liabilities and NSCUDIC intends to settle its current tax assets and liabilities on a net basis.

Deferred taxes are reviewed at each Statement of Financial Position date to take into account factors including the impact of changes in tax laws and the prospects of recovering deferred tax assets arising from deductible temporary differences.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. Trade payables are recognized at historical cost which is a reasonable estimate of fair value.

Cash flow statement

The cash flow statement is prepared using the direct method.

Income tax positions

NSCUDIC is subject to taxation in Canada. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. NSCUDIC maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

NSCUDIC reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Assessment income

Assessment rates are based on a risk classification system and are applied to average assets of member institutions for the period October 1 to September 30. Assessment income is recognized when the amount of revenue can be measured reliably and it is probable that the economic benefit will flow to NSCUDIC.

Investment income

Interest and dividend income from a financial asset is recognized when it is probable that the economic benefits will flow to NSCUDIC and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Unrealized holding gains and losses related to fixed income investments are excluded from net income and are included in other comprehensive income until such gains or losses are realized or an other than temporary impairment is determined to have occurred.

Credit union assistance

A provision for assistance is only recognized if, as a result of a past event, NSCUDIC has a present legal or constructive obligation that can be estimated reliably, and it is probable that the outflow of economic benefits will be required to settle the obligation. The amount, timing and form of financial assistance that may be required for credit unions are dependent on future events and outcomes. Outcomes that may require financial assistance are stabilization, amalgamations, arrangements, liquidations or dissolutions. NSCUDIC provides for a provision for financial assistance based on three main components, as follows:

(i) Where the need for assistance becomes likely and the amount for specific credit unions can be reasonably estimated.

(ii) Where the amount can be reasonably estimated and arises from indemnity agreements entered into with credit unions due to outcomes described above.

(iii) Where NSCUDIC has determined there is the potential for financial assistance based on an analysis of the inherent risks in the credit union system.

A contingent liability for financial assistance arises from a liability of sufficient uncertainty with respect to the probability and the amount of the expected outflows such that it does not qualify for recognition as a provision. Depending on the probability of loss occurring, contingent liabilities may be disclosed in the notes to the financial statements. Contingent liabilities may be established based on potential individual credit union assistance payments and/or an assessment of the inherent risk in the credit union system.

4. ACCOUNTS RECEIVABLE

	2021	2020
Weymouth Credit Union receivable	$ —	$ 500
Harmonized sales tax	7,680	5,005
	$ 7,680	$ 5,505

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade payables and accruals	$ 78,554	$ 75,633
Accrual for retirement (Note 16)	176,713	165,308
	$ 255,267	$ 240,941

6. CONTINGENCY

NSCUDIC has provided loan guarantees to Caisse Populaire de Clare Limitée in connection with member loans transferred from another credit union. The guarantees expire on October 31, 2022.

At December 31, 2021, the loan balances guaranteed by NSCUDIC totaled $26,650 (2020 - $29,887).

7. INVESTMENTS

	2021	2020
Fixed income investments		
Government	$ 13,876,845	$ 12,554,770
Corporate – Canadian	6,746,008	5,553,089
Corporate – Foreign	—	—
	20,622,853	18,107,859
Equity investments		
Canadian equities	12,240,225	8,658,909
US equities	5,611,647	4,202,063
	17,851,872	12,860,972
Short term investments	1,039,794	4,116,950
Cash on hand	747,249	219,671
Accrued income and other items	105,108	74,945
	1,892,151	4,411,566
Total managed investments	$ 40,366,876	$ 35,380,397

Cost of investments:

December 31, 2020	**$ 33,116,880**
December 31, 2021	**$ 37,278,254**

8. UNCLAIMED BALANCES

In accordance with the provisions of Regulation 13 of the Credit Union Act, NSCUDIC has received deposits from credit unions representing unclaimed balances. These deposits must be held indefinitely by NSCUDIC until claimed by a depositor or creditor entitled to such funds.

Continuity of unclaimed balances:

	2021	2020
Balance beginning of year	$ 1,172,487	$ 1,002,886
Add receipts from Credit Unions	73,937	168,416
Less payouts to members	(29,076)	(1,309)
Add accrued interest	6,367	2,494
Balance end of year	$ 1,223,715	$ 1,172,487

NOTES

9. PROPERTY, PLANT AND EQUIPMENT

Cost	Right-of-use asset: building	Right-of-use asset: vehicles	Furniture and office equipment	Vehicles	Total
Balance at January 1, 2020	$ 77,549	$ 53,054	$ 144,993	$ —	$ 275,596
Additions	—	—	15,928	47,010	62,938
Disposals	(77,549)	(3,232)	(38,580)	—	(119,361)
Balance at December 31, 2020	—	49,822	122,341	47,010	219,173
Additions	203,425	—	14,548	—	217,973
Disposals	—	—	(11,565)	—	(11,565)
Balance at December 31, 2021	**$ 203,425**	**$ 49,822**	**$ 125,324**	**$ 47,010**	**$ 425,581**
Accumulated depreciation					
Balance at January 1, 2020	$ 38,775	$ 16,654	$ 119,267	$ —	174,696
Depreciation expense	38,775	16,399	17,395	13,065	85,634
Disposals	(77,550)	(3,232)	(38,580)	—	(119,362)
Balance at December 31, 2020	—	29,821	98,082	13,065	140,968
Depreciation expense	40,685	16,850	17,315	10,333	85,183
Disposals	—	—	(11,565)	—	(11,565)
Balance at December 31, 2021	**$ 40,685**	**$ 46,671**	**$ 103,832**	**$ 23,398**	**$ 214,586**
Net book value					
December 31, 2020	$ —	$ 20,001	$ 24,259	$ 33,945	78,205
December 31, 2021	**$ 162,740**	**$ 3,151**	**$ 21,492**	**$ 23,612**	**$ 210,995**

Fully depreciated assets are retained in asset and accumulated depreciation accounts until such assets are removed from service. Proceeds from disposals are netted against the related assets and the accumulated depreciation and included in earnings.

10. INVESTMENT AND OTHER INCOME

	2021	2020
Realized gains (losses) on fixed income investments	**$ 31,302**	$ 33,800
Realized gains (losses) on equity investments	**1,874,582**	105,405
Unrealized gains (losses) on commitments	**2,637**	(8,659)
Unrealized gains (losses) on equity investments	**1,439,332**	514,322
Interest and dividends on managed investments	**930,101**	648,723
Other investment income	**3,254**	9,680
	$ 4,281,208	$ 1,303,271

11. LEASE LIABILITIES

	2021	2020
Lease payable to Toyota Financial Services, repayable in equal monthly instalments of $644 including an implicit interest rate (1.49% per annum), until the end of the lease term on January 30, 2022.	**$ 1,955**	$ 9,617
Lease payable to Toyota Financial Services, repayable in equal monthly instalments of $801 including an implicit interest rate (2.99% per annum), until the end of the lease term on May 16, 2022.	**1,762**	11,147
Lease payable to The Waterfront South Bedford Incorporated, repayable in equal monthly instalments of $3,560 including an interest rate of 2.00% per annum, until the end of the lease term on December 31, 2025. The interest rate represents the estimated rate NSCUDIC would pay to borrow funds over a similar term, and with similar security.	**164,072**	—
	167,789	20,764
Less: current portion of lease liabilities	**(43,559)**	(17,031)
	$ 124,230	$ 3,733

Under the lease agreement with The Waterfront South Bedford Incorporated, NSCUDIC also pays $3,127 per month for common area and cleaning charges. Common area and cleaning charges are recorded in occupancy expenses. During the year, NSCUDIC paid $60,070 in lease payments.

12. EXPENSES

	2021	2020
Bad debts (recoveries)	$ (945)	$ —
Loan guarantees	—	45,072
Board and committees	95,030	67,935
Contracted services and expenses	82,084	50,291
Depreciation	85,183	85,636
Insurance	17,803	17,394
Interest on capital leases	3,367	639
Legal and consulting	8,210	—
Occupancy	37,519	40,549
Office	83,010	86,258
Professional fees	185,646	185,947
Risk management programs	5,000	5,000
Salaries and employee benefits	918,179	850,394
Telephone	19,895	21,359
Travel	31,946	25,526
	$ 1,571,927	$ 1,482,000

13. INCOME TAXES

NSCUDIC is a deposit insurance corporation for income tax purposes and is subject to income taxes on its taxable income at the statutory rate prescribed for deposit insurance corporations. Income for tax purposes excludes assessments made against credit unions. Also, no deduction may be made against income for tax purposes for financial assistance given to or paid on behalf of credit unions.

NSCUDIC has accumulated non-capital losses for tax purposes which are available to reduce taxable income in future periods. The potential tax savings from claiming the losses have not been recorded. The losses expire as follows:

2026	$ 350,910
2027	274,237
2028	476,604
2029	636,373
2030	663,694
2031	503,872
2032	539,388
2033	323,956
2034	390,113
2035	309,384
2036	788,447
2037	453,686
2038	312,404
2039	583,267
2040	212,187
2041	268,078
	$ 7,086,600

In addition, NSCUDIC has allowable capital losses of $338,964 which are available to reduce capital gains in future periods.

14. CAPITAL MANAGEMENT

NSCUDIC's objectives with respect to capital management are to safeguard the entity's ability to continue as a going concern so that it can continue to operate as a deposit insurance provider for the Nova Scotia Credit Unions, including the provision of stabilization funds as needed.

15. FINANCIAL INSTRUMENTS

Class disclosure

The following is the disclosure of financial assets by class:

	2021	2020
Amortized cost		
Cash	$ 3,039,774	$ 3,138,685
Accounts receivable	7,680	5,505
Prepaid expenses	14,224	13,451
	$ 3,061,678	$ 3,157,641
FVTOCI		
Fixed income investments	$ 20,622,852	$ 18,107,859
FVTPL		
Equity investments	$ 17,851,872	$ 12,860,972
Other investments	1,892,151	4,411,566
	$ 19,744,023	$ 17,272,538

The following is the disclosure of financial liabilities by class:

	2021	2020
Amortized cost		
Accounts payable and accrued liabilities	$ 255,267	$ 240,941
Unclaimed balances	1,223,715	1,172,487
Lease liabilities	167,789	20,764
	$ 1,646,771	$ 1,434,192

Financial risk management

NSCUDIC is exposed to risks of varying degrees of significance including credit risk, liquidity risk and market risk which could affect its ability to meet its obligations. The main objectives of NSCUDIC's risk management processes are to properly identify risks and maintain adequate capital in relation to these risks.

Credit risk

Credit risk relates to the possibility that a loss may occur from the failure of another party to comply with the terms of the contract. Credit risk may arise from principal and interest amounts in NSCUDIC's investment portfolio.

NSCUDIC manages credit risk through adherence to board-approved policy and practice for the acquisition of investments. Safety of principal is accomplished by ensuring that all investments purchased are reasonable and prudent. Investment decisions are made with due diligence to avoid undue risk of loss while obtaining a reasonable return. The credit risk within the pooled funds is managed by the investment manager in accordance with NSCUDIC's investment policies.

NSCUDIC monitors investments on a monthly basis. The status of the investment portfolio in relation to performance targets and limits is reported to the board at each regular board meeting. An exception to policy will be reported immediately to the chief executive officer and to the audit committee.

The table below shows the credit risk exposure of investments, by issuer, at the end of the reporting period:

	2021	2020
Government	$ 13,876,845	$ 12,554,770
Corporate	6,746,008	5,553,089
	$ 20,622,853	$ 18,107,859

Liquidity risk

Liquidity risk relates to the possibility that NSCUDIC does not have sufficient cash or cash equivalents to fulfil its financial obligations as they come due. In order to mitigate this risk, a significant portion of NSCUDIC's investments are classified as "available-for-sale" and are readily redeemable or saleable and can be sold if the need arises.

Market risk

Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Investments are carried on the balance sheet at fair value and are exposed to fluctuations in fair value. Changes in unrealized gains (losses) of fixed income investments are recorded as other comprehensive income, changes in unrealized gains (losses) of equity investments are recorded as investment and other income. Impairments, other than temporary impairments are recognized immediately in net income, net of tax. Market risk comprises the following two types of risk:

Currency risk: Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign rates. NSCUDIC manages currency risk through its investment policies by restricting foreign investments to US securities and placing limitations on securities denominated in US dollars. Gains and losses on US securities are recognized in income during the current period in Canadian dollars.

Interest rate risk: Interest rate risk relates to the possibility that fixed income investments will change in value due to future fluctuations in market interest rates. As fixed income investments are carried at their fair value, the carrying value of investments has exposure to interest rate risk. NSCUDIC is also exposed to interest rate risk on investment returns on reinvestment following maturity or sale. Fluctuations in interest rates may adversely impact NSCUDIC's fair value of investments. NSCUDIC's investment manager monitors duration and re-pricing risk of fixed income investments.

The investment portfolio is monitored by management on a monthly basis to ensure compliance with the policies, and reported to the board at each regular board meeting.

16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and key management personnel during the year was as follows:

	2021	2020
Short-term benefits	$ 244,188	$ 220,163
Post-employment benefits	15,200	13,771
Total salaries and benefits	$ 259,388	$ 233,934

The remuneration of directors and key management personnel is determined by the Board of Directors having regard to the performance of individuals and market trends.

Retirement savings plan contributions

NSCUDIC contributes to retirement savings plans on behalf of all employees. Each employee contributes 6% of earnings and NSCUDIC contributes 8%. The cost to NSCUDIC is included in salaries and employee benefits expense (2021 - $56,857; 2020 - $52,908).

Employee future benefits

NSCUDIC has a defined benefit plan that provides a retirement benefit to employees. Retiring employees shall receive a retiring allowance of one week's pay for each year of service to a maximum of twenty-eight weeks. The weekly rate of pay for this calculation is based on an average of the employee's best five years of earnings.

NOTES

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or liability, NSCUDIC takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for disclosure purposes of these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of their inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1 inputs** are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2 inputs** are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3 inputs** are unobservable inputs for the asset or liability.

NSCUDIC considers the carrying amount of financial assets and liabilities, other than investments, recognized in the financial statements to approximate their fair values.

Fair Value Hierarchy Investments

	2021	2020
Level 1	$ —	$ —
Level 2	40,366,876	35,380,397
Level 3	—	—
	$ 40,366,876	$ 35,380,397

The fair values of the financial assets included in the Level 2 category above have been determined in accordance with generally accepted pricing models based on either quoted prices obtained from RBC or a discounted cash flow analysis, with the most significant inputs being the appropriate discount rate for the instrument, which is obtained from observable data for similar instruments.

There have been no transfers between levels in the hierarchy and no changes to the valuation methods during the period.

18. Impact of COVID-19

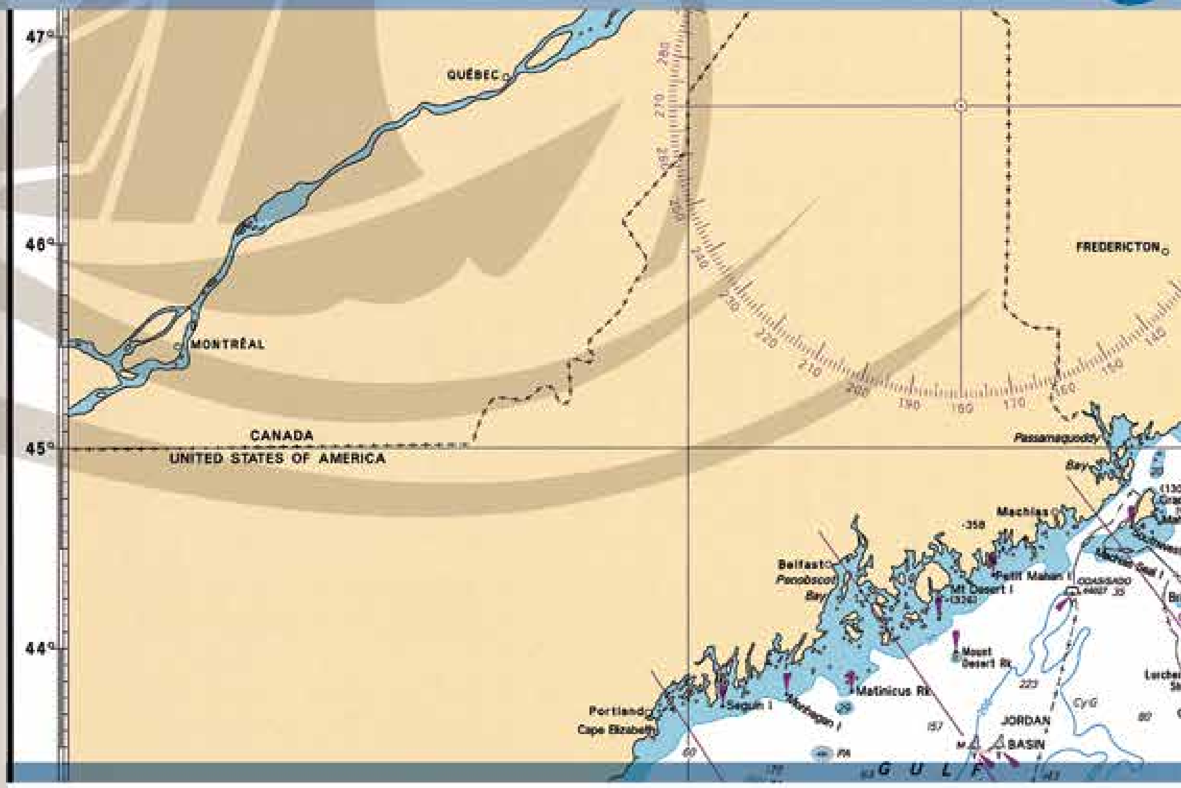
The COVID-19 pandemic did not have a significant adverse impact on NSCUDIC during the current year.

Serving the Credit Unions of NS

Acadian Credit Union
Bay St. Lawrence
Caisse populaire de Clare
Cape Breton Credit Union
Coastal Financial Credit Union
Community Credit Union
Credit Union Atlantic
Dominion Credit Union
East Coast Credit Union
Glace Bay Central Credit Union
iNova Credit Union
LaHave River Credit Union
New Ross Credit Union
New Waterford Credit Union
North Sydney Credit Union
Princess Credit Union
Province Government Employees Credit Union
Public Service Commission Employees
St. Joseph's Credit Union
Sydney Credit Union
Teachers Plus Credit Union
Valley Credit Union
Victory Credit Union

Serving

NSCUDIC.org



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