INOVA CREDIT UNION

ANNUAL REPORT 2020

CREDIT UNION
iNOVA

PAGES

AGENDA

1. **Call to Order**
2. **Moment of Silence in Memory of Deceased Members**
3. **Determination of Quorum**
4. **Approval of Agenda**
5. **Approval of November 10, 2020 AGM Minutes**
6. **Election of Directors**
7. **Reports**
    a. **Chair and General Manager's Joint Report**
    b. **Auditor's Report and Financial Statements**
    c. **Audit Committee Report**
    d. **Credit Committee Report**
8. **Appointment of Auditors**
9. **New Business**
10. **Adjournment**

CREDIT UNION
iNOVA

ANNUAL GENERAL MEETING

AGM Minutes 2020

84th iNova Credit Union Virtual Annual General Meeting
Tuesday, November 10, 2020 at 6:00 pm

1. **Opening Remarks** - Kelly Bray and Gina Green reviewed the procedures for the virtual meeting.

2. **Quorum -** Gina Green and Kelly Bray confirmed there were 18 members in attendance therefore a quorum was established.

3. **Call to Order** - At 6:01 the meeting was called to order by Wayne Pace, Chair of the Board of Directors.

4. **Moment of Silence** – Wayne Pace asked that a moment of silence be observed in memory of our members who had passed away in 2019.

5. **Adoption of Agend**a – Wayne Pace asked that the Agenda for the 84th Annual General Meeting be adopted as presented.

Motion 19-01: It was moved by Kaylon Fraser, seconded by Shaun Carvery, that the agenda for the 84th Annual General Meeting be adopted as presented. **Carried**

6. **Approval of the 83rd AGM Meeting Minutes** - Minutes were reviewed from the 83rd Annual General Meeting held April 17, 2019 which were made available to the members.

Motion 19-02: It was moved by Mike Ansari, seconded by Shaun Carvery, that the minutes of the 83nd Annual General Meeting be approved. **Carried**

7. **Nomination Committee Report** – Karla MacKeen presented the Nomination Committee Report. A call for nominations was posted in the branch and on our website for a period of 30 days. 3 members were nominated for the 3 vacancies. Wayne Pace, Mitchell Wells and Erin Hancock were elected by acclamation.

Motion 19-03: It was moved by Aimee Semel, seconded by Justin Sampson, that the Nomination Committee Report be accepted. **Carried**

8. **Chair and General Managers Report** – Wayne Pace and Karla MacKeen presented their joint report. Highlights in 2019 included continued asset, loan and deposit growth and the amalgamation with Electragas Credit Union. There is significant system implementation and change on the horizon with new digital services and enhanced cyber security.

Motion 19-04: It was moved by Thomas Redden, seconded by Erin Hancock, that the Chair and General Managers Report be accepted. **Carried**

9. **External Auditors Report –** Miles Sweeney, Chartered Accountant for Miles T. Sweeney Inc. reviewed the Credit Union's income and expenses, comparing 2018 and 2019. Also reviewed were the statements of net income, comprehensive income and retained earnings, cash flows for the year end, and notes to the financial statements, including a summary of significant accounting policies. In summary Miles highlighted a number of strengths including asset growth to over $37M, an increase in net income from 2018 and equity at 12.5% compared to the 5% required. Current challenges include membership growth along with interest and other income growth. To improve profitability the Credit Union needs to continue to manage operating expenses and grow the loan portfolio with quality loans.

Motion 19-05: It was moved by Jayme Melrose, seconded by Erin Hancock, that the External Auditors Report be accepted. **Carried**

10. **Audit Committee Report -** Mike Ansari, Chair of the Audit Committee presented his report. Mike reviewed the Committee responsibilities and reported they are confident the Credit Union's financial reporting systems and controls are adequate to meet regulatory and statutory requirements. Mike thanked his fellow committee Dan Welch and Justin Sampson for their contributions over the past year.

Motion 19-06: It was moved by Kaylon Fraser, seconded by Shaun Carvery, that the Audit Committee Report be accepted. **Carried**

11. **Credit Committee Report -** The report gave an overview of the committee's responsibilities and stated that the Board was satisfied with the reporting and adherence to policy. Angela thanked her fellow committee members as well as Thomas Redden who acts as the staff resource.

Motion 19-07: It was moved by Shaun Carvery, seconded by Amy Hazlett, that the Credit Committee Report be accepted. **Carried**

12. **Appointment of Auditors for 2020 -** Mike Ansari, Chair of the Audit Committee recommended the re-appointment of Miles T. Sweeney Inc. as the auditors for 2020.

Motion 19-08: It was moved by Stephen Parsons, seconded by Chad Fowler, to accept the re-appointment of Miles T. Sweeney Inc. as the external auditors for 2020 the Credit Committee Report be accepted. **Carried**

13. **By-Law Changes** – Karla MacKeen reviewed the list of by-law changes that the Board of Directors are recommending to reflect changes to the Credit Union Act which came into effect on July 1st, 2020.

Motion 19-09: It was moved by Stephen Parsons, seconded by Dan Welch, to accept the recommended by-law changes. **Carried**

14. **New Business** – No new business

15. **Staff Recognition** – Karla MacKeen presented Patricia Ellsworth with her 20-year service award along with a 10-year service award to Chad Fowler and Aimee Semel.

16. **Adjournment** – At 6:26 Wayne expressed appreciation to the members and guests attending the virtual AGM and the staff's contribution in making the meeting a success and asked for a motion to adjourn the meeting.

Motion 19-10: It was moved by Kyle Blandin, seconded by Angie Fong, to adjourn the meeting. **Carried**

Submitted by

Angela Franklin
Board Secretary

Chair of the Board of Directors and General Manager's Report

This evening marks our credit union's 85th annual general meeting. On behalf of the Board of Directors of iNova Credit Union we are pleased to report on the past year of operations and look ahead to some of the things on the horizon for next year.

While looking back on 2020, it certainly was a time of great uncertainty and constant adaptation to the changes a global pandemic brought to our lives.During the height of the pandemic, iNova's top priority was the health and well-being of its members and staff. From mid March to June staff began working on a rotational schedule to mitigate the risk of spread of the virus. Members were encouraged to pay bills online and use the ATM in lieu of coming into the branch but were admitted entry on a case-by-case basis. Staff were available to assist at the branch and on the phone when needed and we are proud of how the organization adapted to being available to the membership while maintaining continuity of service.

Despite the impact of the COVID-19 pandemic on our economy and the disruption to our operations, we are very pleased with our outcomes in 2020. iNova Credit Union had a successful year recording an operating profit before taxes of $314,402.Our total assets increased 31% to $49 million and member deposits grew over $11 million for a 36% increase for the year. The significant increase in assets and member deposits is mainly due to funds received for the federal Canadian Emergency Business Account (CEBA) program as well as an increase in members holding onto their cash. In 2020 we experienced pressure on our financial margin as the Bank of Canada lowered the prime interest rate resulting in lower interest revenue and investment revenue. We prudently managed our expenses and decreased our operating costs to end the year on a successful note.

It appears we are continuing on a path of uncertainty and a challenging economic environment. The Bank of Canada has recently signaled that they intend to keep interest rates at their current low level until the end of 2023, which we expect will continue to impact our profitability. We have yet to see the impact of increased credit losses as the pandemic continues to impact our economy. There is hope that the launch of the vaccine program will reveal a light at the end of the tunnel, but in all reality the pandemic is likely to negatively impact our economy for a considerable period.

2021 will continue to bring significant system implementation and change for iNova Credit Union. Adapting new digitized technologies to address the needs of our members and to grow iNova have been our key focus and will continue to be in the years ahead. There are several projects on the horizon that will help us remain competitive and ensure our long-term success. We plan to expand our digital services with the launch of a new Digital Account Opening and Lending product, introduce Mobile Wallet as well as a new online banking platform. With the ever-increasing demand for 24/7 access, these projects are pivotal in bringing digital transformation capabilities to our members.

On behalf of the Board of Directors and the staff, we wish to thank you for choosing us as your Financial Institution and for your continued loyalty and dedication to iNova. We look forward to working with all of our members to provide the guidance and advice needed to make the best financial decisions for each individuals unique circumstances.

Respectfully Submitted,

Wayne Pace
Board Chair

Karla MacKeen
General Manager

2020 Financial Statements

See attached report below:

INDEPENDENT AUDITOR'S REPORT

To the Directors of
iNova Credit Union Limited

Opinion
We have audited the financial statements of iNova Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2020, and the statements of comprehensive income and retained earnings, 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 Credit Union as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants

Dartmouth, Nova Scotia
March 1, 2021

iNova Credit Union Limited
STATEMENT OF FINANCIAL POSITION
December 31

	2020	2019
Assets		
Cash resources (Note 6)	$ 16,135,794	$ 5,087,263
Accrued receivables (Note 8)	55,069	6,399
Income taxes receivable	30,243	-
Prepaid expenses	23,738	25,500
Members' loans (Note 7)	30,809,658	30,285,174
Long-term investments (Note 9)	890,676	751,874
Capital assets (Note 10)	307,880	331,222
Right-of-use asset - building (Note 19)	849,209	924,694
	$ 49,102,267	$ 37,412,126
Liabilities		
Payables and accruals	$ 63,496	$ 63,626
Patronage rebate payable	-	-
Members' deposits (Note 11)	43,007,833	31,559,268
Deposit interest payable	119,663	139,844
Income taxes payable	-	13,223
Deferred income taxes (Note 13)	10,024	9,920
Lease liability (Note 19)	878,345	940,800
	44,079,361	32,726,681
Members' equity		
Members' shares (Note 12)	81,007	90,432
Contributed surplus (Note 21)	35,752	-
Retained earnings	4,906,147	4,595,013
	5,022,906	4,685,445
	$ 49,102,267	$ 37,412,126

Approved by the Board

Director Director

(See accompanying notes to the financial statements)

iNova Credit Union Limited

STATEMENTS OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

Year ended December 31	2020	% of Income	2019	% of Income
Income				
Loan interest	$ 1,312,505	70.6	$ 1,423,744	74.3
Investment income	152,527	8.2	156,198	8.2
	1,465,032	78.8	1,579,942	82.5
Interest expenses				
Distributions to members:				
Interest on deposits	292,635	15.7	306,990	16.0
Financial margin	1,172,397	63.1	1,272,952	66.5
Other income				
Discretionary rebate income	37,834	2.0	3,135	0.2
Revenue from contracts (Note 18)	317,973	17.1	315,840	16.5
Other	37,846	2.0	16,729	0.9
	393,653	21.1	335,704	17.6
Income before operating expenses	1,566,050	84.2	1,608,656	84.1
Operating expenses				
Administrative (see schedule)	255,700	13.6	283,041	14.7
Amortization of capital assets	110,575	5.9	112,820	5.9
Central service charges	120,444	6.5	114,365	6.0
Occupancy (see schedule)	105,590	4.0	102,511	3.6
Salaries, benefits, contracted services	584,115	31.4	663,877	34.7
Deposit insurance	30,083	1.6	27,322	1.4
Loan impairment losses	41,933	2.3	11,888	0.6
Total operating expenses	1,248,440	65.3	1,315,824	66.9
Loss on capital asset disposal	2,908	18.9	-	17.2
Income before provision for income taxes	314,702	18.9	292,832	17.2
Provision for income taxes (Note 13)				
Current	3,464	0.2	33,698	1.8
Future (recovery)	104	-	(6,962)	(0.4)
	3,568	0.2	26,736	1.4
Net income and comprehensive income	311,134	18.7	266,096	15.8
Retained earnings, beginning	4,595,013		4,328,917	
Net income and comprehensive income	311,134		266,096	
Retained earnings, ending	$ 4,906,147		$ 4,595,013	

(See accompanying notes to the financial statements)

iNova Credit Union Limited
STATEMENT OF CASH FLOWS
Year ended December 31

	2020	2019
Cash generated from (used in) operating activities		
Loan interest received	$ 1,314,076	$ 1,418,816
Investment income received	150,928	160,972
Other income received	37,846	16,729
Rebates received	1,009	3,135
Revenue from contracts received	317,973	315,840
Increase (decrease) in members' deposits	11,448,565	1,179,377
Bad loans recovered	25,401	4,207
Interest paid on members' deposits	(312,816)	(256,795)
Increase in members' loans	(603,888)	(1,665,173)
Patronage rebate paid	-	(66,384)
Payments to suppliers	(514,242)	(580,383)
Payments to employees	(582,194)	(663,877)
Income taxes paid	(46,930)	(16,356)
	11,235,728	(149,892)
Cash generated from (used in) investing activities		
Purchase of investments	(138,802)	(4,773)
Purchase of capital assets	(14,657)	(5,605)
	(153,459)	(10,378)
Cash generated from (used in) financing activities		
Principal payments on lease liability	(62,455)	(59,379)
Proceeds from issue of shares (net of redemptions)	28,717	41,290
	(33,738)	(18,089)
Net increase (decrease) in cash flows	11,048,531	(178,359)
Cash and cash equivalents, beginning of year	5,087,263	5,265,622
Cash and cash equivalents, end of year (Note 6)	$ 16,135,794	$ 5,087,263

(See accompanying notes to the financial statements)

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

1. REPORTING ENTITY

iNova Credit Union Limited (the "Credit Union") is incorporated under the Nova Scotia Companies Act. The operation of the Credit Union is subject to the Nova Scotia Credit Union Act. Products and services offered to its members include loans, mortgages, chequing and savings accounts, MasterCards, RRSP's, term deposits, online and telephone banking and financial planning. The Credit Union is located at 6150 Almon Street, Halifax, Nova Scotia.

On March 1, 2021, the Credit Union`s Board of Directors approved and authorized for issue the financial statements for the year ended December 31, 2020.

2. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

IFRS 17 - Insurance Contracts

IFRS 17 was issued in May 2017 and establishes recognition, measurement, presentation and disclosure requirements of insurance contracts. 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. The standard is effective for annual periods beginning on or after January 1, 2023.

The Credit Union is evaluating the potential impact of this new standard on its financial statements; the impact is not known at this time.

3. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Statement of compliance

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

Basis of measurement

These financial statements were prepared under the historical cost principal using a going concern basis, with the exception of available-for-sale financial assets which have been measured at fair value.

Functional currency

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

Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Credit Union's accounting policies. Changes in assumptions may have a significant impact on the financial statement in the year the assumptions changed.

Significant estimates made in the preparation of these financial statements include, but are not limited to the following areas, with further information contained in the applicable accounting policy note.

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
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3. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (Continued)

- Measurement of the expected credit loss (ECL) allowance

  The Credit Union reviews its loan portfolio to assess the ECL allowance for loans at least on a quarterly basis. The measurement of the ECL allowance for financial assets measured at amortized cost and fair value through other comprehensive income (FVTOCI) is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of members defaulting and resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 4.

  A number of signficant judgments are also required in applying the accounting requirements for measuring ECL, such as:
  - Determining criteria for significant increase in credit risk;
  - Choosing appropriate models and assumptions for the measurement of ECL; and
  - Establishing groups of similar financial assets for the purpose of measuring ECL.

  The judgments, inputs, methodology and assumptions used for estimating the ECL allowance are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

- Fair value of available-for-sale securities

  The fair values of available-for-sale securities where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In each instance, management has reviewed the attributes of its investments and determined that fair value was liquidation value for each investment as there is no ability to otherwise sell the investments. Management also determined that liquidation value approximated historical cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, and short-term highly liquid securities which are readily convertible into known amounts of cash. The Credit Union considers securities with original maturities of three months or less as meeting the definition of convertible to known amounts of cash.

Members' loans and foreclosed assets

Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Members' loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

Members' loans 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.

Real estate held for resale is carried at the lower of the amortized cost of the loan or mortgages foreclosed, adjusted for revenues received and cost incurred subsequent to foreclosure and the estimated net proceeds from the sale of assets.

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for impaired loans

The Credit Union recognizes a loss allowance for the expected credit losses associated with its members' loans. Expected credit losses are measured to reflect the probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those members' loans for which the Credit Union assessed that a significant increase in credit risk has occured, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses at each balance sheet date whether there is objective evidence that a members' loan or group of members' loans is impaired. A members' loan or group of members' loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occured after the initial recognition of the members' loan (a "loss event") and that loss event (events) has an impact on the estimated future cash flows of the members' loan or group of members' loans that can be reliably estimated.

The criteria the Credit Union uses to determine whether there is objective evidence of an impairment loss includes:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the member;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the member's competitive position; and
- Deterioration in the fair value of collateral.

For members' loans assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses. Loss allowances for expected credit losses are deducted from the gross carrying amount of the members' loans in the statement of financial position.

Members' loans are written off when the Credit Union has no reasonable expectation of recovering all or any portion thereof.

Revenue recognition

Interest on loans and advances is recognized on an accrual basis using the effective interest rate method. Revenue from the provision of services is recognized when earned and the ability to collect is reasonably assured.

Contracts with members have performance obligations as set out in the contract. Revenue is recognized when the performance obligations have been met and collection is reasonably assured.

Members' deposits

All members' deposits are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Members' deposits are subsequently measured at amortized cost, using the effective interest rate method.

Financial assets and financial liabilities (financial instruments)

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union's claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Credit Union reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or the Credit Union transfers the contractual rights to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to a third party and the Credit Union has transferred all the risks and rewards of ownership of the asset to a third party.

Financial liabilities

The Credit Union recognizes financial liabilities when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures all financial liabilities at fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses related a financial liability are recognized in profit and loss.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

The Credit Union has classified its financial instruments as follows:

FINANCIAL ASSET/LIABILITY	CLASSIFICATION	SUBSEQUENT MEASUREMENT
Cash resources	Amortized cost	Amortized cost
Deposits with Atlantic Central	Amortized cost	Amortized cost
Long term investments	FVOCI	FVOCI
Members' loans (inc. accrued interest) and rebates receivable	Amortized cost	Amortized cost
Members' deposits (inc. accrued interest), borrowings and payables	Amortized cost	Amortized cost

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit and loss (FVTPL) are expensed in profit and loss when incurred.

On initial recognition, financial assets are classified and subsequently measured at amortized cost, FVOCI or FVTPL. The Credit Union determines the classification of its financial assets, including any derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Debt instruments are classified as follows:

- Amortized cost - assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit and loss.

- FVOCI - assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at FVOCI. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial asset are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit and loss.

- Mandatory FVTPL - assets that do not meet the criteria to be measured at amortized cost, or FVOCI, are measured at FVTPL. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

- Designated FVTPL - on initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at FVTPL in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

The Credit Union measures equity instruments at FVTPL, except where the Credit Union has irrevocably elected on initial recognition to present in other comprehensive income the fair value gains and losses of an equity instrument that is neither held for trading purposes nor contingent consideration acquired in a business combination. In such cases, the cumulative gains and losses recognized in other comprehensive income are not reclassified to profit or loss on derecognition of the investment.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way in which the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are recorded at cost. Amortization is based on their estimated useful life using the following rates and terms:

Right-of-use assets	straight-line	term of lease plus two renewal terms
Leasehold improvements	straight-line	term of lease plus two renewal terms
Furniture & equipment	declining balance	20%
Computer equipment	declining balance	33%
Vaults	declining balance	10%
Sign	declining balance	20%

Residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date of a lease, the Credit Union recognizes a right-of-use asset and a lease liability in the Statement of Financial Position. The lease liability is initially measured at the present value of lease payments that are not paid at that date.

The right-of-use asset is measured at cost. The cost of a right-of-use asset is comprised of:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of any dismantling and site restoration costs to be incurred by the lessee.

After the commencement date, the lease liability is measured by:
- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The right-of-use asset is subsequently measured at cost:
- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any remeasurement of the lease liability.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to 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 or paid to the Canada Revenue Agency. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are recognized where the carrying value of an asset or liability differs from its tax base. Recognition of deferred taxes 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.

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.

Shares

Savings shares, which are included in members' deposits, are in practice withdrawable on demand. Common shares and surplus shares, which are classified as equity, represent a residual interest in the equity of the Credit Union. They are not covered by deposit insurance. Common shares are redeemable upon request of the member and approval of the directors.

Dividends to members

Provision for dividends on savings shares represents the amount recommended by the Board of Directors. The recommended dividend is included in the statement of financial position as an accrued liability under payables and accruals. In the statement of comprehensive income, these dividends are deducted as an expense under interest and loan related expenses in determining net income for the year.

Foreign currency translation

Assets and liabilities which are denominated in foreign currencies (US dollars) are translated at the exchange rate prevailing at the year end date. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing on the transaction date. Exchange differences are charged or credited to income.

Employee future benefit plans

The Credit Union uses defined contribution accounting for its Canadian Credit Union Employees Pension Plan.

5. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Board of Directors has overall responsibility for the 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 and operating processes that ensure effective implementation of the objectives and policies of the Credit Union's finance function. The Board of Directors receives quarterly reports from the general manager through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

iNova Credit Union Limited
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5. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The following are the significant risks that the Credit Union is exposed to through its financial instruments:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Providing credit facilities to qualified members is one of the Credit Union's primary sources of earnings and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the members' ability to repay principal and interest over the term of the facility which is determined by following Board approved policies and procedures, which include assessing the members' credit history, character, collateral and debt servicing capacity.

In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with Credit Union lending policies and procedures. As well, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

Overdue loan accounts, or lending delinquency, is closely monitored and reported to senior management on a timely and frequent basis to ensure that all allowances for potential loan losses are adequately provided for and written off when collection efforts have been exhausted. Credit risk is mitigated primarily by the nature and quality of the underlying security as prescribed by the Credit Union's lending agreements.

The Credit Union's loan portfolio is focused in two main areas; consumer loans and mortgages, and commercial loans, the latter to small and mid-size companies. Commercial loans to larger companies are available through a syndication process with other Credit Unions in order to appropriately mitigate the Credit Union's credit risk. Consumer mortgages are made available on a conventional basis up to eighty percent of the appraised value of a residential property with all mortgages in excess of that amount being insured through a third party, for example Canada Mortgage and Housing Corporation or Genworth Financial Corporation. Other credit facilities provided include personal overdrafts, and MasterCard accounts that have no recourse to the Credit Union.

The Credit Union uses the expected loss model to record an allowance against members' loans. The allowance is broken into three stages. Stage 1 contains all loans that are not delinquent and do not have any known additional risk. Stage 2 contains all loans delinquent between 31 and 90 days, and any loan that has been assessed to have additional risk. Stage 3 contains all loans delinquent over 90 days, bankruptcy, and foreclosure. Each stage is broken down into pools of members' loans that have similar risk characteristics. The probability of default, risk adjustment and loss given default are used to determined the expected credit loss for each pool of members' loans.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Credit Union uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Credit Union's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

	2020	2019
Cash resources	**$ 16,135,794**	$ 5,087,263
Members' loans	**30,809,658**	30,285,174
	$ 46,945,452	$ 35,372,437

iNova Credit Union Limited
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5. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate 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.

Interest rate sensitivity

The Credit Union's major source of income is the financial margin between the income earned on investments and loans to members, and the interest paid on their deposits. The objective of "interest rate sensitivity" management is to keep interest sensitive assets and interest sensitive liabilities in balance by amount and term to maturity, thus monitoring fluctuations of income during periods of changing interest rates.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates due or payable on demand are classified as maturing in the first three months, regardless of maturity. A significant amount of loans can be settled before maturity without penalty, on mortgages and deposits a penalty will be levied. No adjustments have been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

Expected Repricing or Maturity Date	Weighted Average Interest Rate Assets	Weighted Average Interest Rate Liabilities	Assets (000's)	Liabilities (000's)	Net Asset Liability Mismatch (000's)
0 to 3 months	2.50	.32	$ 17,008	$ 25,520	$ (8,512)
4 to 6 months	2.18	1.90	2,400	1,198	1,202
7 to 9 months	2.22	1.61	2,377	1,551	826
10 to 12 months	1.73	0.98	4,464	1,431	3,033
1 to 2 years	3.43	1.93	4,918	2,069	2,849
2 to 3 years	2.95	1.92	8,115	1,023	7,092
3 to 4 years	4.25	2.95	3,236	872	2,364
4 to 5 years	3.72	2.35	5,945	393	5,552
Over 5 years	5.87	n/a	372	-	372
Not interest sensitive	n/a	n/a	237	15,015	(14,778)
			$ 49,072	$ 49,072	$ -

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors. As a matter of policy, the Credit Union will limit the short term exposure to a maximum of a negative .2% of the Credit Union's assets, based on a 1% fluctuation in interest rates.

Foreign exchange risk

The Credit Union`s foreign exchange risk is related to United States dollar deposits and cash on hand denominated in United States dollars. At year end, the Credit Union`s holdings in foreign currency were 0.64% (2019 - 0.56%) of the total members` deposits portfolio.

The Credit Union limits its exposure to foreign exchange risk by maintaining only minimal levels of US dollar deposits and cash on hand.

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
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5. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

There have been no significant changes from the previous year in the exposure to foreign exchange risk or procedures used to limit the risk.

Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities as they come due. Liquidity risk is inherent in any financial institution and could result from entity level circumstances and/or market events.

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.

The Credit Union is required to maintain 10% of members deposits in liquid investments of which 90% must be held with Atlantic Central Credit Union. The Credit Union was in compliance with this requirement at December 31, 2020.

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 quarterly 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 year.

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

	2020	2019
Liquid assets	**$ 16,600,084**	$ 5,469,013
Required liquidity	**4,300,783**	3,155,927
Excess liquidity	**$ 12,299,301**	$ 2,313,086
Liquid assets comprise:		
Cash held at Atlantic Central	**$ 1,526,344**	$ 431,513
Liquidity and short-term deposits held at Atlantic Central	**14,609,450**	4,655,750
Shares held at Atlantic Central	**464,290**	381,750
	$ 16,600,084	$ 5,469,013

6. CASH RESOURCES

	2020	2019
Cash on hand and in current account	**$ 1,526,344**	$ 431,513
Atlantic Central Deposits (Market value = cost)	**14,609,450**	4,655,750
	$ 16,135,794	$ 5,087,263

iNova Credit Union Limited
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7. MEMBERS' LOANS

Loans by purpose

	2020	2019
Consumer loans	$ 9,327,657	$ 8,770,439
Consumer lines of credit	2,371,947	3,088,866
Consumer mortgages	12,605,314	12,170,991
Commercial loans	4,121,542	3,495,453
Commercial lines of credit	740,589	1,053,748
Commercial mortgages	997,933	1,047,949
Commercial loans - participation	785,918	744,308
Overdrafts	4,718	6,495
	30,955,618	30,378,249
Accrued interest	46,162	47,732
	31,001,780	30,425,981
Less : Allowance for impaired loans	192,122	140,807
Net loans	$ 30,809,658	$ 30,285,174

Members' loans can have either variable or fixed rates of interest and they mature within 1 month to 5 years. The rates offered to members are determined by the type of security offered, the members' credit worthiness, competition from other lenders and the current prime rate.

Commerical loans that are not subject to a government guarantee are secured by collateral ranging from specific assets to a general security agreement or personal guarantee. Consumer loans also are secured by collateral such as vehicles, investments and property.

Syndicated loans consist of commercial mortgages maturing within five years and secured by commercial property. The Credit Union receives monthly amounts from the loan administrators which represent blended payments of principal and interest equal to its percentage interests in the loans, less an administration fee.

Members' loans from mortgage pools earn interest at 2.87% to 7.99%. The Credit Union receives monthly amounts from the loan administrators which represent blended payments of principal and interest equal to its percentage interests in the loans, less an administration fee. The loan pools are comprised of conventional residential mortgages maturing within five years and secured by residential property.

	2020	2019
Maturity analysis:		
Scheduled for repayment:		
Overdrafts and line of credit facilities	$ 3,117,400	$ 4,149,400
Within one year	4,466,200	4,894,000
One to three years	10,355,900	8,152,600
Over three years	13,016,118	13,182,249
	$ 30,955,618	$ 30,378,249

Allowance for impaired loans

Assessment of credit risk

Members' loans are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occuring at the reporting date as compared to the date of initial recognition.

The Credit Union considers members' loans to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists.

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

7. MEMBERS' LOANS (Continued)

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the members' loan rather than based on changes in the amount of expected credit losses or other factors. The Credit Union takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort in making this assessment. The Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

Members' loans with an acceptable credit risk consistent with that upon origination of the loan are considered to be Stage 1. The credit risk of a loan is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management (e.g., through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers, such as the COVID-19 pandemic). The increase in credit risk designates the loan to be Stage 2.

The Credit Union identifies credit-impaired members' loans through regular review of past due balances and credit assessment of its customers. Loans greater than 90 days past due are considered credit impaired. Credit impaired loans are classified as Stage 3.

Measurement of expected credit losses

The Credit Union measures expected credit losses of members' loans receivable on a group basis. These assets are grouped on the basis of their shared credit risk characteristics such as loan type (residential mortgages, commercial mortgages, other secured loans or non-secured loans). Otherwise, expected credit losses are measured on an individual basis.

Forward looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effects such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit impaired loan.

Significant judgements, estimates and assumptions are required when calculating the expected credit losses of members' loans. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that forward looking information may have on the historical data used to measure expected credit losses. The Credit Union has identified forecasted unemployment rates and prime interest rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors (e.g. higher unemployment rates due to COVID-19).

Write-offs

Members' loans are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

The following tables set out information about the members' loans classified based on the credit quality of financial assets assessed for impairment under IFRS 9 for 2019 and 2020. The gross carrying amount of members' loans represent the maximum exposure to credit risk.

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

7. MEMBERS' LOANS (Continued)

	12-month ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	Total
Balance at December 31, 2020				
Gross carrying amount of members' loans	$ 29,707,840	$ 1,119,348	$ 128,430	**$ 30,955,618**
Loss allowance	$ 35,678	$ 52,262	$ 104,182	**$ 192,122**
Balance at December 31, 2019				
Gross carrying amount of members' loans	$ 28,975,785	$ 1,312,397	$ 90,067	$ 30,378,249
Loss allowance	$ 27,081	$ 44,007	$ 69,719	$ 140,807

The following tables explain the changes in the loss allowance between the beginning and end of the year.

	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2020				
Allowance beginning	$ 27,081	$ 44,007	$ 69,719	**$ 140,807**
Recoveries	2,000	-	23,400	**25,400**
Write-offs	(3,215)	-	(22,427)	**(25,642)**
Transferred from Electragas	-	-	9,624	**9,624**
Net remeasurement of loss allowance	9,812	8,255	23,866	**41,933**
Allowance ending	$ 35,678	$ 52,262	$ 104,182	**$ 192,122**
Balance at December 31, 2019				
Allowance beginning	$ 26,693	$ 52,990	$ 72,164	$ 151,847
Recoveries	-	-	4,207	4,207
Write-offs	-	-	(27,134)	(27,134)
Net remeasurement of loss allowance	388	(8,983)	20,482	11,887
Allowance ending	$ 27,081	$ 44,007	$ 69,719	$ 140,807

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

	2020	2019
31 to 60 days	**$ 34,459**	$ 60,737
61 to 90 days	**50,054**	15,842
91 to 180 days	**-**	790
Over 180 days	**54,104**	61,411
	$ 138,617	$ 138,780

Canada Emergency Business Account (CEBA) loans

The Credit Union is participating in the CEBA loan program announced by the government of Canada. As of December 31, 2020, the Credit Union was administering, on behalf of Export Development Canada, a total of 54 commerical loans totaling $2,580,000. As these loans do not belong to the Credit Union, they are not included in these financial statements.

iNova Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

8. ACCRUED RECEIVABLES

	2020	2019
Accrued receivables	$ 37,863	$ 161
Interest receivable	17,206	6,238
	$ 55,069	$ 6,399

9. LONG-TERM INVESTMENTS

	2020	2019
Shares in unlisted entities (at cost):		
Atlantic Central common shares	$ 363,290	$ 298,750
Atlantic Central provincial shares	101,000	83,000
League Savings and Mortgage Limited	414,316	358,054
League Data Limited - class B preference shares	11,970	11,970
Nova Scotia Co-operative Council	100	100
	$ 890,676	$ 751,874

The Credit Union's long-term equity investments are not held for trading or contingent consideration from a business combination. Long-term equity investments are irrevocably measured at FVTOCI. The investments do not have a quoted market price in an active market. In each instance, management has reviewed the attributes of its investments and determined that fair value was liquidation value for each investment as there is no ability to otherwise sell the investments. Management also determined that liquidation value approximates historical cost.

10. CAPITAL ASSETS

	Leasehold Improvements	Computer Equipment	Furniture & Fixtures	Sign	Vault	Total
Cost						
Balance at January 1, 2019	$ 404,423	$ 32,549	$ 191,357	$ 26,450	$ 48,372	$ 703,151
Additions	-	5,605	-	-	-	5,605
Disposals	-	-	-	-	-	-
Balance on December 31, 2019	404,423	38,154	191,357	26,450	48,372	708,756
Additions	-	7,379	7,278	-	-	14,657
Disposals	-	(30,896)	-	-	-	(30,896)
Balance on December 31, 2020	$ 404,423	$ 14,637	$ 198,635	$ 26,450	$ 48,372	$ 692,517
Accumulated depreciation						
Balance at January 1, 2019	$ 129,656	$ 25,969	$ 140,413	$ 20,210	$ 23,950	$ 340,198
Depreciation expense	20,353	3,103	10,189	1,247	2,442	37,334
Disposals	-	-	-	-	-	-
Balance on December 31, 2019	150,009	29,072	150,602	21,457	26,392	377,532
Depreciation expense	20,353	3,390	8,151	998	2,198	35,090
Disposals	-	(27,987)	-	-	-	(27,987)
Balance on December 31, 2020	$ 170,362	$ 4,475	$ 158,753	$ 22,455	$ 28,590	$ 384,635
Net book value						
December 31, 2019	$ 254,414	$ 9,082	$ 40,755	$ 4,993	$ 21,980	$ 331,222
December 31, 2020	**$ 234,061**	**$ 10,162**	**$ 39,882**	**$ 3,995**	**$ 19,782**	**$ 307,880**

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

11. MEMBERS' DEPOSITS

	2020	2019
Chequing	$ 18,192,425	$ 10,709,475
Demand, no penalty on withdrawal	13,251,237	9,249,636
RRSP and RRIF	5,366,886	5,424,886
Term deposits	6,197,285	6,175,271
	$ 43,007,833	$ 31,559,268
Maturity analysis:		
At call	$ 32,284,333	$ 20,900,868
Not longer than 3 months	6,366,500	6,843,100
Longer than 3 months and not longer than 12 months	3,092,000	2,529,600
Longer than 1 year and not longer than 5 years	1,265,000	1,285,700
	$ 43,007,833	$ 31,559,268

12. MEMBERS' SHARES

Each member must hold 1 common share with a par value of $5. Common shares and surplus shares may be withdrawn on demand or withdrawal from membership, subject to the Credit Union meeting capital adequacy requirements and the discretion of the Board of Directors.

	2020	2019
Authorized:		
An unlimited number of common shares with par value of $5 each.		
An unlimited number of surplus shares with par value of $1 each.		
Issued:		
Common shares		
Balance, beginning of year (1,592 shares)	$ 7,960	$ 8,180
Add: shares issued during year (619)	3,095	505
	11,055	8,685
Less: shares redeemed during year (162)	(810)	(725)
Balance, end of year (2,049 shares)	10,245	7,960
Surplus shares		
Balance, beginning of year (82,472 shares)	82,472	40,962
Add: distributions to members (0)	-	66,384
Less: shares redeemed during year (11,710)	(11,710)	(24,874)
Balance, end of year (70,762 shares)	70,762	82,472
Total equity shares	$ 81,007	$ 90,432

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

13. INCOME TAX

The components of tax expense (benefit) were as follows:

	2020	2019
Current income tax expense in respect of current year	$ 3,464	$ 33,698
Deferred income taxes relating to the origination and reversal of temporary differences	104	(6,962)
Total income tax expense	$ 3,568	$ 26,736

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian federal and provincial statutory income tax rates to income before income taxes. This difference results from the following:

	2020	2019
Income before income taxes	$ 314,702	$ 292,832
Combined Canadian basic federal and provincial income tax rate	11.62 %	12.0 %
Expected income tax	36,659	35,140
Effect on income tax of:		
Temporary differences	2,596	(5,781)
Permanent differences	(35,687)	(2,623)
Total income tax expense	$ 3,568	$ 26,736

The components of deferred income tax balances are as follows:

	2020	2019
Deferred income tax assets (liabilities)		
Allowance for impaired loans	$ 5,964	$ 4,614
Right-of-use assets	3,386	1,933
Capital assets	(7,638)	(6,507)
Atlantic Central Shares	(11,736)	(9,960)
Deferred income tax asset (liability)	$ (10,024)	$ (9,920)
Deferred tax assets (liabilities) to be recovered (settled) > 12 months	$ (10,024)	$ (9,920)

Deferred tax assets are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and their respective tax bases. Deferred tax assets are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Non-capital losses totalling $307,120 transferred on the amalgamation with Electragas Credit Union Limited were applied against taxable income for the period, reducing the current income tax expense by $35,687.

Net capital losses totalling $10,537 were transferred on the amalgamation with Electragas which are available to reduce taxable capital gains in future periods.

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

14. RELATED PARTY TRANSACTIONS

Loans to management and personnel

At year end, members of the Board of Directors, Credit Committee, Audit Committee, management, employees and spouses had loans owing to the Credit Union totalling $1,481,802 (2019 - $1,098,493) and had deposits with the Credit Union totalling $863,317 (2019 - $519,710).

The loans were granted using the normal credit granting process and were subject to discounted rates depending on the circumstances. Interest rates on deposits and dividends on shares were at identical rates offered to all members of the Credit Union.

Compensation of key management personnel

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

	2020	2019
Direct compensation	$ 195,703	$ 263,798
Contributions to defined contribution plan	16,377	22,293
Total salaries and benefits	$ 212,080	$ 286,091

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

Group RRSP plan

The Credit Union sponsors a group RRSP plan. The plan provides the Credit Union with flexibility in that the percentage contributed to the employees' plan can be modified. The Credit Union contributed 9% of base salaries to the employees' plan. Staff contributed 6% of their base salary to the plan. Current service costs totalled $37,233 ($41,989 in 2019) and were included in salaries, benefits and contracted services expense on the statement of income.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Credit Union's financial instruments are set out below. Fair value represents the amount at which a financial investment could be exchanged in an orderly transaction between market participants at the measurement date.

Fair value amounts disclosed represent point in time estimates that may change in subsequent reporting periods due to market conditions or other factors. Where there is no quoted market value, fair value is determined using a variety of valuation techniques and assumptions. The Credit Union has estimated fair values taking into account changes in interest rates and credit risk that have occurred since the assets and liabilities were acquired. These calculations represent management's best estimates based on a range of methods and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instruments. Interest rate changes are the main cause of changes in the fair value of the Credit Union's financial instruments. The carrying value is a reasonable approximation of fair value for the Credit Union's cash resources, demand deposits, certain other assets and certain other liabilities, due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS
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15. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The fair value of financial instruments are as follows:

Loans:
In determining the fair value of loans, the Credit Union incorporates the following assumptions:

- For fixed rate performing loans, fair values are determined by discounting remaining contractual cash flows at current market interest rates offered for loans with similar terms.
- For floating rate performing loans, changes in interest rates have minimal impact on the fair value since loans reprice to market. On that basis, fair value is assumed to equal carrying value.
- The total value of loans determined using the above assumptions is reduced by the allowance for impaired loans to determine the fair value of the Credit Union's loan portfolio.

Deposits:
In determining the fair value of deposits, the Credit Union incorporates the following assumptions:

- For fixed rate and fixed maturity deposits, the Credit Union discounts the remaining contractual cash flows, at market interest rates offered for deposits with similar terms and risks.
- For floating rate deposits, changes in interest rates have minimal impact on the fair value since deposits reprice to market. On that basis fair value is assumed to equal carrying value.

The Credit Union categorizes valuation methods used for financial instruments carried at fair value under a hierarchy of valuation techniques based on whether inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Credit's Union market assumptions. These two inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for active markets for identical financial instruments.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar financial instruments in markets that are not active; and model derived valuation in which all significant inputs are observable in active markets.
- Level 3 – Valuations derived for valuation techniques in which one or more significant inputs are not based on observable market data.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

	2020	2019
Fair Value Hierarchy		
Level 1	**$ -**	$ -
Level 2	**890,676**	751,874
Level 3	**-**	-
	$ 890,676	$ 751,874

Fair value of loans and deposits:

	2020		2019	
	Book Value	**Estimated Fair Value**	Book Value	Estimated Fair Value
Members' loans	**$ 30,809,658**	**$ 30,711,668**	$ 30,285,174	$ 30,587,665
Members' deposits	**$ 43,007,833**	**$ 42,719,114**	$ 31,559,268	$ 31,591,265

The differences between the book values and fair values of the Credit Union's loans, deposits and other financial instruments are due primarily to changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

16. CREDIT FACILITY

The Credit Union has an approved operating line of credit with Atlantic Central with a limit of $936,000 to cover shortfalls in cash resources. The line of credit is secured by an assignment of book debts, bears interest at prime and is to be reviewed on an annual basis. At December 31, 2020 the line of credit was not drawn upon.

17. CAPITAL REQUIREMENTS

The Credit Union's plan to manage equity is designed to establish a strong base for future growth, to pay dividends on the equity shares and to provide a cushion in the event of market instability. Members' equity consists of equity shares and retained earnings. In accordance with the Credit Union Act, iNova Credit Union shall establish and maintain equity at a level equal to 5% of its assets. At December 31, 2020, equity was 10.23% (2019 - 12.52%) of its assets. Members' equity ratios are monitored regularly and reported to the Board monthly. The Credit Union's equity ratios have been in compliance with the regulatory requirements throughout the year.

18. REVENUE FROM CONTRACTS

The Credit Union derives revenue from the transfer of goods and services over time and at a point in time in the following products and services:

	Account and transaction fees	Commissions	Total
Balance at December 31, 2020	$ 294,055	$ 23,918	$ 317,973
Timing:			
At point in time	$ 69,301	$ 23,918	$ 93,219
Over time	224,754	-	224,754
	$ 294,055	$ 23,918	$ 317,973
Balance at December 31, 2019	$ 296,021	$ 19,819	$ 315,840
Timing:			
At point in time	$ 62,504	$ 19,819	$ 82,323
Over time	233,517	-	233,517
	$ 296,021	$ 19,819	$ 315,840

Revenue from contracts with members comes from savings and current accounts, and the related fees as well as commissions on the sale of insurance products.

19. LEASES

The Credit Union has a lease agreement with Westwood Development Limited for building space.
Terms of lease:

- Commencement date - April 1, 2012
- End date: March 31, 2022
- Renewal: Option to renew for a further four consecutive five-year terms.

On January 1, 2019, the Credit Union recognized a lease liability measured at the present value of lease payments not yet paid in accordance with IFRS 16. The measurement reflects an expectation to renew the lease for an additional two consecutive five-year terms.

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

19. LEASES (Continued)

A right to use asset was recognized at the initial amount of the lease liability.

Lease payments will continue to be made to Westwood Developments Limited in equal monthly installments of $7,823.74, including an implicit interest rate, until the end of the lease term.

Changes to the lease liability and right to use asset balances are illustrated in the following table:

	Right-of-use Asset	Lease Liability
Balance at December 31, 2020		
Carrying amount - beginning of year	$ 924,694	$ 940,800
Amortization expense	(75,485)	-
Interest expense	-	31,430
Lease payments	-	(93,885)
Carrying amount - end of year	$ 849,209	$ 878,345

	Right-of-use Asset	Lease Liability
Balance at December 31, 2019		
Carrying amount - beginning of year	$ 1,000,179	$ 1,000,179
Amortization expense	(75,485)	-
Interest expense	-	34,506
Lease payments	-	(93,885)
Carrying amount - end of year	$ 924,694	$ 940,800

20. IMPACT OF COVID-19

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases across Canada. Measures taken by the provincial and federal governments to contain the virus have affected economic activity and the Credit Union's business in various ways:

- The Credit Union's cash position has increased significantly due to funds received for the federal Canadian Emergency Business Account program (CEBA), as well as more members holding onto cash.
- The Credit Union's prime interest rate decreased, resulting in lower interest revenue, interest expenses and investment revenue.
- Service fees decreased due to a significant drop in member usage.
- Operating costs decreased due to less travel.

Operationally, staff began working on a rotational schedule from March to June to mitigate the risk of spread of the virus. The Credit Union's premises were closed, with members admitted on a case-by-case basis. Members were encouraged to pay bills online and use the ATM machine. Staff were available to assist at the branch and on the phone, when necessary.

The Credit Union will continue to follow government policies and advice and, in parallel, will do its utmost to continue operations in the best and safest way possible without jeopardizing the health of its members and staff.

iNova Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

21. AMALGAMATION WITH ELECTRAGAS CREDIT UNION LIMITED

On January 1, 2020, the Credit Union acquired Electragas Credit Union Limited ("Electragas"). The results of operations of Electragas are included in the audited financial statements from the date of acquisition. The combined Credit Union operates as one cash generating unit and, consequently, it is impractical to disclose the revenue and profit of Electragas included in the statement of comprehensive income for the year.

The Credit Union allocated the purchase price to the assets acquired and the liabilities assumed based on their fair values at the date of acquisition as follows:

Fair value of assets acquired	
Cash and cash equivalents	$ 1,646,198
Other current assets	4,674
Members' loans	786,400
Long-term investments	668,721
Deferred income taxes	412
	$ 3,106,405
Fair value of liabilities assumed	
Accounts payable and accrued liabilities	$ (45,066)
Members' deposits	(3,023,197)
	$ (3,068,263)
Fair value of net assets acquired	$ 38,142
Common shares issued (478 shares)	2,390
Contributed surplus	$ 35,752

Business combinations are accounted for using the acquisition method of accounting. Under this method, the net identifiable assets acquired are measured at fair value as at the date of acquisition. The consideration is measured at the fair value of the acquiree, which is common for mutual entities such as credit unions. Acquisition related transaction costs are expensed in the period in which such costs are incurred and the services received.

Upon acquisition, the Credit Union issued membership shares to the former members of Electragas equivalent to these members' holdings in Electragas.

iNova Credit Union Limited
SCHEDULES OF ADMINISTRATIVE AND OCCUPANCY EXPENSES

Year ended December 31	2020	% of Income	2019	% of Income
Administrative expenses				
Advertising and promotion	$ 9,086	0.5	$ 11,596	0.6
Accounting and audit	25,992	1.4	24,725	1.3
Atlantic Central dues	37,098	2.0	34,407	1.8
Data processing	76,663	4.1	95,926	5.0
Donations	5,353	0.3	2,690	0.1
Dues, fees and courier	6,296	0.3	10,072	0.5
Equipment repairs and maintenance	13,576	0.7	12,579	0.7
Insurance - general and bonding	28,144	1.5	22,685	1.2
Legal, collection and foreclosed property	3,451	0.2	8,023	0.4
Meeting expenses	11,676	0.6	25,580	1.3
Miscellaneous	7,822	0.4	3,578	0.2
Office, stationery and postage	24,854	1.3	23,634	1.2
Telephone	5,637	0.3	6,042	0.3
Travel	52	-	1,504	0.1
	$ 255,700	13.6	$ 283,041	14.7
Occupancy expenses				
Heat, lights and water	$ 12,817	0.7	$ 10,555	0.6
Interest on lease liability	31,430	1.7	$ 34,506	1.8
Repairs and maintenance	21,392	1.2	17,211	0.9
Rent and common area costs	39,951	2.1	40,239	2.1
	$ 105,590	4.0	$ 102,511	3.6

Audit and Risk Committee Report

For the year ended December 31, 2020

Your Audit and Risk Committee meets at least quarterly to:
a. Review and report on interim financial reports and key performance indicators.
b. Review and report on the audited year end financial statements and follow up on all recommendations
c. Review correspondence from our regulators follow up on any audit irregularities
d. Review the Enterprise Risk Management measures
e. Randomly select and review of loan files
I am pleased to report that the Committee is confident the Credit Union's financial reporting systems and controls are adequate to meet regulatory and statutory requirements.
I would like to thank my fellow committee members Dan Welch and Justin Sampson for their contributions over the past year.

Respectfully submitted,

Mike Ansari
Chair, Audit & Risk Committee

Credit Committee Report

Credit Committee Report for the year ended December 31, 2020

The responsibilities of Credit Unions are dictated by the Credit Union Act which are the basis of iNova Credit Union's polices. The committee meets on a quarterly basis to ensure the loan policy is respected. The committee reviews the loan diversification, delinquencies, the allowance for doubtful loans, loan rewrites and extensions, loans to staff and directors that are in arrears as well as approving write-offs. The minutes of the meeting and the findings are presented to the Board on a quarterly basis, and I am pleased to report to the membership that the Board was satisfied with the reporting and the adherence to policy.
The other members of the credit committee are Gary Blackburn, Arthur Rudge, Irvine Carvery and Shaun Carvery. I would like to thank the members of the committee for their support during the year. In addition, I would like to thank Thomas Redden, who prepares the reports and provides answers to our questions.

Respectfully Submitted,

Angela Franklin
Chair, Credit Committee

Appointment of Auditors

On behalf of the Board of Directors of iNova Credit Union, I recommend that the auditing firm of Miles T. Sweeney Limited, Chartered Accountants, or their successor as independent auditors, be reappointed as the auditors for iNova Credit Union for the fiscal year of 2021

Mike Ansari,
Chair, Audit and Risk Committee

Looking back on 2020...

THE VICTORIAN ORDER OF NURSES (VON)

iNova Credit Union partnered with 12 other Credit Unions to make a $50,000 donation to VON in Nova Scotia.

Derrick Babin, senior manager, community support services for VON Nova Scotia, said in a news release. "This generous gift will help VON continue to bring care and comfort to clients through our meal and transportation programs, which have provided additional support to our communities as we've navigated through these challenging times."

SMITTEN FOR MITTENS

Our partnership with the ladies from Chebucto Links resulted in around 1200 mittens for our Smitten For Mittens tree. We distributed them across eight schools in the HRM as well as to Souls Harbour Rescue Mission.

#LOYAL2LOCALCHALLENGE

To support small businesses in our communities, all Atlantic Credit Unions gave their staff $25 to spend at their favourite local businesses. iNova Credit Union topped it up to $50 each. This was a great initiative to put money back into our community.

BUS STOP THEATRE SPONSORSHIP

iNova was proud to sponsor the Bus Stop Theatre as we believe they are an excellent organization that contributes to our community. The Bus Stop Theatre embodies the spirit of the North End; it is a space of inclusion, diversity and creativity.

NEST

iNova happily participated in funding micro-loans for One North End (Nest) applicants. NEST is the North End Startup and Training program for people who traditionally feel like they are unbankable. All NEST applicants are vetted by the NEST Board of Directors and follow iNova's commercial lending guidelines.

PARKER STREET FOOD & FURNITURE BANK

Parker Street Food & Furniture Bank does so much good work in the community. iNova was so happy to be able to help out this incredible organization. The iNova team donated one thousand dollars as a Christmas donation.

CEBA

iNova was pleased to be able to offer CEBA for businesses. The Government of Canada and Export Development Canada launched the Canada Emergency Business Account (CEBA) to support businesses and non-profits that had been adversely affected by COVID-19. Eligible businesses received a loan up to $60,000 loan for immediate financial support to cover short term operating expenses, payroll, and other non-deferrable expenses which are critical to sustain business continuity.