



New Brunswick  
Credit Union Deposit  
Insurance Corporation

# New Brunswick Credit Union Deposit Insurance Corporation

January–March 2020  
Annual Report



# New Brunswick Credit Union Deposit Insurance Corporation

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# Transmittal Letter

September 28, 2020

Minister of Finance

By virtue of the statutory requirement under section 204 of the *Credit Unions Act*, we are pleased to present the 27th Annual Report of the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC).

We would be pleased to answer any questions that you may have and to provide you with any additional information that you may require.

Yours very truly,

**Original signed by Peter Klohn**

Peter Klohn, LL.B, ICD.D

Chair



# Message from the Chair and the CEO

On behalf of the Board of Directors and executive management of the New Brunswick Credit Union Deposit Insurance Corporation (“NBCUDIC” or “the Corporation”), we are pleased to present the 2020 Annual Report. Upon proclamation of the new *Credit Unions Act*, the NBCUDIC’s fiscal year end date was changed from December 31 to March 31. As a result, the financial results presented in this Annual Report are for the three-month period ending March 31, 2020.

This year marks a new beginning for the New Brunswick Credit Union system as this is the first fiscal period under the new regulatory regime, which came into effect January 1, 2020 and consolidated the oversight of the credit union system under the mandate of the Financial and Consumer Services Commission (“FCNB” or “the Commission”).

NBCUDIC is an agent of the provincial Crown and has provided deposit insurance for eligible deposits held in New Brunswick credit unions since 1994. For over two decades, NBCUDIC has contributed to the financial stability of the system and currently safeguards over \$900 million in member deposits. The recent consolidation integrated the regulatory and deposit protection activities and combined the Deposit Insurance Fund and the Stabilization Fund into a new Deposit Protection Fund (“the Fund”). These changes to the regulatory structure streamlined responsibilities, eliminated duplication and reduced the regulatory burden and costs for credit unions.

We are pleased to report that our Deposit Protection Fund is one of the most robust in the country at 2.42% of system assets. This high ratio provides confidence that the Fund will be



well positioned to support the credit union system, if required. Based on the Corporation's conservative investment policy, the portfolio contains fixed income investments to help insulate it from market fluctuations.

The new Board held two meetings during its initial three-month fiscal period. There was one special meeting in January where it approved the budget and implemented the governance framework necessary to support the operations of the Corporation. The second meeting was a regular meeting in February where the Board implemented revisions to the investment policy while preserving the Corporation's conservative investment philosophy, reviewed the financial performance of the fund and reviewed the financial statements. The Corporation is committed to continue to follow industry best practices and engage with the credit union system stakeholders when considering regulatory requirements or pursuing programs that help manage risk to the Fund.

NBCUDIC has also worked closely with FCNB to support the integration of its new responsibilities and processes with an emphasis on regulatory efficiency and risk management. FCNB now fulfils the role of front line regulator and executes a rigorous inspection process as required by section 216 of the *Act*. We would like to thank FCNB's Office of the Superintendent for their guidance in assuring that credit unions are meeting risk management standards and following sound business practices.

We are pleased to have launched the Corporation's new website ([www.nbcudic.ca](http://www.nbcudic.ca)) in February 2020. The fresh new design includes a modern layout that is more intuitive to allow depositors to quickly and easily access the most up-to-date information relating to deposit insurance coverage for provincially regulated credit unions.



Looking ahead to the 2020-2021 fiscal period, NBCUDIC plans to:

- I. evaluate information assembled as part of a review of eligible deposits to determine whether amendments like those anticipated to be introduced for federal institutions would be beneficial to credit union members;
- II. modernize existing policies, procedures and protocols to be consistent with the new *Act*;
- III. continue to provide oversight of the Fund through prudent investment management;
- IV. continue to monitor the impact the pandemic may have on the credit union system; and
- V. continue to build and strengthen key relationships with stakeholders, including government, the Superintendent of Credit Unions, Atlantic Central, the Credit Union Managers Association, credit unions and with our deposit insurance counterparts in other jurisdictions.

Finally, we would like to thank the new Board for their time and dedication in establishing appropriate governance, promoting sound business practices and setting a new strategic direction for NBCUDIC.

**Original signed by  
Peter Klohn**

Peter Klohn, LL.B, ICD.D  
Board Chair

**Original signed by  
Kevin Hoyt**

Kevin Hoyt, FCPA, FCGA, CPA (DE)  
CEO

# Statutory Objectives

On January 1, 2020 a new *Credit Unions Act* was proclaimed. The modernized *Act* restructured the regulatory framework and streamlined responsibilities.

The purposes of the Corporation are described in Section 189 of the *Act* and are stated as follows:

- to protect credit unions against financial losses and insolvency by establishing and maintaining a deposit protection fund in accordance with this *Act*;
- to provide, for the benefit of persons having deposits with a credit union, deposit insurance against loss of part or all of the deposits by making payment out of the deposit protection fund to the depositors to the extent and in the manner authorized by this *Act* and the regulations;
- to provide financial assistance to credit unions in accordance with this *Act*; and
- to do any other thing required or authorized under this *Act* or the regulations.

Pursuant to section 192 of the new *Act*, the newly created deposit protection fund administered by NBCUDIC, may be used for the following purposes:

- to pay out claims of depositors in accordance with the *Act* on the liquidation of a credit union;
- to provide financial assistance to credit unions in accordance with the *Act*;
- to pay for the costs and expenses referred to in sections 213 and 280; and
- to pay for the costs and expenses to do any other thing that the Corporation considers necessary or incidental to the attainment of its purposes.



# How does the coverage work?

## \$250,000 deposit insurance coverage

### What is covered?

The Corporation insures eligible deposits under each of the following six categories held in a member credit union up to a maximum of \$250,000 (principal and interest combined) per category held by a depositor:

- accounts held in one name;
- accounts held in trust for someone else;
- deposits held jointly in two or more names;
- registered in RRSPs (Registered Retirement Savings Plans);
- registered in RRIFs (Registered Retirement Income Funds); and
- TFSA (Tax Free Savings Account) deposits.

### What is an eligible deposit?

A combination of savings accounts, chequing accounts, term deposits and guaranteed investment certificates (GICs) with an original term to maturity of five years or less, money orders and certified cheques. Deposits must be payable in Canada, in Canadian currency.

### What is not covered?

The Corporation does not insure all accounts and financial products. The following are not covered:

- deposits made or payable by a member that are not repayable in Canadian dollars (e.g., accounts in U.S. dollars);
- term deposits and guaranteed investment certificates (GICs) with an original term to maturity of more than five years;
- bonds and debentures issued by governments and corporations;
- membership shares and other types of shares issued by credit unions;
- treasury bills; and
- investments in mutual funds and stocks.

For more information on deposit insurance, consult our website at [nbcudic.ca](https://nbcudic.ca).

# Board of Directors

Since the proclamation of the new *Act* on January 1, 2020, section 206 provides that the business and affairs of the Corporation are now administered by a Board of Directors consisting of the members of the Commission appointed under section 6 of the *Financial and Consumer Services Commission Act*. The previous Board of Directors' terms ended upon the proclamation of the new *Act*. The Chair of the Corporation, along with two employees of the Commission, namely the Chief Executive Officer and the Secretary, became the sole officers of NBCUDIC, fulfilling respectively the roles of the Chair, the Chief Executive Officer and the Corporate Secretary.

The governance framework established on January 1 includes the adoption of the following by-laws, which can be found on the Corporation's website:

By-Law No. 1 - General Business Affairs

By-Law No. 2 - Banking Affairs

By-Law No. 3 - Signage, Advertising and Non-Insured Obligations of Credit Unions

By-Law No. 4 - Definition of Deposit

By-Law No. 5 - Conflict of Interest and Code of Conduct

As per subsection 213(1) of the *Act*, the Chair and other members of the Board of Directors of the Corporation are entitled to be paid the remuneration that is fixed in accordance with the by-laws of the Commission.

The Corporation held two meetings during the reporting period, consisting of one special meeting and one regular meeting, and all members were in attendance. To help guide the development of the agendas for its quarterly meetings, the board implemented a forward-looking agenda and work plan which is reflective of the key standing functions that the Corporation is responsible for on an annual basis.

# The Corporation's new directors are:

## Peter Klohn (Chair)



Mr. Klohn was appointed Chair of the Financial and Consumer Services Commission on January 1, 2014 for a five-year term, which was renewed in January 2019. Prior to his appointment, he was a Senior Partner at Stewart McKelvey with a diverse national practice in securities law, regulated industries, corporate law and corporate finance.

Mr. Klohn is an Accredited Corporate Director (ICD.D) of the Institute of Corporate Directors, Rotman School of Management (2011). In 2013, he was profiled in the Lexpert Directory as a leading practitioner in Canada in corporate finance and mergers and acquisitions. In March of 2019, he was awarded a certificate for completing the Strategic Management of Regulatory and Enforcement Agencies and, in February 2020, he was awarded a certificate for completing the Leadership Decision Making, both from the John F. Kennedy School of Government, Harvard University, Executive Education. Throughout his career, Mr. Klohn has been active in community and legal affairs, including as a former member of the Council for the NB Branch of the Canadian Bar Association.

### Professional and industry experience:

- Securities Law
- Corporate Law
- Franchise Law
- Pension Law

### Education:

- BBA, University of New Brunswick
- LL.B, Osgoode Hall Law School, York University
- ICD.D, Accredited Corporate Director

## Yves Gagnon



Mr. Gagnon is the Chief Executive Officer at Allen, Paquet & Arseneau LLP and is also president of Consultation Gagnon Strategix Consulting Inc. He has a Project Management Professional (PMP) designation as well as a major in accounting. He has worked as an auditor and has served for many years as chief administrative officer for the City of Campbellton. He has worked in the resources sector and in the private, public and not-for-profit sectors as a project management consultant.

Mr. Gagnon has volunteered extensively and has served as a member of the Board of Governors of the Université de Moncton and chaired its Audit Committee. He is also an ex officio member of the board of directors of the Port of Dalhousie, and member of the Board of Directors for the Project Management Institute of New Brunswick. Mr. Gagnon is an accredited corporate director (ICD.D) of the Institute of Corporate Directors, Rotman School of Management (2015).

### Professional and industry experience:

- Financial
- Accounting
- Auditing
- Management

### Education:

- BBA, Université de Moncton
- PMP, Project Management Institute
- ICD.D, Accredited Corporate Director

## Michael D. Wennberg



Mr. Wennberg practised law with Stewart McKelvey or its predecessor firm for 30 years. He served as the firm's corporate-commercial practice manager, managing partner and was on the firm's Atlantic Canada Partnership Board.

Mr. Wennberg has been active in the Law Society as a lecturer, chair of its Articling Committee and as a Provincial Reviewing Officer. He is the past chair of the Heritage Preservation Review Board for the Town of Rothesay.

Among his many cultural involvements, Mr. Wennberg was past president and CEO of the Imperial Theatre, past president and current board member of the Imperial Theatre Foundation, past board member of Saint John 225 and Sculpture Saint John, past chair and board member of Saint John Community Arts Board and current board member of Symphony New Brunswick and ArtsLink NB. In 2012, Mr. Wennberg was awarded the Queen Elizabeth II Diamond Jubilee Medal.

### Professional and industry experience:

- Commercial
- Business / Industrial Contracting
- Insolvency
- Technology / Outsourcing

### Education:

- B. Com., University of Toronto
- LL.B, Osgoode Hall Law School

## Céline Robichaud-Trifts



Ms. Robichaud-Trifts is a retired pharmacist, manager, and lecturer, having worked for more than 30 years in the health-care sector.

She is a past president of the New Brunswick Branch of the Canadian Society of Hospital Pharmacists and was a member of both the Task Force on Standards for Hospital Pharmacy Practice, and the Task Force for Membership Structure for the Canadian Society of Hospital Pharmacists. She is also a former member of the Rexton and Area Health Care Foundation, the Kent County Regional Planning Commission, the New Brunswick Securities Commission and the Capitol

Theatre Foundation. Ms. Robichaud-Trifts is an accredited corporate director (ICD.D) of the Institute of Corporate Directors, Rotman School of Management (2019).

### Professional and industry experience:

- Governance and Human Resources
- Risk Management
- Strategic Planning
- Health Care
- Regulation

### Education:

- HRCCC, Director's College, McMaster University
- M.B.A., Université de Moncton, Moncton, N.B
- B.Sc. (Pharmacy) Dalhousie University, Halifax, N.S
- ICD.D, Accredited Corporate Director

## Vincent L. Duff



Mr. Duff worked as a Chartered Accountant with the firm Grant Thornton LLP for over 50 years. In addition to his extensive accounting experience, Mr. Duff brings a wealth of knowledge in corporate governance, having previously served as vice chair of the New Brunswick Insurance Board and as a board member of the New Brunswick Museum. In 2017, Mr. Duff was appointed to the Judicial Remuneration Commission. Mr. Duff has also served as a director, treasurer and president of several non-profit organizations, including his church, Keep Saint John Beautiful, the United Way of Greater Saint John Inc. and Teens Against Drinking and Driving (TADD N.B. Inc.). Mr. Duff currently serves as chair and vice chair of the board of directors of the Atlantic Baptist Senior Citizens' Homes Inc. and the Kenneth E. Spencer Memorial Home Inc. respectively.

### Professional and industry experience:

- Accounting
- Auditing
- Insolvency
- Automobile Insurance

### Education:

- Chartered accountant

## Norma Kelly



Ms. Kelly is an experienced professional accountant and internal auditor, having held numerous positions in these professional capacities with private companies and, as a current manager of internal audit at a provincial Crown corporation. She brings a wealth of knowledge in corporate governance and in the area of credit unions, having served as President and Vice-President for the Bayview Credit Union Ltd., and on the board of directors for the Brunswick Credit Union Stabilization Board Limited (RMA). She is the current Treasurer for Saint John Kings Adult Learning Inc. and has also served as Treasurer for Fundy Funeral Home Cooperative, as well as serving on numerous boards in the province.

### Professional and industry experience:

- Accounting
- Internal Audit
- Risk Management
- Credit Unions
- Management
- Corporate Strategy

### Education:

- Chartered Professional Accountant (CPA) designation
- COSO Enterprise Risk Management Program
- Certified Internal Auditor (CIA) designation
- Certificate of Professional Development for Credit Union Directors
- Certified Management Accountant (CMA) designation
- Advanced Certificate in Accounting - University of New Brunswick
- Diploma in Business Technology (Automation) (Honours) N. B. Community College



## Paul Van Iderstine



Mr. Van Iderstine is a former audit partner of a national Chartered Professional Accounting firm and served as the Chief Information Security Officer for a national insurance company. His experience in the financial, audit and cybersecurity fields is supported by his strong analytical skills and understanding of governance practices garnered from 30 years of working with various boards and audit committees.

Mr. Van Iderstine has extensive volunteer experience in the community and is a past president of the Moncton West and Riverview Rotary Club and the Windsor and District Board of Trade. He has also served as a

Treasurer for the Codiac Regional Police Association, Moncton Headstart Inc., and various other organizations.

### Professional and industry experience:

- Accounting
- Auditing
- Insurance
- Strategic Planning
- Financial Advisory
- Cybersecurity
- Risk Management

### Education:

- Bachelor of Engineering (B Eng) – Technical University of Nova Scotia
- Chartered Professional Accountant (CPA, CA) – CPA Nova Scotia
- Certified Information Systems Security Professional (CISSP) – ISC2
- GIAC Security Essentials Certification (GSEC) – SANS Institute
- GIAC Critical Controls Certification (GCCC) – SANS Institute

## Donald French



Mr. French is a retired professional accountant with over 40 years of experience. For over 20 years, Mr. French has worked at the Université de Moncton in both administrative and lecturing positions, in accounting and assurance subjects. In addition to his accounting background, he previously held the position of Superintendent of credit unions, which at the time, also included responsibilities for the regulation of other financial institutions in the province, including insurance and trust companies. He also worked as the Chief Executive of the Credit Union Stabilization Fund. With extensive experience in both the public and private sector, his expertise in accounting, auditing,

governance, regulation of financial institutions and related fields has been attained through his professional development initiatives, work experience and board and committee work.

Mr. French has served as Member and Chair for the New Brunswick Credit Union Deposit Insurance Corporation Board (NBCUDIC), as well as for the *Office de stabilisation de la Fédération des caisses populaires acadiennes*. In addition to these responsibilities, he was a member of the Deposit Insurance and Stabilization Funds of Canada and participated in numerous other boards and committees.

### Professional and industry experience:

- Accounting
- Financial Institutions
- Insurance
- Audit
- Governance
- Human Resources

### Education:

- FCPA, FCA, Institute of Chartered Professional Accountants
- CA, NB Institute of Chartered Accountants



## Marilyn Evans Born



Ms. Evans Born has had an extensive career working for the government of New Brunswick. She retired as the Assistant Deputy Minister of Courts and Chief Sheriff for the province of New Brunswick. She brings a wealth of knowledge in the policy and credit union industry, through her former role as Director of Legislation and Policy for the Department of Health, which she occupied for 21 years, as well as her experience as Executive Director, Policy and Education Branch in the Department of Environment, and her service on the board of the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC). She also has experience in the consumer affairs sector, having previously occupied

the position of Chief Rentalsman and Director of Consumer Affairs.

In addition to her experience in public service, her community involvement has included time spent on the York Care Centre Board, the Occupational Therapy Board and the Blind and Rubella Board.

### **Professional and industry experience:**

- Public Policy
- Credit Unions
- Legal
- Consumer Affairs

### **Education:**

- B.A, University of New Brunswick
- LL.B, University of New Brunswick Faculty of Law

# Management's discussion and analysis



## Revenues and Expenses

As noted, upon the proclamation of the new *Credit Unions Act*, the Corporation's fiscal year-end date was changed from December 31 to March 31. As such, the current fiscal period is a three-month period and the amounts presented in the financial statements are not entirely comparable to the prior year.

The Corporation's results were impacted due to a change in the accounting treatment of the investments held in the Fund. In 2020, to accurately reflect the Corporation's new mandate and investment strategy, the investments were accounted for using fair value through other comprehensive income instead of amortized cost. This change allows the Corporation to recognize unrealized changes in the carrying value of the investments through other comprehensive income (OCI). Interest income, however, continues to be recorded as investment income on the Statement of Comprehensive Income.

The Corporation's investment income for the period increased to \$243,235 (2019: \$65,594) due to the increased Fund size. The corporation recognized other comprehensive income relating to investments of \$161,104 in 2020 (2019: \$nil) due to a large drop in market interest rates in response to the COVID-19 pandemic.

NBCUDIC's mandate expanded effective January 1, 2020 when the FCNB assumed responsibility as the front-line prudential regulator of credit unions. The cost to regulate the system will be recovered from the credit union system in the form of levies billed by the Corporation and reported as revenue. As it was only three months, there were no levies issued and consequently no associated revenue reported in the current fiscal period.

Professional services expenses now include the full cost of regulating the credit union system, whereas in prior years the majority of regulatory costs were incurred by the Risk Management Agency and only a portion of the costs to regulate were incurred by the Corporation.

While comprehensive income for the period was lower than 2019, it is important to recognize that the prior year comprehensive income includes a \$23,248,340 gain on the conveyance of net financial assets from the Risk Management Agency on December 31, 2019 and the realization of a partial recovery of \$1,040,700 in an ongoing litigation initiated by the Caisse Populaire de Shippagan in 2009 against its former external auditors. The recovery arose from an agreement that provided that certain contingent recoveries would accrue to NBCUDIC.

## Deposit Protection Fund

An independent analysis of the sufficiency of the Stabilization Fund completed by NBCUDIC in 2018 had set the minimum size of the Stabilization Fund at 2% of credit unions' assets. The Fund balance at March 31, 2020 was \$27.6 million or 2.42% of system assets, consistent with the five-year average of 2.44%.

Currently, the size of the Fund compares favourably to deposit protection funds in other Canadian jurisdictions. On a go forward basis, pursuant to section 194(1) of the new *Credit Unions Act*, the Deposit Protection Fund will be analyzed by the Commission at least annually to determine if the Fund is impaired or is about to be impaired.

The Fund assets are primarily short-term investments that can be liquidated on short notice if needed. The availability of funds on short notice is important for NBCUDIC in the event that an unforeseen financial crisis was to occur in the credit union system. Details of the investments held are presented in Note 5 of the Audited Financial Statements later in this report.

Financial assistance to credit unions has not been necessary in recent years. This has contributed greatly to the Corporation's ability to maintain the Fund at its current level. One small credit union remained under supervision at March 31, 2020. The credit union was profitable and continues to meet all statutory requirements. With assets of less than 1% of the system, it does not pose a material financial risk to the Fund. However, as with any supervision situation, the credit union's position is being assessed to determine how it may best conduct its activities and operations going forward.

## Credit Union System Financial Performance

The system financial performance presented below is based on the audited results of credit unions for their most recent fiscal year ended December 31, 2019.

### Profitability and Return on Assets

All nine New Brunswick credit unions continued to report positive financial results in 2019 and no significant financial losses have been reported in recent years. Net income was \$3.3 million in 2019 (2018 – \$3.4 million), for a return on average assets of 0.30% (2018 – 0.32%). Challenges to increase profitability and return on average assets include a low interest rate environment, a highly competitive market and high cost structure.

In recent years, the net income of New Brunswick credit unions has been relatively stable. In the five-year period from 2015 to 2019, the net income per \$100 of system assets has fluctuated between \$0.25 and \$0.32. In order to support the growth in assets, credit unions need to generate sufficient net income and/or increase member capital. Otherwise, they will experience a decrease in the leverage equity ratio, which is presented below.

### Growth

Growth experienced in New Brunswick credit unions has been stable. Over the last five years, assets grew at an annual average rate of 4.32%. Assets increased by 5.08% in 2019 (2018 – 4.37%) to \$1.14 billion. This growth was reported in loans and investments held by the credit unions, which increased by \$26.8 and \$22.5 million respectively. Loans and investments were primarily funded with deposits, which grew by \$48.9 million or 4.86% (2018 – 4.79%) to \$1.06 billion.

### Asset Quality

New Brunswick credit unions maintain high quality loan portfolios. The level of delinquent loans and the related loan losses (bad debts) are low, which is essential to the financial stability and strength of the credit union system. Bad debts in 2019 amounted to \$2.4 million or 0.22% of average system assets (2018 – \$ 2.2 million or 0.20% of average system assets).

However, credit unions have numerous considerations related to the impact of the COVID-19 pandemic on the allowance for credit losses. While the federal government announced a number of emergency economic programs designed to help individual and commercial borrowers meet their financial obligations, the deteriorating economic conditions associated with the pandemic are likely to persist for an indeterminate amount of time. As such, credit unions will need to adjust their current budgets as well as future forecasts and projections.

## Liquidity

As at December 31, 2019, system liquidity was \$177.7 million or 16.7% of system liabilities (2018 – \$151.6 million or 15.0% of system liabilities). This is above the minimum regulatory requirement of 10%.

Deposits received surpassed loans issued in 2019, which contributed to the increase in system liquidity.

## Stability

With moderate growth in assets and comparable year-over-year profitability, the leverage equity ratio (equity as percentage of system assets) remained stable at 6.35% (2018 – 6.37%). This is above the minimum regulatory requirement of 5%. Since 2015, the equity of credit unions has decreased slightly from 6.42% to 6.35%.

Credit unions continue to implement measures to increase revenues and reduce expenses in order to remain competitive and maintain their positive income results. In light of the COVID-19 pandemic, it is reasonable to expect that current competitive pressures will continue for the foreseeable future, and credit unions will need to continue to adapt their business model. Cost reduction through economies of scale are often the best option for remaining viable since revenues are, to a large extent, determined by the market.

## Key Indicators

Financial Profile – Deposit Protection Fund (in millions of dollars)						
	2020*	2019	2018	2017	2016	2015
Deposit Protection Fund**	\$27.6	\$27.5	\$25.6	\$24.9	\$26.0	\$25.6
Deposits	\$1,056.6	\$1,053.2	\$1,007.6	\$961.5	\$921.9	\$894.5
Assets	\$1,140.2	\$1,137.7	\$1,085.2	\$1,039.7	\$995.8	\$965.9
% of Credit union assets**	2.42%	2.42%	2.36%	2.40%	2.61%	2.64%
Financial Profile – Credit Union System*** (in millions of dollars)						
Profitability	2019	2018	2017	2016	2015	
Net income	\$3.2	\$3.4	\$3.1	\$2.9	\$2.4	
Return on average assets	0.30%	0.32%	0.30%	0.30%	0.25%	
Growth	2019	2018	2017	2016	2015	
Assets	5.08%	4.37%	4.41%	3.08%	4.15%	
Loans	3.01%	2.38%	5.50%	5.47%	2.95%	
Deposits	4.86%	4.79%	4.29%	3.08%	4.25%	
Asset quality	2019	2018	2017	2016	2015	
Bad debts (% of average assets)	0.22%	0.20%	0.18%	0.21%	0.17%	
Liquidity	2019	2018	2017	2016	2015	
Liquidity (% of liabilities)	16.7%	15.0%	n/a	n/a	n/a	
Stability	2019	2018	2017	2016	2015	
Equity (% of assets)	6.35%	6.37%	6.37%	6.43%	6.42%	

\* The data for 2020 is for the three-month fiscal period ending March 31. The fiscal year-end for years 2015-2019 was December 31.

\*\* The 2015 to 2018 Deposit Protection Fund and % of credit union assets figures are the combined funds held by NBCUDIC and RMA.

\*\*\* New Brunswick credit unions have fiscal years ending December 31. The data presented above is based on the updated audited financial statements for the period ending December 31, 2019.

## Member Institutions

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### Advance Savings Credit Union Ltd.

**Head office:** 141 Weldon Street  
Moncton, NB E1C 5W1

**Phone:** 506-853-8881  
**Website:** [advancesavings.ca](http://advancesavings.ca)

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### Bayview Credit Union Ltd.

**Head office:** 57 King Street, Suite 400  
Saint John, NB E2L 1G5

**Phone:** 506-634-1263  
**Website:** [bayviewnb.com](http://bayviewnb.com)

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### Beaubear Credit Union Ltd.

**Head office:** PO Box 764  
376 Water Street  
Miramichi, NB E1V 3V4

**Phone:** 506-622-4532  
**Website:** [beaubear.ca](http://beaubear.ca)

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### Blackville Credit Union Ltd

**Head office:** 128 Main Street  
Blackville, NB E9B 1P1

**Phone:** 506-843-2219  
**Website:** [blackvillecu.ca](http://blackvillecu.ca)

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### Citizens Credit Union Ltd.

**Head office:** 179 Sunbury Drive  
Fredericton Junction, NB  
E5L 1R5

**Phone:** 506-368-9000  
**Website:** [citizenscreditunion.com](http://citizenscreditunion.com)

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### New Brunswick Teachers' Association Credit Union Ltd.

**Head office:** P.O. Box 752  
650 Montgomery Street  
Fredericton, NB E3B 5R6

**Phone:** 506-452-1724  
**Website:** [nbtacu.nb.ca](http://nbtacu.nb.ca)

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### Omista Credit Union Ltd.

**Head office:** 1192 Mountain Road  
Moncton, NB E1C 2T6

**Phone:** 506-858-7206  
**Website:** [omista.com](http://omista.com)

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### Progressive Credit Union Ltd.

**Head office:** 30 Hughes Street  
Fredericton, NB E3A 2W3

**Phone:** 506-458-9145  
**Website:** [progressivecu.nb.ca](http://progressivecu.nb.ca)

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### The Credit Union Ltd.

**Head office:** 422 William Street  
Dalhousie, NB E8C 2X2

**Phone:** 506-684-5697  
**Website:** [thecreditu.ca](http://thecreditu.ca)

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# Financial Statements

New Brunswick  
Credit Union Deposit  
Insurance Corporation

MARCH 31, 2020





## *Independent auditor's report*

To the Chair and Directors of New Brunswick Credit Union Deposit Insurance Corporation

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New Brunswick Credit Union Deposit Insurance Corporation (the Corporation) as at March 31, 2020, and its financial performance and its cash flows for the period from January 1, 2020 to March 31, 2020 in accordance with International Financial Reporting Standards (IFRS).

#### **What we have audited**

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of comprehensive income for the period from January 1, 2020 to March 31, 2020;
- the statement of changes in equity for the period from January 1, 2020 to March 31, 2020;
- the statement of cash flows for the period from January 1, 2020 to March 31, 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Comparative information*

The financial statements of the Corporation for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on May 20, 2020.

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*PricewaterhouseCoopers LLP*  
14 King Street, Suite 320, Saint John, New Brunswick, Canada E2L 1G2  
T: +1 506 632 1810, F: +1 506 632 8997

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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### *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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

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### *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 Corporation'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 Corporation'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 Corporation 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.

**(signed) PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Saint John, New Brunswick  
July 10, 2020

# New Brunswick Credit Union Deposit Insurance Corporation

## Statement of Financial Position as at March 31, 2020 (in Canadian \$)

	2020	2019
ASSETS	March 31	December 31
Current Assets		
Cash	\$ 359,822	\$ 438,274
Assessments and other receivables	312,337	311,198
Other assets	4,541	3,416
	676,700	752,888
Investments held for designated purposes (Notes 5, 10)	27,918,053	27,507,292
	\$ 28,594,753	\$ 28,260,180
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 532,697	\$ 189,106
Current portion of severance payable (Note 7)	307,190	340,396
	839,887	529,502
Severance payable (Note 7)	154,347	210,301
Total liabilities	994,234	739,803
Equity balances		
Deposit protection fund (Note 8)	27,600,519	27,520,377
	\$ 28,594,753	\$ 28,260,180

Commitments and guarantees (Note 6)  
Subsequent events (Note 12)

The accompanying notes are part of these financial statements.

APPROVED BY THE CORPORATION

Original signed by Peter Klohn

Chair

Original signed by Norma Kelly

Member

# New Brunswick Credit Union Deposit Insurance Corporation

Statement of Comprehensive Income (by nature)  
for the three months ended March 31, 2020 and  
the year ended December 31, 2019 (in Canadian \$)

	(3 months) 2020	(12 months) 2019
<b>REVENUE</b>		
Investment income	\$ 243,235	\$ 65,594
<b>EXPENSES</b>		
Salaries and benefits	5,271	28,476
Administration	687	17,156
Professional services	318,239	195,902
Travel	-	15,782
	324,197	257,316
	(80,962)	(191,722)
Settlement	-	1,040,700
Gain on financial assets and liabilities conveyed by RMA to NBCUDIC (Note 4)	-	23,248,340
Net (loss) income	(80,962)	24,097,318
Other comprehensive income	161,104	-
<b>COMPREHENSIVE INCOME</b>	<b>\$ 80,142</b>	<b>\$ 24,097,318</b>

The accompanying notes are part of these financial statements.

# New Brunswick Credit Union Deposit Insurance Corporation

Statement of Changes in Equity  
for the three months ended March 31, 2020 and  
the year ended December 31, 2019 (in Canadian \$)

	Deposit protection fund	Other comprehensive income	Total
<b>Balance, December 31, 2018</b>	\$ 3,423,059	\$ -	\$ 3,423,059
Comprehensive income	24,097,318	-	24,097,318
<b>Balance, December 31, 2019</b>	27,520,377	-	27,520,377
Comprehensive income	(80,962)	161,104	80,142
<b>Balance, March 31, 2020</b>	\$ 27,439,415	\$ 161,104	\$ 27,600,519

The accompanying notes are part of these financial statements.

# New Brunswick Credit Union Deposit Insurance Corporation

## Statement of Cash Flows for the three months ended March 31, 2020 and the year ended December 31, 2019 (in Canadian \$)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) income	(\$ 80,962)	\$ 24,097,318
Gain on conveyance of net financial assets	-	(23,248,340)
	(80,962)	848,978
Changes in non-cash working capital		
Accounts receivable	(1,139)	8,714
Other Assets	(1,125)	-
Accounts payable and accrued liabilities	343,591	(20,707)
Severance payable	(89,160)	-
	171,205	836,985
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments held for designated purposes	(249,657)	(938,076)
	(249,657)	(938,076)
<b>NET INCREASE IN CASH</b>		
	(78,452)	(101,091)
<b>CASH, BEGINNING OF PERIOD</b>		
	438,274	116,619
<b>CASH, CONVEYED (Note 4)</b>		
	-	422,746
<b>CASH, END OF PERIOD</b>		
	359,822	438,274
	<b>2020</b>	<b>2019</b>
Note: Cash flow from interest received is included in comprehensive income.	\$ 147,583	\$ 52,641

The accompanying notes are part of these financial statements.



# New Brunswick Credit Union Deposit Insurance Corporation

## Notes to the Financial Statements March 31, 2020

### 1. Nature of the Corporation

The New Brunswick Credit Union Deposit Insurance Corporation (the “Corporation” or “NBCUDIC”) was created under the provisions of the *Credit Unions Act* proclaimed on January 31, 1994 and is domiciled in Saint John, New Brunswick. The mandate of the Corporation was to provide deposit insurance to members of credit unions incorporated under the *Credit Unions Act* of New Brunswick.

On January 1, 2020, a new *Credit Unions Act* (the “Act”) was proclaimed, which dissolved the Brunswick Credit Union Stabilization Board Limited (the “RMA”) and its prudential oversight responsibilities were transferred to the Financial and Consumer Services Commission (the “Commission”) of New Brunswick and the responsibility to administer the fund was transferred to the Corporation. The Corporation’s expanded mandate is now to protect credit unions against financial losses and insolvency by establishing and maintaining a deposit protection fund, to provide financial assistance to credit unions for the purpose of stabilization, and to provide deposit insurance to members of credit unions incorporated under the *Act* of New Brunswick. Currently, coverage is provided for insured deposits of each credit union member to a maximum of \$250,000.

Provisions in the *Act* also state that upon proclamation the affairs of the Corporation are now administered by a Board of Directors consisting of the members of the Commission appointed under section 6 of the *Financial and Consumer Services Commission Act*. The previous Board of Directors’ terms ended upon the proclamation of the new *Act*.

The current fiscal period is a three-month period as required by the *Act*. The change allows for NBCUDIC to update its previous fiscal year end of December 31 to March 31. Due to this change in year-end, the amounts presented in the financial statements are not entirely comparable.

Certain comparative figures have been reclassified to conform with the financial presentation adopted for the current year.

The Corporation maintains its registered office at 85 Charlotte Street, Suite 300, Saint John, New Brunswick, E2L 2J2.

The Corporation is an agent of the Crown and is thereby exempted from income tax.

## **2. Basis of preparation and statement of compliance with International Financial Reporting Standards (IFRS)**

Management have prepared these financial statements according to IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation.

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities reported at fair value through the statement of comprehensive income.

Accounting policies and information about critical judgments in applying the accounting policies that have the most significant effect on the amounts recognized are set out in Note 3 below. These policies have been consistently applied to all the years presented.

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 Corporation's accounting policies.

## **3. Summary of significant accounting policies**

### **a) Financial instruments**

Financial assets and liabilities are initially measured at fair value and are recognized in the Corporation's Statement of Financial Position when the corporation becomes a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of the financial assets or liabilities on initial recognition.

#### **Financial assets**

Financial assets are initially recorded at fair value and are measured subsequently at either amortized cost or fair value through other comprehensive income depending on the classification of the financial assets.

#### **Financial assets at amortized cost**

Financial assets are measured subsequently at amortized cost using the effective interest rate method if acquired principally to collect contractual cash flows of principal and interest on specified dates.

Interest income calculated using the effective interest rate method is recognized in profit or loss through “investment income” on the Statement of Comprehensive Income.

### **Financial assets at fair value through other comprehensive income (“FVTOCI”)**

Financial assets are measured subsequently at FVTOCI using the effective interest rate method if acquired to collect contractual cash flows of principal and interest on specified dates and to sell the financial asset. Interest income calculated using the effective interest rate method is recognized in profit or loss through “investment income” on the Statement of Comprehensive Income. Any other changes to the carrying amount of the financial asset are recognized in other comprehensive income (OCI). The fair value measurement is considered Level 1, in that it is based on quoted prices (unadjusted) in active markets for identical assets and liabilities.

### **Impairment of financial assets**

At the end of each reporting period, the Corporation assesses whether to recognize a loss allowance for expected credit losses (“ECL”) for a financial asset or a group of financial assets. The ECL is estimated as the difference between the contractual cash flows that the Corporation is entitled to receive and the cash flows that the Corporation expects to receive.

For the purposes of impairment assessment, the bonds and investments in redeemable notes are considered to have low credit risk as the counterparties to these investments have a minimum BBB credit rating. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL for these assets, the Corporation has taken into account the historical default experience, the future prospects of the industries in which the issuers of the corporate notes operate, and financial analyst reports, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

## Financial liabilities

The Corporation classifies all financial liabilities as financial liabilities measured at amortized cost. They are initially recognized at fair value less directly attributable transaction costs and subsequent to initial measurement are recognized at amortized cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the statement of comprehensive income over the contractual term using the effective interest rate method.

## Fair value hierarchy

Financial assets and liabilities that are recognized on the statement of financial position at fair value are to be classified into a hierarchy of three levels based on the significance of the impacts used in making the measurement. All are level 1, meaning, they are based on quoted prices (unadjusted) in active markets for identical assets and liabilities.

## Classification of financial instruments

The following table summarizes the Corporation's selected financial instrument classifications based on its intentions:

Financial instrument	Classification
Cash	Amortized Cost
Assessment and other receivables	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Severance payable	Amortized Cost
Investments held for designated purposes	FVTOCI

## Derecognition

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

## **b) Provisions**

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events. It is more likely than not that a resource outflow will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

On occasion, legal proceedings are threatened or initiated against the Corporation. The Corporation provides for the estimated full cost of any such challenges where at the end of the year it is more likely than not that there is an obligation to be settled. The amount provided is discounted to present value.

## **c) Cash**

Cash includes cash on hand and deposits held with banks.

## **d) Revenue recognition**

Interest income is recognized based on the effective interest rate method.

## **e) Recently adopted accounting standards**

There were no new standards adopted by the Corporation that had a material impact during the period.

## **f) Future accounting and reporting changes**

The IASB is continually working toward improving and developing new accounting standards. The IASB has issued a number of exposure drafts of new standards that are expected to come into effect within future reporting periods. The Corporation monitors the IASB work plans and publications to assess any potential impact on the organization. There are no standards issued but not yet adopted that are expected to have a significant impact on the Corporation.

#### 4. Conveyance of assets and liabilities assumed

Until the proclamation of a new *Act* on January 1, 2020, prudential oversight of the credit union system and the administration of the Stabilization Fund was provided by the RMA. Under the new *Act*, the RMA was dissolved and its prudential oversight responsibilities were transferred to the Commission and the responsibility to administer the fund was transferred to the Corporation. As a consequence of RMA's dissolution and sections 301 and 302 of the *Act*, RMA transferred all of its financial assets and financial liabilities to the Corporation prior to dissolution (December 31, 2019).

All financial assets and liabilities were transferred for nominal consideration and recorded by the Corporation at their fair market value on December 31, 2019. The difference between the fair market value of the financial assets and financial liabilities were recorded as a gain in the statement of comprehensive income. Subsequent to the transfer of the net financial assets, the deposit insurance funds already held by the Corporation are now the Deposit Protection Fund described in note 8.

The fair value of the assets conveyed, and the liabilities assumed were as follows:

Cash	\$ 422,746
Investment cash	60,854
Assessment receivables	265,844
Investments	23,136,325
Accounts payable and accrued liabilities	(86,732)
Severance payable	(550,697)
Gain on conveyance of net financial assets	\$ 23,248,340

## 5. Investments held for designated purposes

Investments are held to protect credit unions against financial losses and insolvency by establishing and maintaining a deposit protection fund, to provide financial assistance to credit unions for the purpose of stabilization, and to provide deposit insurance to members of credit unions incorporated under the Act (the “designated purposes”).

Investments consist of the following:

	2020	2019
Investment cash	\$ 3,039,332	\$ 522,475
Provincial notes and bonds	15,173,746	15,805,021
Corporate notes and bonds	9,704,975	11,179,796
	\$ 27,918,053	\$ 27,507,292

The Corporation continues to use the services of the New Brunswick Finance and Treasury Board, Treasury Division, to manage a portion of its investment held for designated purposes.

Investments held for designated purposes conveyed to the Corporation by RMA continue to be held and managed by CIBC Wood Gundy.

The Corporation's debt investment securities credit ratings are considered investment grade. The expected credit losses for March 31, 2020 was assessed as \$nil (\$nil at December 31, 2019). Due to the relatively short-term to maturity and high credit rating, the ECL have been assessed as \$nil.

## 6. Contingency and guarantees

- (a) The Corporation provides deposit insurance to members of credit unions in New Brunswick to a maximum of \$250,000 for eligible deposits. As at March 31, 2020, deposits by members of credit unions in New Brunswick totalled \$1.07 billion (December 31, 2019 – \$1.05 billion).
- (b) In 2007, and as part of a remediation package provided by the Province of New Brunswick to Caisse populaire de Shippagan Limitée (the Caisse), the Corporation entered into a guarantee and assumption of liabilities agreement with the Caisse whereby the Corporation guaranteed certain loans made by the Caisse and assumed certain contingent obligations of the Caisse. The Corporation's potential obligation under the agreement was

\$18.5 million of which the liability in respect of the guaranteed loans of \$16.5 million expired in 2012. Based on management's evaluation of the elements of the guarantee and assumed liabilities which remain in force at December 31, 2019, no provisions have been made in these financial statements for contingent losses which are now deemed unlikely. The agreement also includes provisions whereby certain contingent recoveries accrue to the Corporation. The Corporation realized a partial recovery of \$1,040,700 in the 12 months ended December 31, 2019.

## 7. Severance payable

The Corporation is obligated, through the conveyance agreement with RMA, to make severance payments totalling \$461,537 over the next two years as follows:

Year ending March 31	
2021	\$ 307,190
2022	154,347
Total severance payments	461,537
Less: Current portion	307,190
Severance payable	\$ 154,347

## 8. Deposit Protection Fund

The new *Act* proclaimed on January 1, 2020 dissolved the RMA effective December 31, 2019 and consolidated oversight of the credit union system under the mandate of the Commission. The Corporation's expanded mandate is to protect credit unions against financial losses and insolvency by establishing and maintaining a deposit protection fund, to provide financial assistance to credit unions for the purpose of stabilization, and to provide deposit insurance to members of credit unions incorporated under the *Act*.

Section 192 of the new *Act* directs that the deposit insurance fund established and maintained under the *Credit Unions Act* established in 1992 is continued as the deposit protection fund.

In the event that the Corporation is obliged to make a payment under section 192 of the new *Act* that should exceed the amount maintained in the deposit protection fund, the Corporation may seek loans, advances, grants, loan guarantees or advance guarantees pursuant to section 214.



Pursuant to section 214 of the *Act*, on the application of the Corporation, the Minister may, with the approval of the Lieutenant-Governor in Council and subject to such terms and conditions as the Minister considers appropriate, make loans, advances, or grants to the Corporation and guarantee any loans or advances made to the Corporation by others.

## 9. Accounts payable and accrued liabilities

	2020	2019
FCNB costs & expenses	\$ 204,466	\$ -
Professional services	217,428	97,704
Payroll severance and benefits	95,023	78,998
Translation	2,487	2,000
Governance	4,414	-
Office expense	8,879	10,404
	\$ 532,697	\$ 189,106

## 10. Related party transactions

The Corporation is an agent of the Crown, which results in the Province of New Brunswick, including its various ministries, departments and other Crown corporations being related parties.

The New Brunswick Finance and Treasury Board, Treasury Division, manages the Corporation's portion of the investment portfolio at no cost. The provincial bonds and notes in the amount of \$5,585,325 (December 31, 2019 - \$8,596,577) included in the investments are in New Brunswick provincial bonds and notes. The investments are priced on an arm's length basis and are settled in cash at maturity.

The Corporation utilizes the resources of the Commission to provide human resource and administration support for administering the *Act*. The Commission assumes the salaries and overhead costs, which are billed to the Corporation. Prior to 2020, the Corporation was responsible for its human resource and administration costs, however, required support from the Commission. The Corporation expensed \$204,466 for the three months ending March 31, 2020 (December 31, 2019 expensed \$0, however the estimate value of the services provided was \$121,941).

The Corporation purchases translation services from Service New Brunswick at the exchange amount. The Corporation expensed \$487 in 2020 (December 31, 2019 - \$8,102).

The Corporation had services provided to them by related parties (Service New Brunswick and the Commission) that were not paid at year end. The values of these unpaid amounts were \$nil (December 31, 2019 – \$1,195) and \$313,161 (December 31, 2019 – \$2,000) respectively and were included in the accounts payable and accrued liabilities.

## 11. Risk and capital management disclosures

The Corporation has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- interest rate risk

### Credit risk

Credit risk is the risk of financial loss to the Corporation if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's investments.

The Corporation invests only in high quality corporate and provincial bonds and notes (with a minimum of A rating) and other low risk investments, and as such management does not expect any counterparty to fail to meet its obligations.

The maximum credit exposure is as follows:

	2020	2019
Cash	\$ 359,822	\$ 438,274
Assessments and other receivables	312,337	311,198
Investments and investment held for designated purposes	27,918,053	27,507,292
Other assets	4,541	3,416
	\$ 28,594,753	\$ 28,260,180

The breakdown of the total fixed income securities by credit rating as at December 31, 2019 is:

	March 31, 2020		December 31, 2019	
Credit rating	Fair value	Percentage of portfolio	Fair value	Percentage of portfolio
AA-	\$ 0	0.0	\$ 1,980,663	7.2
A+	21,031,495	75.3	20,444,226	74.3
A	6,785,528	24.3	4,980,113	18.1
BBB	101,030	0.4	102,291	0.4
	\$ 27,918,053	100.0	\$ 27,507,292	100.0

### Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due by investing in liquid investments. The Corporation's primary risk is that credit unions will not be able to meet their obligations, requiring the Corporation to reimburse insured deposits as described in note 6. If the reimbursement exceeds the deposit protection fund of \$27,600,519, the Corporation would seek financial assistance from the Province of New Brunswick.

The investments have maturities as follows:

	2020	2019
0-5 years	\$ 24,672,953	\$ 21,788,010
Greater than 5 years	3,245,100	5,719,282
	\$ 27,918,053	\$ 27,507,292

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and investment prices, will affect the Corporation's income or the value of its holdings of financial instruments. Due to the nature of the Corporation's investments, management is of the opinion that the Corporation's exposure to market risk is low.

### **Fair value sensitivity analysis for fixed rate instruments**

The Corporation accounts for any fixed rate financial assets or liabilities at fair value through OCI. Therefore, a change of 1% in interest rates at the reporting date would affect OCI by approximately \$279,000 in relation to the change in rates.

### **Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Corporation's business model objective is to collect the contractual cash flows and, therefore, upon maturity and renewal interest rates may fluctuate.

### **Capital management**

The details of the Corporation's Protection Fund are described in note 8.

## **12. Subsequent events**

In March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on our business and the New Brunswick credit union system is not known at this time.

Should the New Brunswick Credit Union system experience liquidity difficulties, deposit insurance may be required and this could have a material impact on the Deposit Protection Fund.