Kingston Community Credit Union Limited

Financial Statements

December 31, 2021

Contents

For the year ended December 31, 2021

Management's Responsibility

To the Members of Kingston Community Credit Union Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the Credit Union to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

March 9, 2022

Chief Executive Officer

Independent Auditor's Report

To the Members of Kingston Community Credit Union Limited:

Opinion

We have audited the financial statements of Kingston Community Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income, accumulated other comprehensive income, reserves and members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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 related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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.

MNP LLP

Kingston, Ontario

March 9, 2022

Chartered Professional Accountants
Licensed Public Accountants

Kingston Community Credit Union Limited
Statement of Financial Position
As at December 31, 2021

	2021	2020
Assets		
Cash and cash equivalents *(Note 3)*	**8,792,968**	10,534,015
Investments *(Note 4)*	**50,706,983**	41,142,549
Member loans *(Note 5)*	**145,195,599**	130,422,817
Property, plant and equipment *(Note 6)*	**1,859,880**	2,075,178
Other assets *(Note 7)*	**611,549**	269,950
Deferred income tax *(Note 8)*	**105,120**	53,996
Total assets	**207,272,099**	184,498,505
Liabilities		
Member deposits *(Note 9)*	**188,251,265**	166,623,789
Income taxes payable	**87,034**	-
Other liabilities *(Note 10)*	**1,025,931**	1,008,307
Dividends and interest rebate payable	**31,760**	32,767
Obligations under capital lease *(Note 11)*	**1,463,722**	1,581,605
Membership shares *(Note 12)*	**1,074,688**	1,105,696
Total liabilities	**191,934,400**	170,352,164
Members' equity		
Members' equity	**14,245,940**	12,939,861
Reserves	**1,206,480**	1,206,480
Accumulated other comprehensive income	**(114,721)**	-
Total equity	**15,337,699**	14,146,341
	207,272,099	184,498,505

Approved on behalf of the Board of Directors

Robert G Trentadue
Director

Lisa DiLecce
Director

The accompanying notes are an integral part of these financial statements

Kingston Community Credit Union Limited
Statement of Comprehensive Income
For the year ended December 31, 2021

	2021	2020
Interest revenue		
Interest on loans to members *(Note 5)*	**5,585,628**	5,387,218
Investment income	**507,351**	572,409
	6,092,979	5,959,627
Interest expense		
Interest on members' deposits *(Note 9)*	**787,037**	1,023,754
Interest margin	**5,305,942**	4,935,873
Other revenue		
Rental	**11,850**	12,600
Other income	**406,791**	324,771
Service charges and commissions	**1,045,486**	1,036,562
Net recovery of (provision for) losses on loans *(Note 5)*	**218,605**	(264,620)
	6,988,674	6,045,186
Operating Expenses		
Amortization of property, plant and equipment	**281,408**	276,426
Interest on capital leases	**30,555**	33,456
Financial *(Schedule 1)*	**164,976**	129,393
Members' security insurance *(Schedule 2)*	**190,992**	166,751
Occupancy and leases *(Schedule 3)*	**262,364**	256,085
Other administrative *(Schedule 4)*	**1,633,628**	1,599,188
Remuneration to management and staff *(Schedule 5)*	**2,829,992**	2,725,048
	5,393,915	5,186,347
Income before other items and income taxes	**1,594,759**	858,839
Other income (expenses)		
Dividends on members' shares	**(31,760)**	(32,767)
Income before income taxes	**1,562,999**	826,072
Provision (recovery) for income taxes *(Note 8)*		
Current	**308,044**	135,686
Deferred	**(51,124)**	(3,422)
	256,920	132,264
Net income for the year	**1,306,079**	693,808
Other comprehensive income (net of tax)		
Financial instruments		
Change in unrealized gains on held-to-maturity investments	**(114,721)**	-
Total comprehensive income for the year	**1,191,358**	693,808

The accompanying notes are an integral part of these financial statements

Kingston Community Credit Union Limited

Statement of Accumulated Other Comprehensive Income , Reserves and Members' Equity

For the year ended December 31, 2021

	Reserves	*Members' equity*	*Accumulated other comprehensive income*	*Total equity*
Balance January 1, 2020	1,206,480	12,246,053	-	13,452,533
Net income	-	693,808	-	693,808
Balance January 1, 2021	1,206,480	12,939,861	-	14,146,341
Net income	-	1,306,079	-	1,306,079
Change in unrealized gains (loss) on held-to-maturity investments	-	-	(114,721)	(114,721)
Balance December 31, 2021	1,206,480	14,245,940	(114,721)	15,337,699

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Net income for the year	**1,306,079**	693,808
Amortization of property, plant and equipment	**281,408**	276,426
Deferred income taxes	**(51,124)**	(3,422)
Net provision (recovery) for losses on loans	**(218,605)**	264,620
Interest revenue	**(6,092,979)**	(5,959,627)
Interest expense	**787,037**	1,023,754
Interest received on member loans	**5,605,526**	5,389,015
Interest paid on member deposits	**(921,666)**	(1,031,201)
Interest received on investments	**517,677**	629,386
	1,213,353	1,282,759
Changes in working capital accounts		
Income taxes recoverable	**87,034**	-
Other assets	**(341,599)**	(91,054)
Other liabilities	**17,624**	85,436
Dividends and interest rebate payable	**(1,007)**	(232,671)
	975,405	1,044,470
Financing activities		
Increase in member deposits	**21,762,106**	27,454,584
Repayments of obligations under capital lease	**(117,883)**	(163,707)
Net redemption of member shares	**(31,008)**	(21,480)
	21,613,215	27,269,397
Investing activities		
Increase in member loans	**(14,574,075)**	(10,799,063)
Purchases of property, plant and equipment	**(66,110)**	(127,932)
Purchase of investments	**(9,689,482)**	(14,192,164)
Deemed proceeds from disposal of assets under capital lease	**-**	35,077
	(24,329,667)	(25,084,082)
Increase (decrease) in cash resources	**(1,741,047)**	3,229,785
Cash resources, beginning of year	**10,534,015**	7,304,230
Cash resources, end of year	**8,792,968**	10,534,015

The accompanying notes are an integral part of these financial statements

1. Summary of significant accounting policies

Reporting entity

Kingston Community Credit Union Limited (the "Credit Union") is incorporated under the Credit Unions and Caisse Populaires Act, 1994 (The "Act") of Ontario, subsequently replaced by the Credit Unions and Caisses Populaires Act, 2020, effective March 1, 2022. The Credit Union is a member of Central 1 Credit Union Limited ("Central 1"). The Credit Union operates as one operating segment in the loans and deposit taking industry in Ontario. Products and services offered to its members include mortgages, personal and commercial loans, chequing and savings accounts, term deposits, RRSPs, TFSAs, RRIFs, mutual funds, investment and financial advisory services, automated banking machines (ABMs), debit and credit cards and internet banking. The Credit Union's head office is located at 795 Gardiners Road, Kingston, Ontario.

These financial statements have been authorized for issue by the Board of Directors on March 8, 2022.

Basis of presentation

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

The Credit Union's functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The principal accounting policies adopted in the presentation of the financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits with Central 1 and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents are classified as fair value through profit and loss and are carried at fair value.

Investments

On initial recognition, a financial asset is classified and subsequently measured at amortized cost, fair value through other comprehensive income, or fair value through profit and loss. The credit unions has elected to report its investments as follows:

Central 1 Deposits and Guaranteed Investment Certificates are classified as amortized cost and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently, they are carried at amortized cost which approximates fair value.

The High Quality Liquid Asset Investment portfolio includes cash, bonds and term deposits that are classified as fair value through other comprehensive income and are initially recognized at fair value. Subsequently, they are carried at fair value through other comprehensive income.

Equity Instruments are classified as fair value through profit and loss and are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently, they are carried at fair value through profit and loss, unless they do not have a quoted market price in an active market and fair value is not reliably determinable in which case they are carried at amortized cost.

Member loans

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

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

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

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

The Credit Union relies on an expected credit loss model to estimate impairment losses on its member loan portfolio. The model was designed by Central 1 Credit Union, and is known as the IFRS 9 Impairment Expected Credit Loss Model (the "Model"). Under the Model, the Credit Union is required to classify all loans under three general categories: Performing (Stage 1), Underperforming (Stage 2), and Non-performing (Stage 3). The categories and details of the loan portfolio, which are described in Note 5, are uploaded to Central 1's Model on a monthly basis from which the model estimates the expected credit losses on the credit portfolio by category. The amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate as estimated by the Model. The amount of the impairment loss is recognized in net income.

The Credit Union continually assesses individual loans for objective indications of impairment or underperformance, such as delinquency or a credit event, and categorizes loans in its database accordingly.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is considered to be Performing (Stage 1). The carrying amounts of these assets are assessed individually for impairment based on loan specific data such as the related beacon scores, and inherent economic risks as determined by geography, economic data, regional employment trends, among other criteria. Assets that are considered to be Underperforming (Stage 2) or Non-performing (Stage 3) are assessed for impairment independently based on similar criteria, adjusted for the increased level of risk associated with the respective categories. The Credit Union relies on an expected credit loss model to estimate impairment losses on its member loans carried at amortized cost. The amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate; short-term balances are not discounted.

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

Bad debts written off

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

Foreign currency translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income.

Property, plant and equipment

Property, plant and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation, with the exception of land which is not depreciated. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

The methods of depreciation and depreciation rates applicable for each class of asset are as follows:

	Method	***Rate***
Buildings	straight-line	3 to 50 years
Furniture and equipment	declining balance	10 %
Signs	declining balance	20 %
Computer equipment	straight-line	1 to 5, or 7 years
Security equipment	straight-line	1,2,3 or 5 years
Banking system	straight-line	4 or 10 years
Automobile	straight-line	5 years
Leasehold improvements	straight-line	5 to 15 years

Impairment of non-financial assets

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

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

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

Dividends

Dividends on member shares are recorded as a distribution of net income in the period to which they pertain, not in the period they are paid.

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 a business combination or items recognized directly in equity or in other comprehensive income.

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

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

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

Reserves

The general reserve is created by appropriations from members' equity and is intended to provide for unforeseen losses.

Members deposits

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

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

Membership shares

Membership shares are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Membership shares are subsequently measured at amortized cost, using the effective interest rate method.

Revenue recognition

The following describes the Credit Union's principal activities from which it generates revenue.

Interest revenue

The Credit Union generates revenue from interest charged on loans issued to its members. Performance obligations relating to these contracts are satisfied at the inception of the contract, when both the Credit Union and the member have agreed to the terms of the contract.

The Credit Union does not have an enforceable right to payment until legal title of the product transfers to the member; therefore, revenue is recognized at the point in time when legal title passes to the member. The form of this transfer varies, depending on the nature of the loan product.

Consideration is typically due in accordance with the repayment terms outlined in the contract. The transaction price is determined on a contract by contract basis, and is ultimately determined by the interest rate stated in the contract. The stated interest rate for a contract is influenced by a number of factors, including member risk and creditworthiness, loan collateral, market competition and prevailing economic conditions at the time of contract issuance.

The primary cost of obtaining a contract are the wages and salaries of the applicable Credit Union staff. These costs are expensed as incurred.

Service charge revenue

The Credit Union generates revenue from the account service fees charged to a member for maintaining an account at the Credit Union. Performance obligations relating to these contracts are satisfied at contract inception and once the account has been opened.

Consideration is due each month and is charged to the member account. The amount of consideration is based on the type of account and the posted monthly service fee.

The primary cost of obtaining a contract are the wages and salaries of the applicable Credit Union staff. These costs are expensed as incurred.

CUMIS insurance premiums and annual profit sharing entitlements are reported with service charge revenues. These revenues are recognized as they as are earned.

Other Revenue

The Credit Union generates revenues related to its KCCU Wealth Solutions division in the form of fees and commissions. Also included in other revenue are ATM and other network fees. These revenues are recognized as they are earned.

Accounts payable

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

Provisions

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

Leased assets

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:
- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Standards issued but not yet effective

The Credit Union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2021 but are not yet effective. Unless otherwise stated, the Credit Union does not plan to early adopt any of these new or amended standards and interpretations.

Annual Improvements to IFRSs 2018 - 2020 Cycle

The Annual Improvements to IFRSs 2018 - 2020 Cycle, issued in May 2020, include a series of amendments to IFRSs in response to issues addressed during the 2018-2020 cycle as follows:

IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendments simplify the application of IFRS 1 by a subsidiary, that becomes a first-time adopter of IFRS standards later than its parent by allowing the subsidiary to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs.

IFRS 9 Financial Instruments
The amendments clarify which fees an entity includes when performing the 10 percent test used to determine whether to derecognize a financial liability. An entity shall include only the fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or lender on the other's behalf.

IFRS 16 Leases
The amendments resolve the potential for confusion regarding the treatment of lease incentives by amending Illustrative Example 13 to remove the reimbursement of leasehold improvements by the lessor.

IAS 41 Agriculture
The amendments align the fair value measurement requirements in IAS 41 with the requirements in IFRS 13 Fair Value Measurement by permitting an entity to use post-tax cash flows and a post-tax discount rate when measuring the fair value of a biological asset using a present value technique.

These amendments are effective for annual periods beginning on or after January 1, 2022. The Credit Union has not yet determined the impact of these amendments on its financial statements.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments

Amendments to IAS 1 and IFRS Practice Statement 2, issued in February 2021 , help entities provide accounting policy disclosures that are more useful to primary users of financial statements by replacing the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies and providing guidance to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after January 1, 2023 and are required to be applied prospectively. The Credit Union is currently assessing the impact of these amendments on its financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8, issued in February 2021, introduce a new definition of "accounting estimates· to replace the definition of "change in accounting estimates· and also include clarification intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Credit Union is currently assessing the impact of these amendments on its financial statements.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Amendments to IAS 37, issued in May 2020, specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

The amendments are effective for annual periods beginning on or after January 1, 2022. The Credit Union is currently assessing the impact of these amendments on its financial statements.

2. Critical accounting estimates and judgments

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

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

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

Fair Value of Financial Instruments

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

The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note 4.

Income Taxes

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

Key assumptions in determining the allowance for expected credit losses

At each reporting period, the financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about factors which impact the borrowers' ability to meet their debt obligations. These factors are described 'Member loans' significant accounting policy, and in Note 5.

3. Cash and cash equivalents

The Credit Union's cash and current accounts are held with Central 1. The current account has an average interest yield of 0.39% at December 31, 2021 (2020 average interest yield of 0.50%), and the U.S. dollar account average interest yield of 0% (2020 average interest yield of 0.26%). The current account holds a clearing facility of $4,180,000 and the U.S. dollar account holds a clearing facility of $100,000.

4. Investments

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

	2021	2020
Fixed Income Investments and Deposits		
Central 1 - Liquidity reserve deposit	-	11,116,311
High quality liquid asset portfolio	12,178,489	-
Central 1 - term deposit	10,020,732	4,018,389
Central 1 - US term deposit	254,844	320,693
TD Canada Trust guaranteed investment certificates	4,017,766	16,528,201
Concentra - term deposit	7,516,087	4,009,219
RBC guaranteed investment certificates	16,073,382	4,020,045
	50,061,300	40,012,858
Equity Instruments		
Central 1 shares - class A	56,760	52,296
Central 1 shares - class E	294,400	294,400
Central 1 shares - class F	-	475,791
Concentra shares - class D preferred	250,000	250,000
CU CUMIS Wealth Holdings LP	2	2
Concentra financial	1,000	1,000
	602,162	1,073,489
Other investment	43,521	56,202
Total investments	50,706,983	41,142,549

Debt Securities -Liquidity Reserve Deposits and High Quality Liquid Assets portfolio

As a condition of maintaining membership in Central 1 in good standing, the Credit Union was required to maintain on deposit in Central 1 an amount equal to 6% of the total assets as at each month-end. At maturity, these deposits were reinvested at market rates for various terms as determined by management. The deposit could be withdrawn only if there was a sufficient reduction in the Credit Union's assets or upon withdrawal of membership from Central 1.

On January 4, 2021, the Credit Union finalized an agreement with Central 1 to exchange these deposits for High Quality Liquid Assets (HQLA) with similar terms as part of a transaction to terminate the Mandatory Liquidity Pool, effective January 1, 2021. The Credit Union recognized a gain of $59,002 on the excess of the fair value of the securities over the book value of the liquidity deposits in the statement of comprehensive income. The Credit Union's Central 1 Class F shares of $475,791 were also redeemed in cash at par value at this time.

The purpose of the HQLA portfolio is to maintain adequate liquidity levels in order to protect the Credit Union in the event of potential liquidity stresses. The assets are held in a separate custodial account at Credential Securities. The Credit Union's business model objective will be achieved by holding the bonds to collect contractual cash flows on these assets. However, it may also sell bonds before maturity to achieve its objectives. Revenue objectives are achieved through a mix of interest earned and realized gains on sales. As at December 31, 2021, the portfolio has accrued an unrealized loss of $114,721, which was reported in other comprehensive income.

Central 1 and Concentra - Term deposits and TD Canada Trust, and Royal Bank of Canada Guaranteed Investment Certificates

Central 1, Concentra term deposits and TD Canada Trust, and Royal Bank of Canada guaranteed investment certificates have varying maturity dates with the latest being December 2023. The carrying amounts approximate fair value due to having similar characteristics as cash and cash equivalents.

Class D Concentra preferred shares are issued at a par value with a minimum investment requirement of $250,000. They are redeemable after five years by Concentra from the date of issuance, requiring the consent of the Office of Superintendent of Financial Institutions (OSFI). There is no separately quoted market value for these shares, however, fair value is determined to be equivalent to the par value due to the fact that transactions occur at par value on a regular and recurring basis.

Central 1 Shares

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

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

Class E Central 1 shares are issued with a par value, however, are redeemable at the option of Central 1. There is no separately quoted market value for these shares and the fair value could not be measured reliably. Fair value cannot be measured reliably as the timing of redemption of these shares cannot be determined, therefore, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed; thus, they are recorded at cost.

Class F Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares, however, fair value is determined to be equivalent to the par value due to the fact that transactions occur at par value on a regular and recurring basis. At their December 11, 2020 meeting, the Central 1 Board of Directors approved the redemption of all Class F shares effective January 1, 2021.

The Credit Union is not intending to dispose of any Central 1 shares as the services supplied by Central 1 are relevant to the day-to-day activities of the Credit Union.

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

5. Member loans

	2021	*2020*
Principal		
Commercial	**8,373,000**	5,955,918
Mortgages	**125,773,882**	112,737,282
Personal and other	**11,252,512**	12,185,385
	145,399,394	130,878,585
Allowance for impaired loans	**(389,221)**	(661,092)
Accrued interest	**185,426**	205,324
Net loans to members	**145,195,599**	130,422,817

Terms and conditions

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

Variable rate loans are based on a "prime rate plus/minus" formula, ranging from prime minus 2.00% to prime plus 23.55%. The rate above prime is determined by the type of security offered and the member's credit worthiness. The Credit Union's prime rate at December 31, 2021 was 3.95%.

The interest rate offered on fixed rate loans being advanced at December 31, 2021 ranged from 1.99% to 18.00%. The rate offered to a particular member varies with the type of security offered and the member's credit worthiness.

Commercial loans consist of term loans and mortgages to individuals, partnerships and corporations and, as such, have various repayment terms. They are secured by various types of collateral, including mortgages on real property, charges on specific equipment, investments and guarantees.

The Credit Union has, on behalf of Export Development Canada (EDC), advanced and administrates 36 loans under the Canada Emergency Business Account (CEBA) program.

Residential mortgages are secured by residential property and generally are repayable in monthly blended payments of principal and interest.

Personal loans consist of term loans and lines of credit and, as such, have various repayment terms. Some of the personal loans are secured by wage assignment and personal property or investments and others are secured by wage assignment only.

	2021	*2020*
Interest income		
Commercial	**301,860**	266,459
Mortgages	**4,327,820**	3,989,828
Personal and other	**955,948**	1,130,931
	5,585,628	5,387,218

Average yields to maturity

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

	2021		2020	
	Principal	**Yield**	Principal	Yield
Variable rate with maturities within five years	**17,618,119**	**5.85 %**	18,531,648	6.42 %
Fixed rate with maturities within one year	**19,288,243**	**3.34 %**	20,820,911	3.43 %
Fixed rate with maturities between one and five years	**108,103,811**	**3.38 %**	90,864,934	3.81 %
	145,010,173		130,217,493	
Accrued interest receivable	**185,426**		205,324	
	145,195,599		130,422,817	

Credit quality of loans

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

Fair value

The fair value of member loans at December 31, 2021 was $145,195,599 (2020 - $130,422,817).

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

Concentration of risk

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

There were no individual or related groups of members' loans which exceed 10% of members' loans at December 31, 2021 or December 31, 2020.

The majority of members' loans are with members located in and around Kingston, Ontario.

Allowance for impaired loans

On January 1, 2018, the Credit Union adopted IFRS 9 "Financial Instruments" which replaces IAS 39 "Financial Instruments: Recognition and Measurement" and gives rise to new requirements for the classification and measurement of the impairment of financial instruments. At each reporting date, the Credit Union recognizes an impaired loan provision for expected credit losses for debt instruments. This allowance is estimated based on an impairment model that comprises three stages:

Stage 1: For loans that have not had a significant increase in credit risk since initial recognition and are not considered as credit-impaired loans, a loss allowance equal to 12-month expected credit losses is recognized.

Stage 2: For loans that have had a significant increase in credit risk since initial recognition but are not considered as credit-impaired loans, a loss allowance equal to the lifetime expected credit losses is recognized.

Stage 3: For loans considered as credit impaired, a loss allowance amounting to the lifetime expected credit losses continues to be recognized.

The Credit Union relies on an expected credit loss model to estimate impairment losses on its member loan portfolio. The model was designed by Central 1 Credit Union, and is known as the IFRS 9 Impairment Expected Credit Loss Model. The model relies on current loan and credit information maintained by the Credit Union, such as the assessed loan stage, loan type, loan security, the length of time the loans are past due, and individual beacon scores, combined with macro and micro economic data to estimate expected credit losses. Economic data such as GDP trends, unemployment rates, bankers' acceptance rates, and the housing price index, is integrated into the model to ensure a comprehensive estimate is achieved. The circumstances may vary for each loan over time, resulting in higher or lower impairment loss. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience.

Total allowance for impaired loan provision comprises:

	2021	*2020*
Stage 1 provision	**312,074**	523,574
Stage 2 provision	**12,718**	19,941
Stage 3 provision	**64,429**	117,577
Total provision	**389,221**	661,092

Movement in Stage 1 provision for impairment:

	Personal and Other	**Mortgages**	**Commercial**	**Total**
Balance, January 1, 2020	183,962	140,558	1,004	325,524
Transfers from (to) stage 2	(116)	372	-	256
Transfers from (to) stage 3	(2,086)	-	-	(2,086)
New loans originated	92,520	104,782	911	198,213
Net remeasurement of allowance	33,175	(32,394)	886	1,667
Balance, December 31, 2020	307,455	213,318	2,801	523,574
Gross carrying amount of loans receivable	21,222,355	101,466,121	7,433,765	130,122,241
Balance, January 1, 2021	307,455	213,318	2,801	523,574
Transfers from (to) stage 2	(9,061)	(2,302)	-	(11,363)
Transfers from (to) stage 3	11,612	-	-	11,612
New loans originated	79,507	62,686	560	142,753
Net remeasurement of allowance	(213,355)	(139,166)	(1,981)	(354,502)
Balance, December 31, 2021	176,158	134,536	1,380	312,074
Gross carrying amount of loan receivables	19,894,975	115,298,777	10,153,348	145,347,100

Movement in Stage 2 provision for impairment:

	Personal and other	Mortgages	Commercial	Total
Balance, January 1, 2020	12,431	6,477	-	18,908
Transfers from (to) stage 1	116	(372)	-	(256)
New loans originated	606	3,456	-	4,062
Net remeasurement of allowance	2,628	(5,401)	-	(2,773)
Balance, December 31, 2020	15,781	4,160	-	19,941
Gross carrying amount of loan receivables	318,942	972,145	-	1,291,087
Balance, January 1, 2021	15,781	4,160	-	19,941
Transfers from (to) stage 1	9,061	2,302	-	11,363
Net remeasurment of allowance	(12,853)	(5,733)	-	(18,586)
Balance, December 31, 2021	11,989	729	-	12,718
Gross carrying amount of loan receivables	303,108	896,458	-	1,199,566

Movement in Stage 3 provision for impairment:

	Personal and other	Mortgages	Commercial	Total
Balance, January 1, 2020	85,120	23,472	-	108,592
Transfers from (to) stage 1	2,086	-	-	2,086
Recoveries	30,882	2,627	-	33,509
Write-offs	(90,061)	-	-	(90,061)
New loans originated	16,804	15,692	-	32,496
Net remeasurement of allowance	48,014	(17,059)	-	30,955
Balance, December 31, 2020	92,845	24,732	-	117,577
Gross carrying amount of receivables	145,149	988,029	-	1,133,178
Balance, January 1, 2021	92,845	24,732	-	117,577
Transfers from (to) stage 1	(11,612)	-	-	(11,612)
Recoveries	48,304	-	-	48,304
Write-offs	(101,570)	-	-	(101,570)
New loans originated	11,976	-	-	11,976
Net remeasurement of allowance	3,921	(4,167)	-	(246)
Balance, December 31, 2021	43,864	20,565	-	64,429
Gross carrying amount of loan receivables	59,674	743,681	-	803,355

6. **Property, Plant and Equipment**

	Land	Buildings	Furniture and equipment	Signs	Computer equipment	Security equipment	Banking system	Automobile	Leasehold improvements	Total
Cost										
Balance, January 1, 2020	24,000	2,193,356	767,530	129,010	728,341	160,806	72,696	27,199	655,868	4,758,806
Additions	-	-	2,380	-	113,096	12,456	-	-	-	127,932
Disposals	-	(68,021)	-	-	-	-	-	-	-	(68,021)
Balance, December 31, 2020	24,000	2,125,335	769,910	129,010	841,437	173,262	72,696	27,199	655,868	4,818,717
Balance, January 1, 2021	24,000	2,125,335	769,910	129,010	841,437	173,262	72,696	27,199	655,868	4,818,717
Additions	-	-	17,943	1,469	24,390	21,363	-	-	945	66,110
Balance, December 31, 2021	24,000	2,125,335	787,853	130,479	865,827	194,625	72,696	27,199	656,813	4,884,827
Depreciation										
Balance, January 1, 2020	-	344,708	626,211	105,031	605,320	157,430	72,696	3,627	585,035	2,500,058
Depreciation expense	-	149,258	14,352	2,547	75,957	1,744	-	5,439	27,129	276,426
Disposals	-	(32,945)	-	-	-	-	-	-	-	(32,945)
Balance, December 31, 2020	-	461,021	640,563	107,578	681,277	159,174	72,696	9,066	612,164	2,743,539
Balance, January 1, 2021	-	461,021	640,563	107,578	681,277	159,174	72,696	9,066	612,164	2,743,539
Depreciation expense	-	136,221	14,743	4,580	81,808	11,399	-	5,440	27,217	281,408
Balance, December 31, 2021	-	597,242	655,306	112,158	763,085	170,573	72,696	14,506	639,381	3,024,947
Net book value										
December 31, 2020	24,000	1,664,314	129,347	21,432	160,160	14,088	-	18,133	43,704	2,075,178
December 31, 2021	**24,000**	**1,528,093**	**132,547**	**18,321**	**102,742**	**24,052**	**-**	**12,693**	**17,432**	**1,859,880**

Right-of-use assets in the amount of $1,810,106 (2020 - $1,810,106) with related accumulated amortization in the amount of $385,495 (2020 - $256,997) related to leased premises are included in buildings.

7. Other assets

	2021	2020
Prepaid expenses	378,006	19,727
Income taxes recoverable	-	52,888
Other receivables	233,543	197,335
	611,549	269,950

8. Income tax

The significant components of income tax expense included in net income are composed of:

	2021	2020
Current tax expense		
Based on current year taxable income	308,044	145,716
Adjustment for prior year in relation to the current tax of prior years	-	(10,030)
	308,044	135,686
Deferred income tax		
Change in unrecognized deferred tax assets	(51,124)	(3,422)

Reasons for the differences between tax expense for the year and the expected income taxes based on the statutory rate of 26.5% (2020 - 26.5%) are as follows:

	2021	2020
Income before income taxes	1,562,999	826,072
Expected taxes based on statutory rate	414,195	218,909
Reduction due to small business and credit union deduction and Ontario surtax	(140,481)	(66,451)
Deferred income tax (benefit)	(51,124)	(3,422)
Tax savings on non-taxable income	(2,249)	(4,288)
Other non-deductible portion of expenses and other items	36,579	(12,484)
Total income tax expense	256,920	132,264

Deferred income tax expense recognized in comprehensive income

The deferred income tax recovery (expense) recognized in comprehensive income for the current year is a result of the following changes:

	2021	2020
Deferred tax liability		
Property, plant and equipment	14,590	(8,608)
	14,590	(8,608)
Deferred tax asset		
Market-to-market and other adjustments related to investments	30,454	-
Other accrued liabilities	6,080	12,030
	36,534	12,030
Deferred tax recovery (expense)	51,124	3,422

Net deferred tax liability is reflected in the balance sheet as follows		
Balance, beginning of year	**53,996**	50,574
Deferred tax recovery (expense)	**51,124**	3,422
Balance, end of year	**105,120**	53,996

9. Member deposits

	2021	*2020*
Chequing accounts	**50,048,437**	42,126,256
Commercial chequing accounts	**31,990,086**	26,759,874
Regular savings accounts	**57,636,819**	47,395,086
Registered Retirement Income Funds	**6,917,407**	6,683,640
Registered Retirement Savings Plans	**11,261,010**	12,403,148
Tax Free Savings Accounts	**9,218,439**	9,010,391
Term deposits	**19,314,609**	20,422,274
U.S. accounts	**1,017,229**	912,577
Property tax accounts	**593,967**	522,652
	187,998,003	166,235,898
Accrued interest payable	**253,262**	387,891
	188,251,265	166,623,789

Terms and conditions

Chequing accounts are due on demand and bear interest at rates between 0% and 0.10% at December 31, 2021.

Commercial chequing accounts are due on demand and bear interest at rates between 0% and 0.05% at December 31, 2021.

Regular savings accounts are due on demand and bear interest at rates between 0.05% and 0.10% at December 31, 2021. High interest savings accounts are due on demand and bear interest at rates between 0.40% and 0.55% at December 31, 2021. Registered Retirement Income Funds (RRIF) have both fixed and variable rates with terms and conditions similar to those of the Registered Retirement Savings Plans (RRSP) described below. Members may make withdrawals from a RRIF account on a monthly, semi-annual or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

RRSPs have both fixed and variable rates. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described below. The variable rate RRSPs bear interest at 0.05% at December 31, 2021.

Tax Free Savings Accounts (TFSA) have both fixed and variable rates. The fixed rate TFSAs have terms similar to the term deposit accounts described below. The variable rate TFSAs bear interest at 0.05% at December 31, 2021.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest rates offered on term deposits issued on December 31, 2021 range from 0.10% to 1.50%.

U.S. accounts are due on demand and were non interest bearing at December 31, 2021.

Property tax deposit accounts are due on demand and bear interest at 0.05%.

Fair Value

The fair value of member deposits at December 31, 2021 was $188,251,264 (2020 - $166,623,789).

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

Interest expense	***2021***	*2020*
Chequing accounts	**4,188**	9,142
Commercial chequing accounts	**11,307**	8,422
Regular savings accounts	**157,212**	166,264
Property tax accounts	**255**	228
Registered retirement income funds	**102,369**	122,806
Registered retirement savings plans	**139,072**	190,322
Tax free savings accounts	**92,575**	127,225
Term deposits	**280,059**	399,119
U.S. accounts	**-**	226
	787,037	1,023,754

Average Yields to Maturity

Member deposits bear interest at both variable and fixed rates with the following average yields at December 31, 2021 and December 31, 2020:

	2021		2020	
	Principal	**Yield**	Principal	Yield
Variable rate with maturities within five years	**148,445,300**	**0.11 %**	123,474,571	0.19 %
Fixed rate with maturities within one year	**22,329,245**	**1.02 %**	24,294,623	1.56 %
Fixed rate with maturities between one and five years	**17,223,458**	**1.57 %**	18,466,704	1.83 %
	187,998,003		166,235,898	
Accrued interest payable	**253,262**		387,891	
	188,251,265		166,623,789	

Concentration of Risk

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

There were no individual or related groups of members' deposits which exceed 10% of members' deposits at December 31, 2021 or December 31, 2020.

The majority of members' deposits are with members located in and around Kingston, Ontario.

10. Other liabilities

	2021	2020
Accounts payable	**1,025,931**	1,008,307

11. Leases

Leases as lessee

The Credit Union leases space for two of its branches and for KCCU Wealth Solutions. These leases span a period of five years and include an option to renew the lease for two additional five year terms after the end of the initial contract term.

Right-of-use assets

Right-of-use assets of the Credit Union have been presented within property, plant and equipment in the statement of financial position. Refer to Note 6 for information pertaining to right-of-use assets arising from lease arrangements in which the Credit Union is a lessee.

Lease liabilities

The following table sets out a maturity analysis of lease liabilities:

	2021	2020
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**150,788**	147,594
One to five years	**607,867**	593,755
More than five years	**887,484**	1,016,611
Total undiscounted lease liabilities at December 31, 2021	**1,646,139**	1,757,960
Discounted lease liabilities included in the statement of financial position at year end	**1,463,722**	1,581,605

12. Membership shares

Terms and Conditions

Membership shares are classified as liabilities and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

The Credit Union is authorized to issue an unlimited number of membership shares.

Funds invested by members in shares are not insured by the Financial Services Regulatory Authority of Ontario (FSRA). The withdrawal of member shares is subject to certain restrictions as provided by the Credit Union's by-laws, as is the payment of any dividends on these shares.

As a condition of membership, each member 21 years and over is required to hold $25 in membership shares and each member under 21 years is required to hold $5 in membership shares. Members age 21 and over may hold additional membership shares up to a maximum of $1,025 per member. These membership shares are redeemable at par only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors of the Credit Union.

13. Regulatory capital (Ontario)

The Credit Union has a capital management policy in place that addresses the quantity, quality and composition of capital needed that reflects the inherent risks of the Credit Union, to support the current and planned operations and to meet regulatory requirements.

The Act requires the Credit Union to maintain adequate regulatory capital, consisting of membership shares, any other class of qualifying share capital that may be issued and reserves and members' equity plus the collective allowance. Adequate capital is defined as 4.00% of total assets and 8.00% of risk-weighted assets. At December 31, 2021, the Credit Union was in compliance with these regulatory requirements.

	2021	*2020*
Tier 1 Capital		
Membership shares	**1,074,688**	1,105,696
Reserves, member's equity, and accumulated other comprehensive income	**15,337,699**	14,146,341
Tier 2 Capital		
Stage 1 & 2 allowance	**324,792**	543,515
	16,737,179	15,795,552

Total capital represents 8.07% of total assets (2020 - 8.56%) and 22.07% of total risk-weighted assets (2020 - 23.65%).

14. Commitments

Loan Commitments

At December 31, 2021, the Credit Union was committed to advance approximately $5,854,681 on loans and mortgages. In addition, lines of credit which had been approved but not used at year-end totaled approximately $17,524,249.

Lease Agreements

The Credit Union also entered into a lease agreement with Directcash Management Inc. to lease three ATM machines at Kingston General Hospital. There is no fixed term associated with the lease of the ATM machines.

Service Agreements

The Credit Union entered into a service agreement for the monitoring and operation of their IT network effective January 1, 2022 until December 31, 2026. The minimum annual lease and service agreement payment for the next five years is $49,529.

Payments Modernization

Payments Canada has initiated a multi-year modernization program of the Canadian clearing and settlement system. The Credit Union has committed to a contract with Central 1 to develop and implement its share of the technology required for payments modernization.

15. Pension Plan

The Credit Union makes contributions to a pension plan, which is a defined contribution plan, on behalf of its staff. There is also a retiring allowance available to staff who have reached a combination of years of service coupled with a minimum age requirement.

The amount contributed to the pension plan for 2021 was $134,169 (2020 - $124,034). The amount accrued for the retiring allowance was $22,940 (2020 - $45,396). All contributions were made for current service and these have been recognized in net income.

For employees who qualify for Early Retirement Benefits, the employee who meets the criteria is eligible to continue some of their existing benefits with the Co-operators Insurance at the employees cost, and as such there are no post-retirement benefit obligations to the Credit Union.

Employees are eligible to convert their life insurance benefits to a private plan at the employees cost.

16. Related party transactions

The Credit Union entered into the following transactions with the Board of Directors and management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management, their spouses and relatives if the relative lives in the home of those described.

Compensation	***2021***	*2020*
Salaries and other short-term employee benefits	**472,594**	466,252
Total pension and other post employment benefits	**42,403**	38,788
Director remuneration and expenses	**64,264**	63,725
	579,261	568,765

Loans to related parties	***2021***	*2020*
Aggregate value of loans advanced	**586,422**	907,630
Interest received on loans advanced	**16,857**	28,400
Aggregate value of unadvanced loans	**145,126**	259,307
Total value of lines of credit advanced	**77,874**	93,693
Interest received on lines of credit advanced	**2,449**	3,364
Unused value of lines of credit	**145,126**	259,307

The Credit Union's policy for lending to the Board of Directors and management personnel is that all classes of loans are approved based on the same lending criteria which apply to members, but at preferred rates. None of the loans to restricted parties were impaired at December 31, 2021.

Deposits from related parties		
Aggregate value of term and savings deposits	**673,777**	650,471
Total interest paid on term and savings deposits	**2,827**	4,448

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

The Credit Unions and Caisses Populaires Act, 1994, requires credit unions to disclose remuneration paid during the year to the officers and employees of a credit union whose total remuneration for the year exceeded $150,000. During the year, there was one employee with remuneration over $150,000. Jon Dessau, CEO, received a salary of $159,482, a bonus of $6,000, and benefits with a monetary value of $19,381.

17. Financial instruments

The following table represents the carrying amount by classification.

	Fair Value Through Other Comprehensive Income	Assets measured at Amortized Cost	Liabilities measured at Amortized Cost
December 31, 2021			
Cash and cash equivalents	**-**	**8,792,968**	**-**
Investments	**12,780,651**	**37,926,332**	**-**
Loans to members	**-**	**145,195,599**	**-**
Other assets	**-**	**233,543**	**-**
Member deposits	**-**	**-**	**188,251,265**
Other liabilities	**-**	**-**	**1,025,931**
Dividends and interest rebate payable	**-**	**-**	**31,760**
Membership shares	**-**	**-**	**1,074,688**
	12,780,651	**192,148,442**	**190,383,644**
December 31, 2020			
Cash and cash equivalents	-	10,534,015	-
Investments	1,073,489	40,069,060	-
Loans to members	-	130,422,817	-
Other assets	-	269,950	-
Member deposits	-	-	166,623,789
Other liabilities	-	-	1,008,307
Dividends and interest rebate payable	-	-	32,767
Membership shares	-	-	1,105,696
	1,073,489	181,295,842	168,770,559

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Level 1	Level 2	Level 3	Total
December 31, 2021				
Central 1 Shares – Class A	-	56,760	-	56,760
Central 1 Shares – Class E	-	294,400	-	294,400
Concentra Shares - Class D Preferred	-	250,000	-	250,000
Central 1 - High quality liquid asset investment	12,178,489			12,178,489
CU CUMIS Wealth Holdings LP	-	-	2	2
Concentra Financial	-	-	1,000	1,000
	12,178,489	**601,160**	**1,002**	**12,780,651**

December 31, 2020				
				Total
Central 1 Shares – Class A	-	52,296	-	52,296
Central 1 Shares – Class E	-	294,400	-	294,400
Concentra Shares - Class D Preferred	-	250,000	-	250,000
CU CUMIS Wealth Holdings LP	-	-	2	2
Concentra Financial	-	-	1,000	1,000
	-	596,696	1,002	597,698

There were no transfers between Level 1, Level 2 or Level 3 for the years ended December 31, 2021 and December 31, 2020.

18. Financial Instrument Risk Management

General Objectives, Policies and Processes

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

Credit Risk

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

Risk Measurement

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

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

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

i) general loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;

ii) loan lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;

iii) loan collateral security classifications which set loan classifications, advance ratios and amortization periods;

iv) procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loans renegotiation;

v) loan delinquency controls regarding procedures followed for loans in arrears; and

vi) audit procedures and processes are in existence for the Credit Union's lending

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

For the current year, there are no financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

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

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

Liquidity Risk

Liquidity risk is the risk that the Credit Union may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet the Credit Union's commitments as they come due.

Risk Measurement

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

Objectives, Policies and Processes

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

Provisions of the Credit Unions and Caisse Populaires Act, 1994, require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union has set a minimum liquidity ratio of 8%. Under new FSRA guidance, the credit union is required to maintain a liquidity coverage ratio to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

The Credit Union manages liquidity risk by:

i) Continuously monitoring actual daily cash flows and longer term forecasted cash flows;

ii) Monitoring the maturity profiles of financial assets and liabilities;

iii) Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and

iv) Monitoring the liquidity ratios daily.

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 fiscal year.

As at December 31, 2021, the position of the Credit Union is as follows:

	Maximum Exposure
Qualifying liquid assets on hand	
Cash	8,792,968
High quality liquid asset portfolio	12,178,489
	20,971,457
Total liquidity requirement	16,576,895
Excess liquidity requirement	4,394,562

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

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

Market Risk

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

Interest Rate Risk

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

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

Risk Measurement

The Credit Union's risk position is measured monthly. Measurement of risk is based on rates charged and paid.

Objectives, Policies and Procedures

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

Schedules of matching and interest rate vulnerability are prepared monthly and monitored by Credit Union management and reported to FSRAO in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with FSRAO as required by Credit Union regulations. For the year ended December 31, 2021, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within twelve months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

Maturity dates	Assets	Yield (%)	Liabilities	Cost (%)	Asset/ Liability Gap
Interest sensitive					
0 - 12 months	17,618,119	5.85	148,445,300	0.11	(130,827,181)
2 - 5 years	-		-		-
Interest sensitive	17,618,119		148,445,300		(130,827,181)
Non-interest sensitive					
0 - 12 months	19,288,243	3.34	22,329,245	1.02	(3,041,002)
2 - 5 years	108,103,811	3.38	17,223,458	1.57	90,880,353
Non-interest sensitive	127,392,054		39,552,703		87,839,351
Total	145,010,173		187,998,003		(42,987,830)

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.

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase or decrease in interest rates of 0.25% could result in a decrease to net income of $55,000. The Credit Union reports positive exposure as zero exposure to interest rate risk and thereby only expresses negative risk to earnings.

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

Currency Risk

Currency risk relates to the Credit Union operating in different currencies and converting non- Canadian earnings at different points in time at different foreign exchange levels.

The Credit Union's foreign exchange risk is related to U.S. dollar member deposits and cash denominated in foreign currencies. Foreign currency changes are continually monitored by the Credit Union.

Risk Measurement

The Credit Union's position is measured weekly. Measurement of risk is based on rates charged to clients as well as currency purchase costs.

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

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Credit Union is exposed to this risk through its equity holdings.

Prudent investment limits for each type of financial asset have been established in accordance with regulatory requirements.

Equities are monitored by the Board of Directors and holdings are adjusted following each quarter if the investments are offside of the investment policy.

19. Significant event

Ongoing at year-end, there is global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Credit Union, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

20. Comparative Amounts

Certain comparative figures have been reclassified to conform with the current year's presentation.

Schedule 1 - Schedule of Financial Expenses

For the year ended December 31, 2021

	2021	*2020*
Financial		
ATM charges	**27,862**	41,445
Debit and MasterCard	**23,863**	13,650
RRSP administration costs	**7,845**	8,225
Service charges and exchange	**105,406**	66,073
	164,976	129,393

Schedule 2 - Schedule of Members' Security Insurance

For the year ended December 31, 2021

	2021	2020
Members' security insurance		
Bond insurance	**51,074**	46,700
Members' security insurance - FSRA insurance	**139,918**	120,051
	190,992	166,751

Schedule 3 - Schedule of Occupancy and Leases

For the year ended December 31, 2021

	2021	2020
Occupancy and leases		
Building and fire insurance	**25,072**	24,884
Maintenance and repairs	**59,558**	70,132
Municipal taxes	**27,530**	29,621
Rent and leases	**103,805**	87,679
Security systems	**10,503**	10,066
Utilities	**35,896**	33,703
	262,364	256,085

Schedule 4 - Schedule of Other Administrative Expenses

For the year ended December 31, 2021

	2021	*2020*
Other administrative		
Data processing	**482,807**	367,820
Education and publicity	**277,262**	345,546
Loan costs	**149,724**	82,399
Meeting and travel expenses	**17,684**	20,062
Member dues	**19,036**	27,501
Miscellaneous	**277,189**	295,433
Office supplies and expenses	**231,978**	261,966
Professional fees	**177,948**	198,461
	1,633,628	1,599,188

Schedule 5 - Schedule of Remuneration to Management and Staff

For the year ended December 31, 2021

	2021	2020
Remuneration to management and staff		
Board honoraria and travel	**64,264**	63,725
Employee benefits	**447,043**	468,261
Salaries	**2,318,685**	2,193,062
	2,829,992	2,725,048