

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation, presentation and consistency of the summarized financial statements and the complete consolidated financial statements of Northern Credit Union Limited and all the information in this Annual Report. The summarized financial statements are derived by management from the complete consolidated financial statements. The complete consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards. Management has prepared the financial information contained elsewhere in the Annual Report and has ensured that it is consistent with the complete consolidated financial statements. Management maintains the necessary system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained. This system of internal controls provides reasonable assurance that financial records are reliable and are a proper basis for preparation of the financial statements.

The Audit Committee, in carrying out their responsibility, have reviewed and approved the complete consolidated financial statements. KPMG LLP, the independent external auditors appointed by the members of the Credit Union, have examined the complete consolidated financial statements in accordance with International Financial Reporting Standards.



Richard Adam  
President & CEO



Tammy Buchanan  
Senior Vice President & CFO

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

(in thousands of Canadian dollars)	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 61,887	\$ 41,681
Investments	238,008	101,730
Other assets	6,831	5,444
Loans to members	1,370,072	1,393,267
Deferred income taxes	3,040	1,910
Right-of-use assets	2,337	3,040
Property and equipment	14,870	16,645
Intangible assets	1,864	2,496
<b>Total assets</b>	<b>\$ 1,698,909</b>	<b>\$ 1,566,213</b>
<b>Liabilities and Members' Equity</b>		
Members' deposits	\$ 1,407,045	\$ 1,248,637
Accounts payable and accrued liabilities	12,551	9,118
Lease liabilities	2,401	3,089
Securitized liabilities	188,565	217,863
Liabilities qualifying as regulatory capital:		
Share capital	30,797	31,440
<b>Total liabilities</b>	<b>1,641,359</b>	<b>1,510,147</b>
Members' equity:		
Contributed surplus	19,134	19,134
Retained earnings	37,667	35,672
Accumulated other comprehensive income	749	1,260
<b>Total members' equity</b>	<b>57,550</b>	<b>56,066</b>
Commitments and contingencies		
Subsequent events		
Impact of COVID-19		
<b>Total liabilities and members' equity</b>	<b>\$ 1,698,909</b>	<b>\$ 1,566,213</b>

**STATEMENT OF INCOME**

YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

(in thousands of Canadian dollars)	2020	2019
Revenue:		
Interest		
– Residential mortgage loans	\$ 26,466	\$ 26,417
– Personal loans	19,233	21,187
– Commercial loans	9,931	10,034
Investment income	3,235	2,373
	58,865	60,011
Cost of financing:		
Interest		
– Demand deposits	1,888	2,847
– Term deposits	8,292	8,511
– Registered savings plans	7,969	7,597
Distribution to members	827	1,076
Interest on external borrowings	5,007	5,000
	23,983	25,031
Net interest income	34,882	34,980
Impairment loss on loans	5,470	5,584
Net interest income after impairment loss on loans	29,412	29,396
Non-interest revenue	11,589	12,069
	41,001	41,465
Operating expenses:		
Salaries, wages and benefits	19,837	19,958
Board, delegate and committee	248	391
Data processing and clearing	1,067	1,059
General and administration	11,271	12,467
Insurance	1,484	1,310
Occupancy	2,800	2,829
Depreciation and amortization	2,851	2,824
	39,558	40,838
Operating income	1,443	627
Unrealized gains (losses):		
Unrealized gain on investments	362	-
Unrealized gain (loss) on interest rate swaps and forward exchange contracts	250	(78)
Income before income taxes	2,055	549
Income taxes (recovery):		
Current	1,009	397
Deferred recovery	(949)	(275)
	60	122
<b>Net income</b>	<b>\$ 1,995</b>	<b>\$ 427</b>

**STATEMENT OF COMPREHENSIVE INCOME**

YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

(in thousands of Canadian dollars)	2020	2019
Net Income	\$ 1,995	\$ 427
Other comprehensive income, net of income taxes:		
Items that are or may be reclassified subsequently to profit or loss:		
Net gain (loss) on cash flow hedges, net of income tax of \$18 (2019 - (\$29))	43	(67)
Items that will never be reclassified to profit or loss:		
Defined benefit plan actuarial losses, net of income tax of (\$199) (2019 - (\$173))	(554)	(481)
<b>Comprehensive Income (loss)</b>	<b>\$ 1,484</b>	<b>\$ (121)</b>

**STATEMENT OF CHANGES IN MEMBERS' EQUITY**

YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

(in thousands of Canadian dollars)	2020	2019
Contributed surplus:		
As at January 1 and December 31	\$ 19,134	\$ 19,134
Retained earnings:		
As at January 1	35,672	35,245
Net income	1,995	427
As at December 31	37,667	35,672
Accumulated other comprehensive income:		
Representing the fair value reserve:		
As at January 1	1,260	1,808
Net gain (loss) on cash flow hedges, net of income tax	43	(67)
Defined benefit plan actuarial losses, net of income tax	(554)	(481)
Balance, end of year	749	1,260
<b>Member's equity, end of year</b>	<b>\$ 57,550</b>	<b>\$ 56,066</b>