TransCanada Credit Union Ltd.

Financial Statements

October 31, 2019

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Independent Auditor's Report

To the Members of TransCanada Credit Union Limited:

Opinion

We have audited the financial statements of TransCanada Credit Union Limited (the "Credit Union"), which comprise the statements of financial position as at October 31, 2019 and the statements of comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at October 31, 2019 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.

Calgary, Alberta

MNP LLP

July 15, 2020

Chartered Professional Accountants

	Notes	October 31, 2019 $	October 31, 2018 $
ASSETS			
Cash and cash equivalents		191,276	6,912
Investments and accrued interest	6	6,817,555	4,674,614
Loans to members and accrued interest	7	25,371,577	26,077,359
Other assets	8	989,965	7,894
Property and equipment	9	-	2,665
Intangible assets	10	206,427	176,110
Deferred tax asset	12	27,753	111,023
Total Assets		**33,604,553**	**31,056,577**
LIABILITIES AND MEMBERS' EQUITY			
Bank overdraft		-	147,416
Income taxes payable		1,480	12,483
Accounts payable and accrued liabilities		67,901	40,094
Allocation payable	13	8,173	8,173
Member deposits and accrued interest	11	31,426,455	29,421,498
		31,504,009	**29,629,664**
Members' Equity			
Allocation distributable	13	34,454	35,177
Member shares	14	883,157	879,472
Retained earnings		1,182,933	512,264
		2,100,544	**1,426,913**
Total Liabilities and Members' Equity		**33,604,553**	**31,056,577**

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements.

TransCanada Credit Union Ltd.
Statement of Comprehensive Income (Loss)
For the year ended October 31,

	Notes	2019 $	2018 $
Financial income			
Interest on member loans		991,677	831,658
Interest on investments		93,861	104,610
		1,085,538	**936,268**
Financial expense			
Interest on member deposits		578,590	515,240
		578,590	**515,240**
Financial margin		**506,948**	**421,028**
Provision for loan losses, net of recoveries	7	(60,000)	(11,623)
Write-off of member loans	8	-	(1,030,707)
Insurance reimbursement	8	974,141	-
Other income		69,047	55,184
		1,490,136	**(566,118)**
Operating expenses			
Employee salaries and benefits		227,296	223,830
Member security		37,088	28,873
Depreciation and amortization	10	22,208	9,513
Organization		14,996	13,848
Other operating and administrative		402,093	116,046
		703,681	**392,110**
Income (loss) before patronage allocation to members and income taxes		**786,455**	**(958,228)**
Patronage allocation to members	13	-	(8,173)
Income (loss) before income taxes		**786,455**	**(966,401)**
(Provision for) recovery of income taxes			
Current tax expense	12	-	-
Deferred tax (expense) recovery	12	(83,270)	111,023
Total comprehensive income (loss) for the year		**703,185**	**(855,378)**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended October 31,

	Notes	Allocation Distributable $	Member shares $	Retained earnings $	Total $
For the year ended October 31, 2017		39,510	816,282	1,405,898	2,261,690
Total comprehensive loss for the year		-	-	(855,378)	(855,378)
Distributions to members, net of tax	13,14	(4,333)	38,433	(38,256)	(4,156)
Issuance of member shares for cash	14	-	96,815	-	96,815
Redemption of member shares	14	-	(72,058)	-	(72,058)
For the year ended October 31, 2018		**35,177**	**879,472**	**512,264**	**1,426,913**
Total comprehensive income for the year		-	-	703,185	703,185
Distributions to members, net of tax	13,14	(723)	7,896	(32,516)	(25,343)
Issuance of member shares for cash	14	-	55,771	-	55,771
Redemption of member shares	14	-	(59,982)	-	(59,982)
For the year ended October 31, 2019		**34,454**	**883,157**	**1,182,933**	**2,100,544**

The accompanying notes are an integral part of these financial statements.

	Notes	2019 $	2018 $
Cash provided by (used for) the following activities			
Operating activities			
Interest received from member loans		991,677	831,658
Interest received from investments		93,861	104,610
Other income received		69,047	55,184
Interest paid to members		(578,590)	(515,240)
Income taxes paid		(11,003)	(9,532)
Operating expenses paid		(661,596)	(382,728)
Net cash flows from operating activities		**(96,604)**	**83,952**
Financing activities			
Net change in member deposits		2,004,957	5,098,064
Member shares issued for cash	14	55,771	96,815
Cash dividends paid		(25,343)	(4,156)
Redemption of member shares	14	(59,982)	(72,058)
Net cash flows from (used for) financing activities		**1,975,403**	**5,118,665**
Investing activities			
Net change in loans to members		645,782	(4,798,228)
Additions to intangible assets		(49,860)	(79,886)
Additions to property and equipment		-	(2,665)
Net change in investments		(2,142,941)	(452,329)
Net cash flows used for investing activities		**(1,547,019)**	**(5,333,108)**
Net decrease in cash and cash equivalents (overdraft)		331,780	(130,491)
Overdraft, beginning of the year		(140,504)	(10,013)
Cash and cash equivalents (overdraft), end of the year		**191,276**	**(140,504)**
Cash and cash equivalents (overdraft) are composed of			
Overdraft with Credit Union Central of Alberta Limited		-	(147,416)
Cash on hand		191,276	6,912
		191,276	**(140,504)**

The accompanying notes are an integral part of these financial statements.

1. Incorporation and operations

TransCanada Credit Union Ltd. (the "Credit Union") is incorporated under the Credit Union Act of the Province of Alberta (the “Act”) and provides financial services to current and former employees of TC Energy Corporation and its subsidiaries ("TransCanada") and operates one branch.

The Credit Union Deposit Guarantee Corporation (the "Corporation"), a Provincial Corporation, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The Act provides that the Government of Alberta will ensure that this obligation of the Corporation is carried out.

The Credit Union's registered office is located at 450 – 1st Street SW, Calgary, Alberta, T2P 5H1.

The financial statements of the Credit Union were authorized for issue in accordance with a resolution of the Board of Directors on July 15, 2020.

2. Basis of preparation

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

Basis of measurement
These financial statements are stated in Canadian dollars, which is the Credit Union’s functional currency, and were prepared under the historical cost convention except for the certain financial instruments which are measured at fair value.

Use of estimates and judgments
The preparation of financial statements in accordance with IFRS requires the use of 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 3.

Adoption of new accounting pronouncements

The Credit Union adopted the following new and/or revised standards, effective November 1, 2018. As indicated, adoption of the following new and/or revised standards, did not have a material impact on the Credit Union’s financial statements.

A) IFRS 9 Financial instruments

Effective November 1, 2018 (hereafter referred to as the “initial date of application”), the Credit Union adopted IFRS 9, as issued in July 2014. The requirements of IFRS 9 are substantially different from those of IAS 39 Financial Instruments: Recognition and Measurement. The new standard fundamentally alters the classification and measurement of financial assets subsequent to initial recognition, including impairment. The key changes to the Credit Union’s accounting policies resulting from adoption of IFRS 9 are summarized below.

Classification of financial assets and financial liabilities

IFRS 9 requires financial assets be classified into one of three subsequent measurement categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss. Classification is based on the business model under which a financial asset is managed and the nature of its contractual cash flows. IFRS 9 eliminates the following IAS 39 classification categories: available-for-sale, held-to-maturity, and loans and receivables.

2. Basis of preparation (continued)

The classification and measurement of financial liabilities is largely retained from IAS 39.

Impairment of financial assets

IFRS 9 replaces the methodology under IAS 39 and IAS 37 Provisions, Contingent Liabilities and Contingent Assets of recognizing impairment losses when incurred with a forward-looking expected credit loss model which requires a more timely recognition of losses expected to occur over the contractual life of the financial asset. IFRS 9 uses a single model for recognizing impairment losses on financial assets. This model also applies to certain loan commitments, financial guarantee contracts, trade receivables and contract assets. Application of the IFRS 9 model results in earlier recognition of impairment losses than under IAS 39. Equity investments are no longer assessed for impairment as all equity investments are measured at fair value.

Transition

In accordance with the transitional provisions provided in IFRS 9, the Credit Union has applied the changes in accounting policies resulting from the adoption of IFRS 9 retrospectively but has elected not to restate comparative figures. All comparative information presented and disclosed for the prior year reflects the requirements of IAS 39. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized directly in retained earnings and reserves as at November 1, 2018. For the purposes of determining the classification of financial assets, the business model test has been applied on the basis of facts and circumstances existing at the date of initial application with the resulting classification applied retrospectively.

The following tables present the measurement categories and carrying amounts under IAS 39 as at October 31, 2018 and the new measurement categories and carrying amounts under IFRS 9 for the Credit Union's financial assets and financial liabilities as at November 1, 2018.

	IAS 39		IFRS 9	
	Classification	**Measurement**	**Classification**	**Measurement**
Financial assets				
Cash and cash equivalents	FVTPL (designated)	FVTPL	FVTPL (Mandatory)	FVTPL
Shares in Central	Available-for-sale	FVOCI	FVTPL (Mandatory)	FVTPL
Term deposits with Central and accrued interest	Held to maturity	Amortized Cost	Amortized Cost	Amortized Cost
Loans to members and accrued interest	Loans and receivables	Amortized Cost	Amortized Cost	Amortized Cost
Financial liabilities				
Bank overdraft	FVTPL (designated)	FVTPL	FVTPL (Mandatory)	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized Cost	Amortized Cost	Amortized Cost
Member deposits and accrued interest	Other financial liabilities	Amortized Cost	Amortized Cost	Amortized Cost

Shares in Central were previously recognized as available-for-sale and measured at FVOCI. They are now recognized at FVTPL.

For the purposes of applying the IFRS 9 expected credit loss model, the credit risk at the date that a financial asset was initially recognized or, for loan commitments and financial guarantee contracts, the date that the entity became a party to the irrevocable commitment, has been determined on the basis of reasonable and supportable information available without undue cost or effort. This has been compared to the credit risk at the date of initial application for the purpose of determining whether there has been a significant increase in credit risk. For the purposes of this assessment, the Credit Union has assumed that for low credit risk financial assets, credit risk has not increased significantly since initial recognition. Notwithstanding the above, the Credit Union has applied the rebuttable presumption that there has been a significant increase in credit risk if contractual payments on a financial asset are more than 30 days past due. The adoption of the IFRS 9 expected credit loss model has had no impact on the Credit Union at the transition date.

2. Basis of preparation (continued)

B) IFRS 15 Revenue from contracts with customers

Effective November 1, 2018 (hereafter referred to as the "initial date of application"), the Credit Union adopted IFRS 15 Revenue from Contracts with Customers as issued by the IASB in May 2014, with clarifying amendments issued in April 2016. The standard specifies how and when entities recognize, measure, and disclose revenue. The standard supersedes all current standards dealing with revenue recognition, including IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The Credit Union applied the changes in the accounting policies resulting from IFRS 15 retrospectively with the cumulative effect of initially applying IFRS 15 recognized as an adjustment to the opening balance of retained earnings at November 1, 2018. The comparative information contained within these financial statements has not been restated and continues to be reported under previous revenue standards. The application of the standard has resulted in a change in the Credit Union's accounting policy for revenue recognition. See Note 4 for details on the Credit Union's revenue recognition policies. There was no material impact on the financial statements from the retrospective application of IFRS 15.

3. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Taxes
Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Credit Union reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Valuation of financial instruments
The Credit Union determines the fair value of financial instruments for which there is no observable market price using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include consideration of liquidity, and other risks affecting the specific instrument.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Credit Union is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Significant accounting judgments, estimates and assumptions (continued)

Useful lives of property and equipment and intangible assets

The Credit Union estimates the useful lives of property, equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, equipment and intangible assets are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, equipment and intangible assets would increase the recorded expenses and decrease the non-current assets.

Allowance for expected credit losses

At each reporting period, 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 assumptions about factors which impact the borrowers' ability to meet debt obligations:

- Expected significant increase in unemployment rates, interest rates
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses. These assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The individual allowance component of the total allowance for loan impairment applies to financial assets evaluated individually for impairment. In particular, management judgment is required in the estimate of the amount and timing of the cash flows the Credit Union expects to receive. These estimates are based on a number of factors, including the net realizable value of any underlying collateral.

Fair value of unquoted equity instruments

The Credit Union has assessed that the fair values of its unquoted equity instruments approximate its cost based on the terms that the equity investments can not be transferred, the shares can not be sold and new shares are issued at par value of all currently held shares.

4. Summary of significant accounting policies

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

A) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, the current account with Credit Union Central of Alberta Limited ("Central") and items in transit.

4. Summary of significant accounting policies (continued)

B) Financial instruments – recognition and measurement

Financial assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and Measurement of Financial Instruments

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Credit Union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. The Credit Union has classified the following financial assets as at amortized cost: loans to members and accrued interest and term deposits with Central and accrued interest.
- FVOCI - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Credit Union has classified the following financial assets as FVTPL: cash and cash equivalents and shares in Central.

Impairment of Financial Assets

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions. For member loans receivable the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through breaches of borrowing contracts such as default events or breaches of borrowing covenants, requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

4. Summary of significant accounting policies (continued)

Derecognition of financial assets

The Credit Union derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

Financial liabilities

Recognition and initial measurement

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

Classification and Measurement of Financial Instruments

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

Derecognition of financial liabilities

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

C) Membership shares

Shares are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union Board of Directors are classified as equity.

D) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses if any. Such cost includes the cost of replacing part of the equipment. When significant parts of property and equipment are required to be replaced in intervals, the Credit Union recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Depreciation is recorded on a straight-line basis using the following annual rates:

Furniture and equipment	5 years
Computer equipment	3 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. Gains and losses on the disposal of property and equipment are recorded in the statement of comprehensive income in the year of disposal.

E) Intangible assets

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Credit Union. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment. Software is amortized on a straight-line basis over its estimated useful life of 10 years.

The useful lives of the intangible assets are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income.

4. Summary of significant accounting policies (continued)

F) Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its assets that are subject to depreciation and amortization to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Any impairment loss is recognized immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

G) Revenue recognition

Interest on member loans

Interest income is recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets. The 'amortized cost' of a financial asset is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses. Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired). Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Other income

The Credit Union generates revenue from the Credit Union providing financial services to its members. Revenue is recognized as services are rendered. The Credit Union does not have an enforceable right to payment until services are rendered. The amount of revenue recognized on these transactions is based on the price specified in the contract. The Credit Union does not expect to have any contracts where the period between the transfer of the promised goods or services to the member and payment by the member exceeds one year. Consequently, the Credit Union does not adjust any of the transaction prices for the time value of money.

Dividend income is recognized and when dividends are declared on shares.

4. Summary of significant accounting policies (continued)

A) Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of comprehensive income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax
Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities in a transaction that is not a business combination and that effects neither accounting, nor taxable profit or loss.

B) Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the statement of financial position date. Translation gains and losses are included in the statement of comprehensive income.

5. Recent accounting pronouncements

The Credit Union has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Credit Union:

IFRS 16 Leases

During January 2016, the IASB issued the new standard, which requires lessees to recognize assets and liabilities for most leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The Credit Union has not entered into any leases as at November 1, 2019 and therefore the adoption of IFRS 16 will not have any impact on its financial statements.

6. Investments and accrued interest

	October 31, 2019 $	October 31, 2018 $
FVTPL (2018 – available-for-sale)		
Shares in Central	318,404	310,288
	318,404	**310,288**
Amortized cost		
Term deposits with Central	6,485,000	4,355,000
Accrued interest	14,151	9,326
	6,499,151	**4,364,326**
Total investments	**6,817,555**	**4,674,614**

As required by the Act, the Credit Union holds investments with Central to maintain its liquidity level. All term deposits mature within one year.

7. Loans to members and accrued interest

Principal and allowance by loan type

October 31, 2019	**Principal amount $**	**Loss allowance measured at 12-month ECL $**	**Loss allowance measured at lifetime ECL $**	**Net carrying amount $**
Consumer loans	8,160,017	(1,294)	(57,328)	8,101,395
Consumer mortgages	17,250,037	-	-	17,250,037
	25,410,054	**(1,294)**	**(57,328)**	**25,351,432**
Accrued interest	21,523	-	(1,378)	20,145
	25,431,577	**(1,294)**	**(58,706)**	**25,371,577**

October 31, 2018	**Principal amount $**	**Specific allowance $**	**Net carrying amount $**	**Gross impaired loans $**
Consumer loans	12,063,610	-	12,063,610	-
Consumer mortgages	13,990,059	-	13,990,059	-
	26,053,669	**-**	**26,053,669**	**-**
Accrued interest	23,690	-	23,690	-
	26,077,359	**-**	**26,077,359**	**-**

Maturity of loans

Loans to members, not including accrued interest, mature as follows:

	October 31, 2019 $	**October 31, 2018 $**
Under 1 year	8,274,625	9,542,478
1 to 2 years	4,004,186	1,380,950
2 to 3 years	2,298,744	4,279,031
3 to 4 years	6,352,598	2,603,653
Over 4 years	4,479,901	8,247,557
	25,410,054	**26,053,669**

7. Loans to members and accrued interest (continued)

Loan allowance details

	October 31, 2019 $	October 31, 2018 $
Balance, beginning of year	-	12,000
Net increase in provision for loan impairment	60,000	11,623
Write-off	-	(23,623)
Balance, end of year	**60,000**	**-**

The principal collateral and other credit enhancements the Credit Union holds as security for loans include insurance, mortgages over residential lots and properties, recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. The Credit Union has policies in place to monitor the existence of undesirable concentration in the collateral supporting its credit exposure. In management's estimation, the fair value of the collateral is sufficient to offset the risk of loss on the loans past due but not impaired.

8. Other assets

	October 31, 2019 $	October 31, 2018 $
Prepaid expenses	15,824	7,894
Insurance Reimbursement	974,141	-
	989,965	**7,894**

Insurance Reimbursement

In January 2019, the Credit Union identified a series of fraudulent transactions that had occurred at the Credit Union. The Board of Directors engaged external legal counsel and independent forensic investigators to investigate these transactions. The independent forensic investigation was concluded in June 2019 and the Credit Union wrote-off fraudulent loans of $1,030,707 as at December 31, 2018. On July 17, 2019, the Credit Union submitted a bond proof of loss claim to CUMIS General Insurance Co. ("CUMIS") in relation to the fraudulent transactions. On January 9, 2020, CUMIS completed their investigation and paid out $974,141 under the insurance coverage provided to the Credit Union.

9. Property and equipment

	Furniture and equipment $	Computer equipment $	Total $
Cost			
At October 31, 2017	18,359	38,131	56,490
Additions	-	2,665	2,665
At October 31, 2018	18,359	40,796	59,155
Transfer to intangibles	-	(2,665)	(2,665)
At October 31, 2019	18,359	38,131	56,490
Depreciation and impairment			
At October 31, 2017	18,359	38,131	56,490
Charge for the year	-	-	-
At October 31, 2018	18,359	38,131	56,490
Charge for the year	-	-	-
At October 31, 2019	18,359	38,131	56,490
Net book value			
At October 31, 2018	-	2,665	2,665
At October 31, 2019	-	-	-

10. Intangible assets

	Computer software $
Cost	
At October 31, 2017	321,700
Additions	79,886
At October 31, 2018	401,586
Additions	49,860
Transfer from property and equipment	2,665
At October 31, 2019	**454,111**
Amortization and impairment	
At October 31, 2017	215,963
Charge for the year	9,513
At October 31, 2018	225,476
Charge for the year	22,208
At October 31, 2019	**247,684**
Net book value	
At October 31, 2018	176,110
At October 31, 2019	**206,427**

11. Member deposits and accrued interest

	October 31, 2019 $	October 31, 2018 $
Demand deposits	23,178,364	21,976,393
Term deposits	4,587,865	3,877,251
Registered Retirement Savings Plans	3,575,536	3,504,138
	31,341,765	**29,357,782**
Accrued interest	84,690	63,716
	31,426,455	**29,421,498**

Concentra Financial acts as the trustee of the Registered Retirement Savings Plans (“RRSP”) offered to members. Under an agreement with Concentra Financial, the contributions to the plan, and the interest earned on them, are deposited in the Credit Union. When members terminate these plans, the funds are repaid to them.

Maturity of deposits

Member deposits, not including accrued interest, mature as follows:

	October 31, 2019 $	October 31, 2018 $
Payable on demand	23,178,364	21,976,393
Under 1 year	3,372,339	2,367,916
1 to 2 years	2,080,761	1,766,916
2 to 3 years	1,203,864	1,832,631
3 to 4 years	269,343	716,180
Over 4 years	1,237,094	697,746
	31,341,765	**29,357,782**

12. Income taxes

Income tax expense (recovery) comprises:

	October 31, 2019 $	October 31, 2018 $
Tax expense (recovery)		
Current tax expense	-	-
Deferred tax expense (recovery)	83,270	(111,023)
	83,270	**(111,023)**

The income tax expense (recovery) for the year can be reconciled to the accounting profit as follows:

	October 31, 2019 $	October 31, 2018 $
Income (loss) before provision for taxes	786,455	(966,401)
Combined federal and provincial tax rate	12.08%	12.1%
Tax (recovery) expense at statutory rate	**95,032**	**(116,776)**
Adjusted for the effect of:		
permanent differences and other items	(11,762)	5,753
	83,270	**(111,023)**

The Credit Union has recognized a deferred tax asset of $27,753 (2018 - $111,023) in respect of non-capital losses. Deferred tax assets are recorded only to the extent that future taxable income will be available against which the deferred tax asset can be utilized. The losses incurred for the year ended October 31, 2018 arose from items that are not expected to recur in the future.

13. Allocation distributable

The Board of Directors declared a $34,454 (2018 – $35,177) dividend on member shares on record as of October 31, 2019. The member share dividend of 4.0% (2018 – 4.0%) is calculated on the members minimum monthly member share balance.

The Board of Directors declared a $nil patronage rebate as of October 31, 2019 (2018 – $8,173). The patronage rebate includes 0% (2018 – 5.0%) of all interest received on savings deposits by members and 0% (2018 – 0.5%) of all interest paid on loans by members.

14. Member shares

A) Authorized shares

The member shares are:

a) issuable up to a maximum of 3,000 shares per member;
b) issuable as fractional shares with a par value of $1;
c) transferable only in restricted circumstances;
d) non-assessable; and,
e) redeemable at par value at the discretion of the Credit Union, subject to restrictions contained in the Act.

Each member must purchase a minimum of twenty-five common shares.

The Corporation does not guarantee common shares, which represent "at-risk" capital.

B) Issued and outstanding

	October 31, 2019 $	October 31, 2018 $
Balance, beginning of year	879,472	816,282
Issued as share dividends	7,896	38,433
Issued for cash	55,771	96,815
Shares redeemed	(59,982)	(72,058)
Balance, end of year	**883,157**	**879,472**

15. Financial instrument risk management

The Credit Union's risk management policies are designed to identify and analyze risk, to set appropriate risk limits and controls, and to monitor the risk and adherence to limits by means of reliable and up to date information systems. The Credit Union follows an enterprise risk management framework, which involves identifying particular events or circumstances relevant to its objectives, assessing them in terms of profitability and magnitude, determining a response strategy and monitoring progress. The Credit Union regularly reviews its risk management policies and systems to take account of changes in markets and products.

Risk management is carried out by management who reports to the Board. The Board provides written principles for risk tolerance and overall risk management. Management reports to the Board on compliance with the risk management policies of the Credit Union.

Financial instruments comprise the majority of the Credit Union's assets and liabilities. The Credit Union accepts deposits from members at both fixed and floating rates for various periods. The Credit Union seeks to earn an interest rate margin by investing these funds in high quality financial instruments – principally loans and mortgages. The primary types of financial risk that arise from this activity are credit risk, liquidity risk and market risk which is comprised of interest rate risk.

The following table describes the significant financial instrument activity undertaken by the Credit Union, the risks associated with such activities, and the types of methods used in managing those risks.

Activity	**Risks**	**Method of managing risks**
Investments	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching, monitoring of investment restrictions and monitoring of counterparty risk
Member loans	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching and monitoring of counterparty risk
Member deposits	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching

Credit risk

Credit risk is the risk that financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union arising from member loans and investments. The primary credit risk arising from loans is the possibility that members will be unable or unwilling to repay some or all of the principal and interest on their loans. Allowances for credit losses are made for losses that have been incurred at the statement of financial position date.

Management of credit risk is an integral part of the Credit Union's activities. Management carefully monitors and manages the Credit Union's exposure to credit risk by a combination of methods. Credit risk arises principally from lending activities that result in member loans and advances and treasury activities that result in investments of cash resources. The overall management of credit risk is centralized in the Credit Committee which reports to the Board.

Concentration of loans is managed by the implementation of sectoral and member specific limits. The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments. The majority of loans to members are with members located in and around Calgary, Alberta who are concentrated in the oil and gas infrastructure and energy sector. A significant portion of the Credit Union's loan portfolio is secured by residential property in and around Calgary, Alberta. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio coverage should the property market be subject to a decline. The risk of loss from loans undertaken is primarily reduced by the nature and quality of the security taken.

15. Financial instrument risk management (continued)

The Credit committee is responsible for approving and monitoring the Credit Union's tolerance for credit exposures, which it does through review and approval of the Credit Union's lending policies and through setting limits on credit exposures to individual members and across sectors. The Credit Union maintains levels of borrowing approval limits, and prior to advancing funds to a member, an assessment of the credit quality of the member is made. The Credit Union emphasizes responsible lending in its relationships with members and establishes that loans are within the member's ability to repay, rather than relying exclusively on collateral.

The Credit Union often takes security as collateral in common with other lending institutions. The Credit Union maintains guidelines on the acceptability of specific types of collateral. Collateral may include mortgages over residential properties and charges over business assets such as premises, inventory and accounts receivable. Where significant impairment indicators are identified, the Credit Union will take additional measures to manage the risk of default, which may include seeking additional collateral.

The following information represents the maximum exposure to credit risk before taking into consideration any collateral:

	October 31, 2019 $	October 31, 2018 $
Cash and cash equivalents	191,276	6,912
Investments and accrued interest	6,817,555	4,674,614
Loans to members and accrued interest	25,371,577	26,077,359
	32,380,408	30,758,885

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition. The Credit Union considers member loans receivable to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the Credit Union's internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Credit Union's past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Credit Union.

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

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management (e.g., through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers). The Credit Union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its members. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its internal credit risk policies. In making this assessment, the Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings.

15. Financial instrument risk management (continued)

Measurement of expected credit losses

The Credit Union measures expected credit losses for member loans receivable on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type (residential mortgages, and consumer loans). Otherwise, expected credit losses are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union utilizes modelling, which uses current banking system loan data to assess probability of default, exposure at default, loss given default, and present value calculations. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its members and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Write-offs
Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members and other liabilities. The Credit Union monitors expected cash inflows and outflows on a daily, cyclical, and long term basis. The Credit Union's preferred source of funding is member deposits; however, borrowing from Central is permitted during periods where loan demand exceeds deposit growth. Other sources of funding such as sale of assets, deposits from other credit unions and wholesale deposits are acceptable.

The Act requires the Credit Union to maintain a minimum liquidity ratio of 6.0% of total assets. The Credit Union’s liquidity ratio was 7.6% at October 31, 2019 (2018 – 7.9%).

Management reviews its compliance with these policies and reports its statutory liquidity position to the Board of Directors on an exception basis. It reports the operating liquidity to the Board of Directors on a monthly basis. The Audit and Finance Committee ensures that a periodic review/audit is performed to verify compliance with policy and procedures.

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 two types of risk: interest rate risk and foreign currency risk.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of the Credit Union's financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Financial margin reported in the statement of comprehensive income may increase or decrease in response to changes in market interest rates. Accordingly, the Credit Union sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored by management and reported to the Board.

Interest rate risk is measured by:

a) Static gap analysis which aggregates cash flows into repricing periods based on the maturity dates of the assets and liabilities.
b) Income simulation models that use current interest revenue, current interest expense and market values. These models incorporate assumptions about pricing strategies, growth, volume, new business and interest rates.
c) Market value of portfolio equity determines the present value of all assets and liabilities. This provides an estimate of the equity value of the Credit Union.

15. Financial instrument risk management (continued)

The following table provides the potential before-tax impact on an immediate and sustained 1% increase or decrease in interest rates on net interest income. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and risk management initiatives.

	October 31, 2019 $	October 31, 2018 $
Before tax impact of		
1% increase in rates	144,125	187,667
1% decrease in rates	(144,125)	(187,667)

To manage the repricing of asset and liability mismatch opportunities the Credit Union will undertake campaigns to procure deposits or loans that reprice/mature within a specific time period, buy/sell assets that reprice/mature within a specific time period and may purchase derivative instruments. These decisions are based on economic conditions, member behavior, capital and liquidity levels and compliance with Credit Union policy.

The following table provides the interest rate sensitivity gap which represents the net principal values of interest rate sensitive financial assets and liabilities excluding accrued interest.

October 31, 2019	Floating rate	Within one year	One to five years	Non-rate sensitive	Total
Assets					
Cash and cash equivalents	-	-	-	191,276	191,276
(effective yield %)	-	-	-	*0.00*	*0.00*
Investments	-	6,485,000	-	318,404	6,803,404
(effective yield %)	-	*1.767*	-	*0.00*	*1.684*
Loans to members	9,770,160	2,022,717	13,617,177	-	25,410,054
(effective yield %)	*4.55*	*2.75*	*3.19*	-	*3.80*
	9,770,160	8,507,717	13,617,177	509,680	32,404,734
Liabilities and Equity					
Bank overdraft	-	-	-	-	-
(effective yield %)	-	-	-	-	-
Member deposits	493,029	3,372,337	4,298,034	23,178,365	31,341,765
(effective yield %)	*0.49*	*1.94*	*2.41*	*0.00*	*0.55*
Accounts payable and accrued liabilities				67,901	67,901
	493,029	3,372,337	4,298,034	23,246,266	31,409,666
Net gap, October 31, 2019	9,277,131	5,135,380	9,319,143	(22,736,586)	995,068

15. Financial instrument risk management (continued)

October 31, 2018	Floating rate	Within one year	One to five years	Non-rate sensitive	Total
Assets					
Cash and cash equivalents	-	-	-	6,912	6,912
(effective yield %)	-	-	-	*0.00*	*0.00*
Investments	-	4,355,000	-	310,288	4,665,288
(effective yield %)	-	*1.80*	-	*0.00*	*1.68*
Loans to members	15,427,173	1,798,696	8,827,800	-	26,053,669
(effective yield %)	*4.19*	*3.36*	*2.99*	-	*3.72*
	15,427,173	6,153,696	8,827,800	317,200	30,725,869
Liabilities and Equity					
Bank overdraft	-	-	-	147,416	147,416
(effective yield %)	-	-	-	*0.00*	*0.00*
Member deposits	446,223	2,367,914	4,567,032	21,976,613	29,357,782
(effective yield %)	*0.50*	*1.54*	*2.11*	*0.00*	*0.46*
Accounts payable and accrued liabilities	-	-	-	40,094	40,094
	446,223	2,367,914	4,567,032	22,164,123	29,545,292
Net gap, October 31, 2018	14,980,950	3,785,782	4,260,768	(21,846,923)	1,180,577

Foreign currency risk

Foreign exchange risk is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency positions or hold significant foreign currency denominated financed investments for an extended period.

16. Fair value of financial instruments

The Credit Union classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the assets or liability, either directly or indirectly; and,
- Level 3: Unobservable inputs in which there is little or no market data, which require the Credit Union to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

Fair value is the consideration that would be agreed to in an arm's length transaction between knowledgeable and willing parties with no compulsion to act. Estimates respecting fair values are based on subjective assumptions and contain significant uncertainty. Fair values represent estimates of value at a particular point in time and may not be relevant in predicting future cash flows or earnings. Potential income taxes or other expenses that may be incurred on actual disposition have not been reflected in the fair values disclosed.

The following methods and assumptions were used to estimate fair values of financial instruments:

a) The fair values of cash, demand deposits, investments, certain other assets and certain other liabilities approximate their carrying values, due to their short term nature.
b) The estimated fair values of floating rate investments, member loans and member deposits are assumed to equal carrying value as the interest rates automatically reprice to market.
c) The estimated fair values of fixed rate member loans and member deposits are determined by discounting the expected future cash flows of these items at current market rates for products with similar terms and credit risks.

16. Fair value of financial instruments (continued)

The Credit Union's financial instruments have been categorized into the fair value hierarchy as follows:

October 31, 2019 ($ Thousands)	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
FVTPL				
Cash and cash equivalents	191	191	-	-
FVOCI				
Shares in Central	318	-	-	318
Amortized cost				
Term deposits and accrued interest	6,499	-	6,499	-
Loans to members and accrued interest	25,433	-	25,433	-
Other assets	989	-	-	989
Financial liabilities				
Amortized cost				
Accounts payable and accrued liabilities	68	-	68	-
Member deposits and accrued interest	31,333	-	31,333	-

October 31, 2018 ($ Thousands)	Fair Value	Level 1	Level 2	Level 3
Financial assets				
FVTPL				
Cash and cash equivalents	7	7	-	-
Available-for-sale				
Shares in Central	310	-	-	310
Held to maturity				
Term deposits and accrued interest	4,364	-	4,364	-
Loans and receivables				
Loans to members and accrued interest	26,058	-	26,058	-
Financial liabilities				
FVTPL				
Bank overdraft	147	147	-	-
Other financial liabilities				
Accounts payable and accrued liabilities	40	-	40	-
Member deposits and accrued interest	29,331	-	29,331	-

There were no transfers between fair value hierarchy levels for the years ended October 31, 2019 and 2018.

17. Off-balance sheet financial instruments

To meet the needs of its members and manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of members. These are subject to normal credit standards, financial controls, risk management and monitoring procedures. The contractual amounts of these credit instruments represent the maximum credit risk exposure without taking into account the fair value of any collateral, in the event other parties fail to perform their obligations under these instruments.

Guarantees and standby letters of credit represent irrevocable assurances that the Credit Union will make payments in the event that a customer cannot meet its obligations to third parties, and they carry the same risk, recourse and collateral security requirements as loans extended to customers. Documentary and commercial letters of credit are instruments issued on behalf of a customer authorizing a third party to draw drafts on the Credit Union up to a stipulated amount subject to specific terms and conditions. The Credit Union is at risk for any drafts drawn that are not ultimately settled by the customer and the amounts are collateralized by the goods to which they relate. Commitments to extend credit represent unutilized portions of authorizations to extend credit in the form of loans, bankers' acceptances or letters of credit.

To manage exposure to interest rate fluctuations and to manage asset and liability mismatch, the Credit Union may enter into interest rate swaps. These minimize the interest rate risk and cash required to liquidate the contracts by entering into counter-balancing positions. The Credit Union did not use interest rate swaps in the current year.

The Credit Union makes the following instruments available to its members:

a) guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party;
b) documentary and commercial letters of credit to allow a third party to draw drafts to a maximum agreed amount under specific terms and conditions; and,
c) commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit and credit cards) or other financing.

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

The Credit Union had the following outstanding financial instruments subject to credit risk:

	October 31, 2019	**October 31, 2018**
	$	**$**
Commitment to extend credit - original term to maturity of one year or less	9,279,800	8,295,988

18. Credit facilities

The Credit Union has an authorized line of credit due on demand in the amount of $800,000 (2018 - $800,000) from Central, bearing interest at prime minus 0.5% (2018 – prime minus 0.5%). As at October 31, 2019, the balance of this line of credit is $nil (2018 - $147,416).

The Credit Union also has access to a revolving term loan bearing interest at prime less 1.0% (2018 - prime less 1.0%). This loan has a maximum available limit of $1,000,000 (2018 - $1,000,000). As at October 31, 2019, the balance of this revolving term loan is $nil (2018 - $nil).

These credit facilities are secured by all present and future accounts, book debts, instruments, deposits and all monies payable by Central to the Credit Union.

19. Capital management

The Credit Union's objectives when managing capital are:

- To ensure the long term viability of the Credit Union and the security of member deposits by holding a level of capital deemed sufficient to protect against unanticipated losses; and,
- To comply at all times with the capital requirements set out in the Act.

The Credit Union measures the adequacy of capital using two methods:

- Total capital as a percent of total assets; and,
- Total capital as a percent of risk weighted assets. Under this method the Credit Union reviews its loan portfolio and other assets and assigns a risk weighting using definitions and formulas set out in the Act. The more risk associated with an asset, a higher weighting is assigned. This method allows the Credit Union to measure capital relative to the possibility of loss with more capital required to support assets that are seen as being higher risk.

The Credit Union management ensures compliance with capital adequacy through the following:

- Establishing policies for capital management, monitoring and reporting;
- Establishing policies for related areas such as asset liability management;
- Reporting to the Board of Directors regarding financial results and capital adequacy;
- Reporting to the Corporation on its capital adequacy; and,
- Establishing budgets and reporting variances to those budgets.

The Credit Union is required under the Act to hold capital equal to or exceeding the greater of:

- 4% of total assets; and
- 8% of risk weighted assets ("RWA")

An additional regulatory capital buffer of 2.5% of total RWA is required for 2019 (2018 – 2.5% of total RWA).

The Credit Union was in compliance with the regulatory requirements as indicated by the Act as follows:

	October 31, 2019	**October 31, 2018**
Capital as a % of total assets	7.6%	7.1%
Capital as a % of RWA	19.3%	14.5%

20. Related party transactions

Directors, management and staff

The Credit Union, in accordance with its policy, grants credit to its management and staff at the credit union Prime rate. Directors pay regular member rates on loans. Directors, management and staff had $1,835,165 (2018 - $2,087,293) in loans outstanding at October 31, 2019. All loans were in good standing at that date and are included in "Loans to members and accrued interest".

Directors, management and staff of the Credit Union hold deposit accounts. These accounts are maintained under the same terms and conditions as accounts of other members and are included in "Member deposits and accrued interest". Directors, management and staff had $229,874 (2018 - $173,517) in deposits at October 31, 2019.

Directors and key management personnel

Key management personnel ("KMP") of the Credit Union are those persons having authority and responsibility for planning, directing, and controlling the activities of the Credit Union, directly or indirectly. KMP have been taken to comprise directors and members of management responsible for the day to day financial and operational management of the Credit Union.

20. Related party transactions (continued)

Loans made to KMP are approved under the same lending criteria available to members. There are no loans that are impaired in relation to loan balances with KMP. There are no benefits or concessional terms and conditions applicable to the family members of KMP. There are no loans that are impaired in relation to the loan balances with family or relatives of KMP.

The outstanding balances at October 31, 2019 for KMP are as follows:

	October 31, 2019 $	October 31, 2018 $
Loans		
Total loans advanced	1,086,965	1,312,606
Total lines of credit advanced	397,913	377,204
Unused value of lines of credit	350,287	397,483
	1,835,165	**2,087,293**
Deposits		
Savings deposits	186,451	68,361
Registered plans	30,819	38,781
Credit union shares	12,604	66,375
	229,874	**173,517**

Aggregate compensation of KMP during the year:

	October 31, 2019 $	October 31, 2018 $
Salary and short-term benefits to KMP	178,685	170,059

	October 31, 2019 $	October 31, 2018 $
Interest received on loans to KMP	14,330	14,197
Interest paid on deposits from KMP	150	146

Directors were not remunerated for their contributions to the Credit Union. TC Energy Corporation provides office space, furniture, equipment, office supplies and employees who perform duties on a part time basis for the Credit Union. No amount is charged for these services.

Central
The Credit Union is a member of Central, which acts as a depository for surplus funds received from and loans made to credit unions. Central also provides other services for a fee to the Credit Union and acts in an advisory capacity. These transactions were made in the normal course of operations and are initially measured at fair value.

21. Segmented information

The Credit Union operates principally in personal banking in Calgary.

22. Subsequent events

In December 2019, a novel strain of coronavirus or COVID -19 was reported and on March 12, 2020 declared a pandemic by the World Health Organization. This has resulted in TC Energy restricting access to the building where the credit union operations occur. The extent of the outbreak on the Credit Union's operational and financial performance will depend on developments, including duration and spread of the outbreak, duration of the government imposed and voluntary closures, and the impact of any Bank of Canada changes to interest rates, all of which cannot be predicted. At this time, the extent of the impact of coronavirus on our operations and financial results is uncertain.