Financial Statements of

BAYVIEW CREDIT UNION LIMITED

Year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Bayview Credit Union Limited

Opinion

We have audited the accompanying financial statements of Bayview Credit Union Limited (the "Credit Union"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and comprehensive income for the year then ended
- the statement of changes in members' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at end of December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 auditor's 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 the 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.
- 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.

KPMG LLP

Chartered Professional Accountants
Saint John, Canada
July 12, 2023

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Financial Statements

BAYVIEW CREDIT UNION LIMITED

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Cash and cash equivalents (note 5)	$ 17,955,137	$ 17,799,562
Investments (note 6)	59,742,816	73,987,737
Loans (notes 7 and 8)	421,502,564	385,483,453
Foreclosed assets	120,881	–
Other assets (note 9)	2,702,947	1,306,665
Property and equipment (note 10)	6,805,192	7,212,271
	$ 508,829,537	$ 485,789,688
Liabilities and Members' Equity		
Liabilities to members:		
Member deposits (note 12)	$ 470,125,829	$ 449,978,270
Accrued interest on deposits	1,624,275	778,299
	471,750,104	450,756,569
Other liabilities:		
Payables and accruals	3,782,924	3,801,926
Income taxes payable	406,757	529,607
Lease liabilities (note 11)	92,234	117,739
Post-employment benefits obligation (note 22)	496,100	631,500
Deferred income tax (note 13)	500	156,500
Accrued patronage rebate (note 14)	–	199,100
Accrued dividends on shares (note 14)	–	35,000
	4,778,515	5,471,372
Liabilities qualifying as regulatory equity:		
Membership shares (note 14)	2,224,078	2,386,327
Class A shares (note 14)	2,437,600	2,588,600
Surplus shares (note 14)	3,899,742	3,918,936
	8,561,420	8,893,863
	485,090,039	465,121,804
Members' equity:		
Contributed surplus	45,688	45,688
Special reserve (note 21)	1,210,000	1,210,000
Retained earnings	22,179,910	19,180,896
Accumulated other comprehensive income	303,900	231,300
	23,739,498	20,667,884
Commitments (note 23)		
	$ 508,829,537	$ 485,789,688

See accompanying notes to financial statements.

On behalf of the Board:

Monica White Director

Director

BAYVIEW CREDIT UNION LIMITED

Statement of Operations and Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Finance income:		
Interest on loans	$ 15,332,745	$ 13,297,444
Interest on investments	1,246,396	766,554
	16,579,141	14,063,998
Finance expense:		
Interest on member deposits	3,064,074	2,752,265
Impairment losses on loans (note 8)	476,410	538,581
	3,540,484	3,290,846
Financial margin	13,038,657	10,773,152
Other income (note 15)	3,752,547	3,696,013
	16,791,204	14,469,165
Non-interest expenses:		
Personnel	6,680,730	5,868,103
Occupancy	601,410	571,129
Organization (note 16)	494,666	458,781
Member security	710,355	661,668
General business (note 17)	3,561,384	3,308,289
Amortization	500,511	458,622
Total non-interest expenses	12,549,056	11,326,592
Income before the under-noted	4,242,148	3,142,573
Post-employment benefits (note 22)	18,000	14,400
Patronage rebate and dividends (note 14)	-	234,100
	18,000	248,500
Income before income taxes	4,224,148	2,894,073
Income taxes (note 13):		
Current tax expense	1,411,134	1,003,796
Deferred tax recovery	(186,000)	(165,000)
	1,225,134	838,796
Net income	2,999,014	2,055,277
Other comprehensive income (loss) never to be reclassified to profit or loss:		
Actuarial gain (loss) (note 22)	102,600	(22,500)
Deferred tax recovery (note 13)	(30,000)	6,000
Total other comprehensive income (loss)	72,600	(16,500)
Comprehensive income	$ 3,071,614	$ 2,038,777

See accompanying notes to financial statements.

BAYVIEW CREDIT UNION LIMITED

Statement of Changes in Members' Equity

Year ended December 31, 2022, with comparative information for 2021

	Contributed surplus	Special reserve	Retained earnings	Accumulated other comprehensive income	Total
Balance at January 1, 2022	$ 45,688	$ 1,210,000	$ 19,180,896	$ 231,300	$ 20,667,884
Net income	–	–	2,999,014	–	2,999,014
Other comprehensive loss	–	–	–	72,600	72,600
Balance on December 31, 2022	$ 45,688	$ 1,210,000	$ 22,179,910	$ 303,900	$ 23,739,498
Balance at January 1, 2021	$ 45,688	$ 1,210,000	$ 17,125,619	$ 247,800	$ 18,629,107
Net income	–	–	2,055,277	–	2,055,277
Other comprehensive income	–	–	–	(16,500)	(16,500)
Balance on December 31, 2021	$ 45,688	$ 1,210,000	$ 19,180,896	$ 231,300	$ 20,667,884

See accompanying notes to financial statements.

BAYVIEW CREDIT UNION LIMITED

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used for):		
Operating:		
Net income	$ 2,999,014	$ 2,055,277
Financial margin	(13,038,657)	(10,773,152)
Amortization	500,511	458,622
Accrued post-employment benefit obligation	(32,800)	(31,300)
Income taxes	1,225,134	838,796
	(8,346,798)	(7,451,757)
Changes in non-cash items:		
Other assets	(1,396,282)	(143,323)
Foreclosed assets	(120,881)	127,929
Payables and accruals	(19,002)	1,084,659
Patronage rebate and dividends	–	234,100
Interest received	16,300,763	14,072,229
Interest paid	(2,218,098)	(3,633,907)
Income taxes paid	(1,533,984)	(725,757)
	2,665,718	3,564,173
Financing:		
Increase in member deposits	20,147,559	26,168,803
Decrease in membership shares	(162,249)	(155,716)
Decrease in Class A shares	(151,000)	–
Redemption of surplus shares	(253,294)	(292,033)
Principal payments on leases	(25,505)	(13,088)
	19,555,511	25,707,966
Investing:		
Increase in loans receivable	(36,217,143)	(30,146,543)
Purchases of property and equipment	(93,432)	(154,752)
Change in investments	14,244,921	4,657,394
	(22,065,654)	(25,643,901)
Increase in cash and cash equivalents	155,575	3,628,238
Cash and cash equivalents, beginning of year	17,799,562	14,171,324
Cash and cash equivalents, end of year	$ 17,955,137	$ 17,799,562

See accompanying notes to financial statements.

1. Governing legislation and nature of operations:

Bayview Credit Union Limited (the Credit Union) is incorporated under the *Credit Unions Act of New Brunswick* and its principal activity is providing financial services to its members. For financial reporting and regulatory matters, the Credit Union is under the authority of the Superintendent of Credit Unions and Caisse Populaires. The Credit Union head office is located at 57 King Street, Saint John, New Brunswick.

2. Basis of presentation and 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).

These financial statements have been approved and authorized for issue by the Board of Directors on July 12, 2023.

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 4.

3. Summary of significant accounting policies:

These financial statements were prepared on a going concern basis under the historical cost basis except where noted below.

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

(a) Cash and cash equivalents:

Cash and cash equivalents includes cash on hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less. Liquidity deposits with the Atlantic Central are presented as investments.

(b) Financial instruments:

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or FVTPL. As financial liability is classified as FVTPL or amortized cost.

3. Summary of significant accounting policies (continued):

(b) Financial instruments (continued):

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

On initial recognition of an equity investment that is not held for trading, the Credit Union may irrevocably elect to present subsequent changes in fair value in OCI (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Credit Union may irrevocably designate a financial asset that otherwise meets the requirement to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets and financial liabilities are classified as follows:

Cash and cash equivalents	Amortized cost
Term deposits	Amortized cost
Liquidity reserve	Amortized cost
Investments - shares	FVTPL
Loans	Amortized cost
Member deposits and accrued interest	Amortized cost
Payables and accruals	Amortized cost
Post-employment benefit obligation	FVOCI
Membership shares	Amortized cost
Class A Shares	Amortized cost
Surplus shares	Amortized cost

Business model assessment

The Credit Union makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information if provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and report to the Credit Union's management;

3. Summary of significant accounting policies (continued):

(b) Financial instruments (continued):

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Credit Union's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Credit Union considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Credit Union considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Credit Union's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Credit Union holds a portfolio of long-term fixed rate loans for which the Credit Union has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Credit Union has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

3. Summary of significant accounting policies (continued):

(b) Financial instruments (continued):

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing financial assets.

De-recognition

Financial assets

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

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on de-recognition of such securities. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Credit Union is recognized as a separate asset or liability.

In certain transactions, the Credit Union retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the de-recognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

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

Modifications of financial assets and financial liabilities:

Financial assets

If the terms of a financial asset are modified, then the Credit Union evaluates whether the cash flows of the modified asset are substantially different.

3. Summary of significant accounting policies (continued):

(b) Financial instruments (continued):

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on de-recognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Credit Union plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the de-recognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in de-recognition of the financial asset, then the Credit Union first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Credit Union derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

3. Summary of significant accounting policies (continued):

(b) Financial instruments (continued):

If the modification of a financial liability is not accounted for as de-recognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Impairment

The Credit Union recognized loss allowances for Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments (loans and advances and certain investment securities);
- financial guarantee contracts issued; and
- loan commitments issued.

The Credit Union measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL:

- investments that are determined to have low credit risk at the reporting date; and
- loans and other financial assets on which credit risk has not increased significantly since their initial recognition.

The Credit Union considers an investment to have low credit risk when its credit risk rating is equivalent to the globally understood definition of “investment grade”. The Credit Union does not apply the low credit risk exemption to any other financial instruments.

3. Summary of significant accounting policies (continued):

(b) Financial instruments (continued):

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as “Stage 1 financial instruments”.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit impaired are referred to as “Stage 2 financial instruments”. A lifetime ECL is also recorded on credit impaired financial assets (“Stage 3 financial instruments”).

Measurement of ECL

ECL is a probability weighted estimate of credit losses measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Credit Union expect to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Credit Union if a portion of the commitment is drawn down and the cash flows that the Credit Union expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Credit Union expect to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- if the expected restructuring will not result in de-recognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- if the expected restructuring will result in de-recognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its de-recognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial assets.

3. Summary of significant accounting policies (continued):

(b) Financial instruments (continued):

Credit impaired financial assets

At each reporting date, the Credit Union assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI, and finance lease receivables are credit impaired. A financial asset is “credit impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial assets is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets are measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Credit Union cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Credit Union presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

3. Summary of significant accounting policies (continued):

(b) Financial instruments (continued):

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual assets level.

Recoveries of amounts previously written off are included in “impairment losses on loans” in the statement of operations and comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Credit Union’s procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The Credit Union assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Credit Union considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument; and
- the guarantee is entered into at the same time as and in contemplation of the debt instrument.

If the Credit Union determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Credit Union considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Credit Union determines that the guarantee is not an integral element of the debt instrument, then it recognizes an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognized only if the guaranteed exposure neither is credit impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognized in “other assets”. The Credit Union presents gains or losses on a compensation right in profit or loss in the line item “impairment losses on financial instruments”.

3. Summary of significant accounting policies (continued):

(c) Property and equipment:

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment (losses), with the exception of land which is not amortized. Amortization is recognized in net income and is provided on a diminishing balance basis over the estimated useful life of the assets as follows:

Buildings	2.5%, diminishing balance
Furniture and fixtures	5-10%, diminishing balance
Computer equipment	30%, diminishing balance
Parking lot	5%, diminishing balance
Leasehold improvements	20%, diminishing balance
Vehicles	20%, diminishing balance
Intangible assets	10%, diminishing balance

Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within “Other income”.

(d) Intangible assets:

Intangible assets include acquired computer software used in administration that qualifies for recognition as an intangible asset and are presented as part of property and equipment. Software is initially accounted for using the cost model whereby capitalized costs are amortized on a diminishing balance basis of 10%. Residual values and useful lives are reviewed at each reporting date.

Amortization has been included within “amortization”. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred.

(e) Impairment of non-financial assets:

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

Individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Credit Union's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements.

3. Summary of significant accounting policies (continued):

(e) Impairment of non-financial assets (continued):

Discount factors are determined individually for each cash generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash generating units is charged pro-rata to the assets in the cash generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash generating unit’s recoverable amount exceeds its carrying amount.

(f) Income taxes:

The Credit Union follows the asset and liability method of accounting for income taxes, whereby the Credit Union recognizes both current and future income tax consequences of all transactions that have been recognized in the financial statements.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income, based on the Credit Union’s forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Credit Union has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other income or directly in equity, in which case the related deferred tax is also recognized in other income or equity, respectively.

3. Summary of significant accounting policies (continued):

(g) Post-employment benefits:

The Credit Union provides post-employment health and dental benefits.

The accrued benefit obligation for post-employment benefits and the amount of related benefits cost that is charged to income depends on actuarial and economic assumptions.

The Credit Union accrues its obligations and related costs under employee benefit plans and has adopted the following policies:

- The cost of the post-employment benefits earned by employees is actuarially determined using the projected benefit method. The objective under this method is to expense each member's benefits under the plan as they accrue, taking into consideration projections of benefit cost to and during retirement.
- The non-pension post-employment benefits are funded on a cash basis as benefits are paid. No assets have been segregated and restricted to provide post-employment benefits.
- Actuarial gains and losses are recognized in Other Comprehensive income.

Actual results could differ materially from these estimates.

(h) Membership shares:

Membership shares, including members' shares, Class A shares and surplus shares, are classified as liabilities or as member equity according to their terms. Where shares are redeemable at the option of the member, either on demand or on withdrawal from membership, the shares are classified as liabilities. Where shares are redeemable at the discretion of the Credit Union Board of Directors, the shares are classified as equity, as per *IFRIC 2 - Members' Shares in Cooperative Entities and Similar Instruments.*

Under the *Credit Unions Act of New Brunswick*, the Credit Union is not permitted to make distributions on redemption by members if the distributions will cause the Credit Union to fall below legislated capital requirements (note 21).

(i) Patronage distributions:

Patronage distributions are recognized in net income when circumstances indicate the Credit Union has a constructive obligation and it can make a reasonable estimate of the amount required to settle the obligation. Patronage distributions are deductible for income tax purposes.

3. Summary of significant accounting policies (continued):

(j) Revenue recognition:

Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured. Interest is recognized on an accrual basis using the effective interest rate which is the rate used to discount the estimate future cash flows over the expected life of the asset.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Other fees and commission income include account service fees, investment management fees, and insurance fees, which are recognized as services performed, amounts are fixed or can be determined and the ability to collect is reasonable assured.

(k) Foreign currency translation:

Foreign currency transactions are translated into the functional currency of the Credit Union using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

(l) Leases:

At inception of a contract, the Credit Union assesses whether a 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, the Credit Union uses the definition of a lease in IFRS 16.

The Credit Union, as a lessee, recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Credit Union's incremental borrowing rate. Generally, the Credit Union uses its incremental borrowing rate as the discount rate.

3. Summary of significant accounting policies (continued):

(l) Leases (continued):

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Credit Union's estimate of the amount expected to be payable under a residual value guarantee, if the Credit Union changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in net income if the carrying amount of the right-of-use asset has been reduced to zero.

The Credit Union presents right-of-use assets in property and equipment and lease liabilities in other liabilities in the statement of financial position.

The Credit Union has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Credit Union recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4. Significant management judgment in applying accounting policies and estimation uncertainty:

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The effect of a change in an accounting estimate is recognized prospectively by including it in 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. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4. Significant management judgment in applying accounting policies and estimation uncertainty (continued):

Classification of financial assets

The classification of financial assets required an assessment of the business model within which assets are held and an assessment of whether the contractual terms of the financial assets have primarily cash flows that are solely payments of principal and interest on the principal outstanding. These assessments require judgment.

Expected credit losses

Impairment of financial instruments is assessed on whether credit risk on the financial asset has significantly increased since initial recognition and is measured considering forward looking information and the value that could be realized from collateral.

Judgment is required in determining if there has been a significant increase in credit risk considering historical payment trends. In determining the ECL management uses estimates based on historical loss experience for assets with similar credit risk characteristics, adjusted for risk, based on forward looking information that may indicate higher or lower losses than historically incurred. Also, historical realization from collateral is used to determine an appropriate loss given default.

Further details on the estimates used to determine the allowance for impaired loans are provided in note 8.

5. Cash and cash equivalents:

The Credit Union's cash and cash equivalents consist of cash and current accounts with Atlantic Central. The average yield for deposits with Atlantic Central for the year ended December 31, 2022 is 1.59% (2021 - 0.12%).

6. 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:

	2022	2021
Amortized cost		
Wyth Financial – CAD term deposit	$ 1,000,000	$ –
Atlantic Central – CAD term deposit	14,000,000	31,000,000
Liquidity reserve	38,316,242	36,395,510
	53,316,242	67,395,510
Fair value through profit or loss		
Atlantic Central common shares	4,797,780	4,982,380
Atlantic Central Class NB shares	994,000	994,000
Atlantic Central Class LSM shares	424,682	405,735
League Data shares	210,000	210,000
Other	112	112
	6,426,574	6,592,227
	$ 59,742,816	$ 73,987,737

Atlantic Central and Wyth – CAD term deposits range from 30 day to 1 year terms and bear interest at rates ranging from 2.16% to 4.44%.

The Credit Union must maintain a minimum liquidity reserve with Atlantic Central at 8% of total liabilities at December 31 each year. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total liabilities or upon withdrawal of membership from Atlantic Central. The liquidity reserves are due within one year. At maturity, these deposits are reinvested at market rates for various terms. The market rate at year end is 2.59% (2021 – 0.55%). Fair value was approximated as amortized cost due to the relatively short term to maturity.

Atlantic Central shares (common, class NB and class LSM) are subject to an annual rebalancing mechanism and are issued and redeemable at par value. Fair value is equal to redemption value as all available earnings are distributed to the shareholders annually.

6. Investments (continued):

The Credit Union is not intending to dispose of any Atlantic Central shares as the services supplied by Atlantic Central 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 Atlantic Central. The Credit Union recognized investment income of $103,079 (2021 - $59,695) from dividends from Atlantic Central.

Other equity investments have no active market as they represent the Credit Union's investment in support organizations that were created to support their delivery of service to its members. The Credit Union is entitled to par value of the interest on redemption, which is at the Credit Unions option, and therefore these instruments are considered due on demand. As a result, par value approximates fair value. The Credit Union has no intention of redeeming these units.

7. Loans:

	2022	2021
Personal mortgages and loans:		
Residential mortgages	$ 266,230,672	$ 253,408,297
Other personal loans	31,046,723	33,810,837
Commercial mortgages and loans:		
Commercial mortgages	106,830,842	86,902,549
Other commercial loans	19,726,710	13,619,939
	423,834,947	387,741,622
Accrued interest receivable	821,288	542,910
Allowance for impaired loans (note 8)	(3,153,671)	(2,801,079)
Net loans to members	$ 421,502,564	$ 385,483,453

Terms and conditions

Member loans can have either a variable or fixed rate of interest with a maturity date of up to eight years. Included in net loans to members are transaction costs of $132,651 (2021 - $190,696).

Variable rate loans representing 9.2% (2021 - 10.6%) of the total outstanding balance earn interest based on a prime rate formula ranging from prime minus 1% to prime plus 13.0%. The Credit Union's prime rate at December 31, 2022 was 6.45% (2021 - 2.95%). The overall effective yield of the variable rate loan portfolio is 8.29% (2021- 4.90%).

The interest rate offered on fixed rate loans being advanced at December 31, 2022 is 2.19% to 16.99%. The overall effective yield of the fixed rate loan portfolio is 5.18% (2021 - 4.68%).

7. Loans (continued):

Residential mortgages are loans and lines of credit secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only. Personal loans consist of term loans and lines of credit that are non-real estate secured and have various repayment terms. Some of the personal loans are secured by personal property or investments.

Commercial loans consist of term loans, operating lines of credit and mortgages to individuals, partnerships and corporations, and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, and charges on specific equipment, investments, and personal guarantees.

See note 20 for additional information related to maturity and interest rate risk.

Fair value

The level 2 fair value of member loans at December 31, 2022 was $400,088,574 (2021 - $386,469,070).

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 as follows:

- At December 31, 2022 Bayview had nine related groups of member loans whose balances individually are 10% or more of the Credit Union's equity. In total these loans are 143.3% (2021 - 113.2%) as a percentage of the Credit Union's equity.
- Substantially all member loans are with members located in and around Southern New Brunswick, Canada.

8. Allowance for impaired loans:

			2022			2021
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
Retail Loans:						
Residential mortgages	$ 266,157,634	$ (364,844)	$ 265,792,790	$ 253,288,505	$ (397,474)	$ 252,891,031
Personal loans	30,987,110	(516,598)	30,470,512	33,739,933	(518,178)	33,221,755
Commercial Loans:						
Commercial loans and mortgages	126,557,552	(2,272,229)	124,285,323	100,522,488	(1,885,427)	98,637,061
	$ 423,702,296	$ (3,153,671)	$ 420,548,625	$ 387,550,926	$(2,801,079)	$ 384,749,847

8. Allowance for impaired loans:

Change in provision for impairment is as follows:

	12 months ECL (Stage 1)	Lifetime non-credit impaired (Stage 2)	Lifetime credit impaired (Stage 3)	2022 Total
Balance, beginning of year	$ 1,639,051	$ 133,520	$ 1,028,508	$ 2,801,079
Transfer to (from):				
Stage 1	(169,541)	169,463	78	–
Stage 2	110,159	(110,159)	–	–
Stage 3	(10,518)	908	9,610	–
Re-measurement	24,046	(13,844)	(31,763)	(21,561)
Originations	346,617	105,262	–	451,879
Realized losses	–	–	(123,924)	(123,818)
Recoveries	–	–	46,198	46,092
Balance, end of year	1,939,814	285,150	928,707	$ 3,153,671

	12 months ECL (Stage 1)	Lifetime non-credit impaired (Stage 2)	Lifetime credit impaired (Stage 3)	2021 Total
Balance, beginning of year	$ 1,187,026	$ 178,116	$ 1,088,161	$ 2,453,303
Transfer to (from):				
Stage 1	(163)	-	163	–
Stage 2	149,289	(154,507)	5,218	–
Stage 3	(25,726)	70,527	(44,801)	–
Re-measurement	22,993	27,080	114,500	164,573
Originations	305,632	12,304	–	317,936
Realized losses	–	–	(205,805)	(205,805)
Recoveries	–	–	71,072	71,072
Balance, end of year	1,639,051	133,520	1,028,508	$ 2,801,079

	Gross amount	Allowance for credit losses Stage1	Stage 2	Stage 3	Total	2022 Net amount
Personal loans	$ 30,987,110	$409,430	$ 82,544	$ 24,623	$ 516,597	$ 30,470,513
Residential mortgages	266,157,634	316,262	48,582	-	364,844	265,792,790
Commercial loans and mortgages	126,557,552	1,214,122	154,024	904,084	2,272,230	124,285,322
Balance, end of year	$423,702,296	$1,939,814	$285,150	$ 928,707	$3,153,671	$420,548,625

	Gross amount	Allowance for credit losses Stage1	Stage 2	Stage 3	Total	2021 Net amount
Personal	$ 33,739,933	$427,328	$44,899	$ 45,951	$ 518,178	$ 33,221,755
Residential mortgages	253,288,505	292,697	38,609	66,168	397,474	252,891,031
Commercial loans and mortgages	100,522,488	919,026	50,012	916,389	1,885,427	98,637,061
Balance, end of year	$387,550,926	$1,639,051	$133,520	$ 1,028,508	$2,801,079	$384,749,847

8. Allowance for impaired loans (continued):

	ECL Beginning balance	Provision	Write-offs	2022 ECL Ending balance
Retail Loans:				
Personal loans	$ 518,178	$ 122,237	$ (123,818)	$ 516,597
Residential mortgages	397,474	(32,630)	–	364,844
Commercial Loans:				
Commercial loans and mortgages	1,885,427	386,803	–	2,272,230
	$ 2,801,079	$ 476,410	$ (123,818)	$ 3,153,671

	ECL Beginning balance	Provision	Write-offs	2021 ECL Ending balance
Retail Loans:				
Personal loans	$ 475,641	$ 212,873	$ (170,336)	$ 518,178
Residential mortgages	407,415	25,528	(35,469)	397,474
Commercial Loans:				
Commercial loans and mortgages	1,570,247	315,180	–	1,885,427
	$ 2,453,303	$ 553,581	$ (205,805)	$ 2,801,079

Loan balances by stage as at December 31 are as follows:

	Total	Stage1	Stage 2	2022 Stage 3
Personal loans	$ 30,987,110	$ 28,768,271	$ 2,194,216	$ 24,623
Residential mortgages	266,157,634	255,604,263	10,553,371	-
Commercial loans and mortgages	126,557,552	119,421,406	5,501,008	1,635,138
Balance, end of year	$ 423,702,296	$ 403,793,940	$ 18,248,595	$ 1,659,761

	Total	Stage1	Stage 2	2021 Stage 3
Personal loans	$ 33,739,933	$ 32,474,654	$ 1,219,328	$ 45,951
Residential mortgages	253,288,505	245,446,646	7,666,710	175,149
Commercial loans and mortgages	100,522,488	96,314,679	2,541,647	1,666,162
Balance, end of year	$ 387,550,926	$ 374,235,979	$ 11,427,685	$ 1,887,262

8. Allowance for impaired loans (continued):

Loans past due but not impaired as at December 31, are as follows:

	< 30 days	31 – 60 days	61 – 90 days	90 + days	2022 Total
Personal loans	$ –	$ 28,613	$ –	$ 3,251	$ 31,864
Residential mortgages	–	198,099	36,758	–	234,857
Commercial loans and mortgages	–	16,359	71,155	10,573	98,087
	$ –	$ 243,071	$ 107,913	$ 13,824	$ 364,808

	< 30 days	31 – 60 days	61 – 90 days	90 + days	2021 Total
Personal loans	$ –	$ 29,114	$ –	$ –	$ 29,114
Residential mortgages	–	–	–	7,659	7,659
Commercial loans and mortgages	–	–	–	–	–
	$ –	$ 29,114	$ –	$ 7,659	$ 36,773

8. Allowance for impaired loans (continued):

Collateral

For all mortgages (personal and commercial) valuations are obtained of the properties and the loan to value (LTV) cannot exceed 80% unless insured. Other loans may require collateral in the form of real property or personal guarantees to protect the Credit Union's risk of loss. The Credit Union does not routinely update the valuation of collateral held. Collateral is included in the ECL calculation through the loss given default adjustment (below). This is based on historical experience of the Credit Union and updated based on changes in market indices (i.e. regional house price indices) when they indicate a difference from historical experience. The following table represents the impact of collateral on the determination of ECL:

2022	Value of collateral in ECL model				Percentage
	Personal	Residential Mortgages	Commercial	Total	of ECL before collateral
Stage 1	$ 166,864	$ 1,109,404	$ 3,091,565	$ 4,367,833	1.41%
Stage 2	58,018	234,732	459,614	752,364	5.69%
Stage 3 – Credit impaired	–	–	731,054	731,054	100.00%
Total	$ 224,882	$ 1,344,136	$ 4,282,233	$ 5,851,251	2.13%

2021	Value of collateral in ECL model				Percentage
	Personal	Residential Mortgages	Commercial	Total	of ECL before collateral
Stage 1	$ 179,726	$ 1,091,303	$ 2,430,529	$ 3,701,558	1.29%
Stage 2	26,935	164,156	223,278	414,369	4.79%
Stage 3 – Credit impaired	–	92,780	749,773	842,553	99.14%
Total	$ 206,661	$ 1,348,239	$ 3,403,580	$ 4,958,480	2.00%

Measurement of ECL

The ECL impairment model measures the credit losses using the following three-stage approach based on the extent of credit deterioration of the financial assets since initial recognition:

- Stage 1 – Where there has not been a significant increase in credit risk ("SICR") since initial recognition of a financial instrument, an amount equal to twelve months ECL is recorded. The ECL is computed using a probability of default ("PD") occurring over the next twelve months.
- Stage 2 – When a financial instrument experiences a SICR subsequent to initial recognition but is not considered to be in default, it is included in Stage 2. This requires the computation of ECL based on the PD over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage.

A Risk Adjustment (RA) factor, which reflects Forward Looking Information (FLI), is applied to the PD to determine if market conditions, either general conditions or conditions specific to our credit union portfolio, indicate that the PD has increased or decreased since the previous reporting date.

8. Allowance for impaired loans (continued):

Measurement of ECL (continued)

The PD, exposure at default ("EAD"), and loss given default ("LGD") are inputs used to estimate the ECL, and are modelled based on macroeconomic factors that are closely related with credit losses in the relevant portfolios.

Details of these statistical parameters/inputs are as follows:

- PD is an estimate of the likelihood of default over a given time horizon, and is expressed as a percentage. PD is adjusted based on historical experience and changes in FLI to considered indicators of changes in the PD.
- EAD is the expected exposure in the event of default at a future default date, and is expressed as an amount. This includes the expected amount, if any, of future advances of unused LOC, overdraft limits or other loan commitments that may not be advanced as at the reporting date.
- LGD is an estimate of the loss arising in cases where a default occurs at a given time and is based on the difference between the contractual cash flows due and those that the Credit Union would expect to receive, including from the realization of any collateral. It is expressed as a percentage of the EAD.

Forward-looking information ("FLI")

The Credit Union incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The estimation and application of FLI requires significant judgment. The Credit Union relies on a broad range of FLIs, such as expected unemployment rates, interest rates and inflation. The economic scenarios used as at December 31, 2022 included the following ranges of New Brunswick, Canada key indicators for the years ending December 31, 2022 and 2021.

	2022	2021
Unemployment rates:		
Base	8.30%	8.10%
Range	8.10% and 9.00%	7.60% and 8.70%
Interest rates:		
Base	6.95%	3.45%
Range	6.45% and 7.45%	2.95% and 3.95%

Assessment of significant increase in credit risk ("SICR")

The determination of whether the ECL on a financial instrument is calculated on a twelve month period or lifetime basis is dependent on the stage the financial asset falls into at the reporting date. A financial instrument moves across stages based on an increase or decrease in its risk of default at the reporting date compared to its risk of default at initial recognition.

8. Allowance for impaired loans (continued):

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Credit Union considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Credit Union's historical experience and expert credit assessment, delinquency and monitoring. With regards to delinquency and monitoring, there is a rebuttable presumption that the risk of default of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue. The monitoring typically involves use of the following data:

Commercial loans

- Information obtained during periodic review of customer files
- Actual and expected significant changes to business activities and/or environment

Personal loans and residential mortgages

- Payment history
- External data related to change in financial liabilities

All loans

- Payment history including overdue status
- Utilization of the granted limit
- Requests for and granting of forbearances
- Existing and forecasted changes in business, financial and economic conditions

9. Other assets:

		2022		2021
Other receivables	$	869,814	$	728,392
Prepaid expenses		1,833,133		578,273
	$	2,702,947	$	1,306,665

10. Property and equipment:

	Land	Buildings	Leasehold & Parking lot	Right-of-use asset	Vehicles	Computer equipment	Furniture and fixtures	Intangible assets	Total
Cost									
Balance as at January 1, 2022	$ 968,942	$ 7,292,968	$ 442,666	$ 130,827	$ 40,985	$ 4,429,607	$ 5,155,044	$ 1,202,075	$ 19,663,114
Additions	–	35,130	–	–	–	38,027	20,275	–	93,432
Disposals / Impairment	–	–	–	–	–	–	–	–	–
Balance as at December 31, 2022	$ 968,942	$ 7,328,098	$ 442,666	$ 130,827	$ 40,985	$ 4,467,634	$ 5,175,319	$ 1,202,075	$ 19,756,546
Accumulated amortization									
Balance as at January 1, 2022	$ –	$ 2,958,560	$ 336,653	$ 13,083	$ 11,475	$ 4,160,997	$ 4,123,579	$ 846,496	$ 12,450,843
Amortization expense	–	108,799	5,301	26,165	5,902	86,289	90,267	177,788	500,511
Disposals	–	–	–	–	–	–	–	–	–
Balance as at December 31, 2022	$ –	$ 3,067,359	$ 341,954	$ 39,248	$ 17,377	$ 4,247,286	$ 4,213,846	$ 1,024,284	$ 12,951,354
Net book value									
December 31, 2022	$ 968,942	$ 4,260,739	$ 100,712	$ 91,579	$ 23,608	$ 220,348	$ 961,473	$ 177,791	$ 6,805,192
December 31, 2021	$ 968,942	$ 4,334,408	$ 106,013	$ 117,744	$ 29,510	$ 268,610	$ 1,031,465	$ 355,579	$ 7,212,271

11. Leases:

The Credit Union leases office equipment with contract terms of 5 years.

Information about leases for which the Credit Union is a lessee is presented below.

(a) Right-of-use assets:

Right-of-use assets relate to leased office equipment that is presented within property and equipment (note 10).

	2022	2021
Balance at January 1	$ 117,744	$ –
Present value of lease originated during the year	–	130,827
Depreciation charge for the year	(26,165)	(13,083)
Balance at December 31	$ 91,579	$ 117,744

(b) Lease liabilities:

	2022	2021
Balance at January 1	$ 117,739	$ –
Present value of lease originated during the year	–	130,827
Payments	(27,074)	(13,537)
Interest	1,569	449
Balance at December 31	$ 92,234	$ 117,739

(c) Maturity of lease liabilities:

	1-5 Years	Total
Lease liabilities	$ 92,234	$ 92,234

12. Member deposits:

	2022	2021
Chequing	$ 155,393,702	$ 150,840,798
Demand	104,014,977	95,771,183
Term and GIC	86,272,939	82,206,306
Index link - registered retirement savings plan	1,336,314	1,067,319
Index link/TFSA - term deposits	63,442,911	59,090,276
Registered retirement income funds	21,517,943	20,208,006
Registered retirement savings plans	38,147,043	40,794,382
	$ 470,125,829	$ 449,978,270

12. Member deposits (continued):

Terms and conditions

Chequing deposits are due on demand and bear interest at a variable rate up to 0.50% at December 31, 2022 (2021 - up to 0.50%) depending on the balance in the account.

Demand deposits are due on demand and bear interest at a variable rate up to 0.50% at December 31, 2022 (2021 - up to 0.50%) depending on the balance in the account. Interest is calculated daily and paid on the accounts monthly.

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, 2022 range from 0.10% to 6.50%. The weighted average yield paid on deposits was 2.80% (2021 - 1.04%).

The registered retirement savings plans (RRSP) accounts can be fixed or variable rate. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described above. The variable rate RRSPs bear interest at rates up to 0.25% at December 31, 2022.

Registered retirement income funds (RRIFs) consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above. 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.

The tax-free savings accounts can be fixed or variable rate with terms and conditions similar to those of the RRSPs described above.

Included in chequing deposits are amounts of $1,925,658 (2021 - $2,710,572) denominated in US dollars.

Concentration of risk

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

No individual or related groups of member deposits exceed 10% of member deposits.

Substantially all member deposits are with members located in and around Southern New Brunswick.

Fair value

The fair value of member deposits at December 31, 2022 was $469,597,552 (2021 - $450,628,859).

The estimated fair value of the variable rate deposits is 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 at current market rates for products with similar terms.

13. Income taxes:

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 29.0% (2021 - 29.0%) are as follows:

	2022	2021
Income before income taxes	$ 4,224,148	$ 2,894,072
Other comprehensive income	102,600	(22,500)
	$ 4,326,748	$ 2,871,572
Income taxes based on statutory tax rate of 29.0% (2021 - 29.0%) in Canada	$ 1,254,757	$ 832,756
Adjustments to income taxes resulting from:		
Tax effect on permanent differences	1,196	332
Tax effect on deferred tax rate differential	–	–
Other differences	(819)	(292)
Income tax	$ 1,255,134	$ 832,796

The tax effected temporary differences, which result in deferred income tax assets and liabilities and the amount of deferred taxes recognized in the 2021 statement of income are as follows:

	Balance at December 31, 2021	Recognized in net income	Recognized in OCI	Balance at December 31, 2022
Accounts receivable and prepaid expenses	$ 523,000	$ 132,000	$ –	$ 655,000
Investments	(128,500)	–	–	(128,500)
Property and equipment	(734,000)	63,000	–	(671,000)
Post-employment benefit obligation	183,000	(9,000)	(30,000)	144,000
	$ (156,500)	$ 186,000	$ (30,000)	$ (500)
Recognized as deferred income tax liability	$ (156,500)	$ 186,000	$ (30,000)	$ (500)

14. Member shares:

Equity shares are not guaranteed by the Credit Union Deposit Insurance Corporation of New Brunswick.

	2022 Total	2021 Total
Membership shares	$ 2,224,078	$ 2,386,327
Class A shares	2,437,600	2,588,600
Surplus shares	3,899,742	3,918,936
	$ 8,561,420	$ 8,893,863

The Credit Union is authorized to issue an unlimited number of membership shares, class A shares and surplus shares.

Terms and conditions

(a) Membership shares:

Section 30-1 of the *Credit Unions Act of New Brunswick* describes shares as the capital of the Credit Union. Membership shares are a requirement for membership in the Credit Union and are redeemable on withdrawal from membership. Pursuant to the Credit Union by-laws, the value of each membership share is $5 and as a condition of membership each member must hold at least one share and is limited to a maximum of 400 shares. Members hold $331,813 (2021 - $368,301) and $30 (2021 - $30) of these shares in their RRSP and RRIF portfolios, respectively. The authorized share capital is not covered by Credit Union deposit insurance.

The number of membership shares issued and outstanding at December 31, 2022 is 444,815 (2021 - 477,265).

(b) Class A shares:

Class A shares are offered for sale, from time to time, pursuant to the Credit Union by-laws. Only members of the Credit Union are eligible to purchase Class A shares. Class A shares have an issue price of $100 per share with a minimum purchase of ten (10) shares and a maximum purchase of five hundred (500) shares. The shares are interest-bearing, non-voting, non-redeemable for 24 months and non-transferrable. At the expiration of 24 months from initial issue, Class A shares may be callable by the Credit Union with 60 days written notice to the member. The authorized share capital is not covered by Credit Union deposit insurance.

The number of Class A shares issued and outstanding at December 31, 2022 is 24,376 (2021 - 25,886).

(c) Surplus shares:

Dividends and patronage rebates are distributed as surplus shares. The surplus shares have a par value of $1, do not receive any dividends, are non-voting, and are subject to restrictions on withdrawal. Members hold $1,481,275 (2021 - $1,584,156) and $31,229 (2021 - $26,369) of these shares in their RRSP and RRIF portfolios, respectively.

14. Member shares (continued):

(c) Surplus shares (continued):

Surplus shares not subject to withdrawal restrictions, may be redeemed provided the Credit Union has sufficient capital as required under the Credit Union Act of New Brunswick and the amount of the redemption is greater than $25. Shares may be retracted by the Credit Union upon application by the member or through a general repurchase upon approval by the members. The surplus shares are not covered by Credit Union deposit insurance.

The number of surplus shares issued and outstanding at December 31, 2022 is 3,899,742 (2021 - 3,918,936).

	2022	2021
Surplus shares, beginning of year	$ 3,918,936	$ 4,210,969
Redemption/transfer during the year	(19,194)	(292,033)
	$ 3,899,742	$ 3,918,936

(d) Dividends and patronage rebates:

In 2022 the Credit Union entered into an amalgamation agreement with two other credit unions in the Province of New Brunswick. Due to the signing of this agreement The Board of Directors of the Credit Union will not recommend a dividend distribution or patronage rebate for the fiscal year ended December 31, 2022 (2021 - $234,100).

15. Other income:

	2022	2021
Service charges	$ 1,919,283	$ 1,934,620
Commissions	870,927	989,652
Rental income	107,388	102,273
Other	854,949	669,468
	$ 3,752,547	$ 3,696,013

16. Organization expenses:

	2022	2021
Board expenses (including annual meeting)	$ 73,745	$ 73,669
Membership and System Dues:		
Atlantic Central	389,475	361,581
Canadian Credit Union Association	31,446	23,531
	$ 494,666	$ 458,781

17. General business expenses:

		2022		2021
Advertising	$	141,421	$	122,815
Data & communication services		1,982,582		1,911,287
HST expense		171,797		150,980
Maintenance contracts		76,416		72,508
Professional fees		95,200		117,880
Administrative expense		342,282		364,792
Service charges		476,561		456,565
Miscellaneous		133,938		111,462
Amalgamation expense		141,187		–
	$	3,561,384	$	3,308,289

18. Related party transactions:

The Credit Union's related parties include key management, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The Credit Union entered into the following transactions with key management personnel, which are defined by *IAS 24 - Related Party Disclosures.*

		2022		2021
Board expenses (including annual meeting)	$	73,745	$	73,669
Management compensation		965,764		866,112
Aggregate value of loans advanced		3,275,226		3,116,555
Aggregate value of lines of credit advanced		53,820		93,903
Interest received on loans and lines of credit		121,875		107,741
Unused value of lines of credit		239,680		275,097

		2022		2021
Aggregate value of term and savings deposits	$	2,634,453	$	2,001,682
Total interest paid on term and savings deposits		22,031		19,245

The Credit Union's policy for lending to key management personnel is that all such loans and leases were granted in accordance with normal lending terms.

18. Related party transactions (continued):

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted in accordance with the same conditions which apply to members for each type of deposit.

19. Financial instruments fair value:

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy:

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – 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)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level, within which the financial asset or liability is classified, is determined based on the lowest level of significant input to the fair value measurement. The Credit Union Level 2 fair value is approximately by cost due to the fact that the amounts bear interest which are reset to market rates annually.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Investments	$ –	$ 6,426,575	$ –	$ 6,426,575
December 31, 2021				
Investments	–	6,592,227	–	6,592,227

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2022 and 2021.

20. 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 financial 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 loss resulting from the failure of a borrower or counter party to honour its financial or contractual obligation to the Credit Union. Credit risk primarily arises from loans receivable. Management and the Board of Directors reviews and updates the credit risk policy annually. The maximum exposure of the Credit Union to credit risk before taking into account any collateral held is the carrying amount of the loans as disclosed on the statement of financial position.

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. Its credit risk policies are comprised of the following:

- General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration
- Loan lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations
- Loan delinquency controls regarding procedures followed for loans in arrears
- Audit procedures and processes are in existence for the Credit Union's lending activities

20. Financial instrument risk management (continued):

Credit risk (continued)

With respect to credit risk, the Board of Directors receives monthly 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.

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 cannot meet a demand for cash or fund its obligations as they come due. The Credit Union’s management oversees the Credit Union’s liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union’s business requires such capital for operating and regulatory purposes.

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 behavior of its members and counterparties.

Provisions of the *Credit Union Act* require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union is required to have a minimum liquidity ratio of 10% of total liabilities.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities
- Monitoring the maturity profiles of financial assets and liabilities
- Monitoring the liquidity ratios monthly

The Board of Directors receives monthly 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.

20. Financial instrument risk management (continued):

Liquidity risk (continued)

As at December 31, 2022, the position of the Credit Union is as follows:

	Maximum exposure
Qualifying liquid assets on hand:	
Cash	$ 17,955,137
Term deposits with Atlantic Central and Wyth	15,000,000
Liquidity reserve deposit	38,316,242
Total liquidity	71,271,379
Minimum liquidity requirement	47,621,281
Liquidity above minimum requirement	$ 23,650,098

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.

The Credit Union maintains an authorized line of credit of $12,145,000 with Atlantic Central to assist with regular fluctuations in cash flow. The line of credit, which was not utilized at year end, bears an interest rate of Prime. The line of credit is secured by investments with Atlantic Central and a general assignment of book debts.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Credit Union segregates market risk into three categories: interest rate risk, currency risk and equity price risk.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments. The Credit Union does not hedge its interest rate risk.

The Credit Union is exposed to interest rate risk as a consequence of the mismatch, or gap between the assets, liabilities and off balance sheet instruments scheduled to re-price on particular dates. The following table details the Credit Union’s exposure to interest rate risk.

20. Financial instrument risk management (continued):

Interest rate risk (continued)

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within three months, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity.

The table below does not incorporate management's expectation of future events where re-pricing or maturity dates of certain loans and deposits differ significantly from the contractual date.

Expected pricing or maturity dates	Assets	Liabilities and members' equity	Net asset/ liability mismatch
0-6 months	$104,357,226	$ 143,366,641	$ (39,009,415)
6-12 months	25,268,352	14,254,281	11,014,071
1-2 years	65,190,840	104,329,635	(39,138,795)
2-3 years	71,856,195	25,050,630	46,805,565
3-4 years	74,671,888	10,789,242	63,882,646
4-5 years	157,243,251	14,452,214	142,791,037
Not interest sensitive	10,241,785	196,586,894	(186,345,109)
	$508,829,537	$ 508,829,537	$ –

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 in interest rates of 1% could result in an increase to net income of $585,120 while a decrease in interest rates of 1% could result in a decrease to net income of $614,880.

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 when adverse changes in foreign currency exchange rates occur.

Foreign currency risk exposure results if financial assets or financial liabilities are denominated in a currency other than Canadian dollars. The Credit Union holds US deposits, US currency and US denominated investments. The buy and sell rates are monitored and recorded monthly and US cash holdings are adjusted to reduce foreign currency exposure. For the year ended December 31, 2022, the Credit Union's exposure to foreign exchange risk is within policy.

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.

21. Capital management:

The Credit Union requires capital to fund existing and future operations and to meet regulatory capital requirements.

Decisions relating to strategic objectives that impact the risk weighting of the Credit Union's assets are analyzed by management to determine their effect on the Credit Union's capital adequacy ratio.

New Brunswick Credit Union Legislation

Regulatory capital

The *New Brunswick Credit Union Legislation* requires that each credit union maintain a minimum level of equity in the credit union to provide protection against potential financial losses. The requirement calls for equity to meet or exceed 5% of total assets. The following represents the equity level for the Credit Union at December 31.

	2022	2021
Membership shares	0.44%	0.49%
Class A shares	0.48%	0.53%
Surplus shares	0.77%	0.86%
Retained earnings/special reserve	4.67%	4.25%
	6.36%	6.13%

Includes amounts classified as liabilities qualifying as regulatory equity.

Special Reserve

The statement of financial position presents a special reserve of $1,210,000 (2020 – $1,210,000) which resulted from the dissolution of Credit Union Central of New Brunswick (CUCNB) in 2011. As a member credit union of CUCNB, Bayview was entitled to a proportional return of CUCNB'S equity at the time of dissolution. Due to regulatory restrictions this component of equity is required to be classified as a Special Reserve for an indefinite period of time.

22. Accrued post-employment benefits obligation:

The Credit Union has a defined benefit post-employment health and dental plan which covers substantially all retired employees.

Components of defined benefit cost recognized in profit and loss		2022		2021
Interest cost	$	18,000	$	14,400
Total defined benefit cost recognized in profit and loss	$	18,000	$	14,400
Remeasurement (recognized in OCI)				
Effect of changes in demographic assumptions	$	-	$	39,500
Effect of changes in financial assumptions		(88,300)		(38,700)
Effect of experience adjustments		(14,300)		21,700
Total measurements included in OCI	$	(102,600)	$	22,500

Weighted average assumptions to determine defined benefit obligations	2022	2021
Discount rate	5.25%	3.00%
Immediate health care cost trend rate	5.90%	6.00%
Ultimate health care cost trend rate	4.00%	4.00%
Year reaches ultimate health care cost trend rate	2040	2040

Weighted average assumptions to determine defined benefit cost	2022	2021
Discount rate	3.00%	2.35%
Immediate health care cost trend rate	6.00%	6.10%
Ultimate health care cost trend rate	4.00%	4.00%
Year reaches ultimate health care cost trend rate	2040	2040

22. Accrued post-employment benefits obligation (continued):

Sensitivity analysis		2022		2021
Effect on present value of defined benefit obligation for fiscal year end:				
25 basis points increase to the interest rate	$	(8,800)	$	(14,400)
25 basis points decrease to the interest rate		9,200		16,900
100 basis points increase to the health care trend rate		22,900		37,300
100 basis points decrease to the health care trend rate		(28,100)		(30,400)

Components of defined benefit cost		2022		2021
Total defined benefit cost recognized in profit and loss	$	18,000	$	14,400
Total remeasurement recognized in OCI		(102,600)		22,500
Total defined benefit cost	$	(84,600)	$	36,900
Change in benefit obligation:				
Benefit obligation at beginning of year	$	631,500	$	640,300
Interest cost		18,000		14,400
Employer paid benefit payments		(50,800)		(45,700)
Actuarial (gain) loss		(102,600)		22,500
Benefit obligation at end of year, recognized in statement of financial position	$	496,100	$	631,500

		December 31, 2023
Estimated defined benefit cost	$	24,300

23. Commitments:

Member loans

The Credit Union has the following commitments to its members at the year-end date on account of loans, unused lines of credit and letters of credit:

Unused lines of credit	$	56,342,012
Letters of credit	$	147,794

24. Subsequent Event – Business Combination:

In the 2022 fiscal year, the Credit Union entered into an agreement with Advance Savings Credit Union and Progressive Credit Union providing the amalgamation of the three credit unions. As of September 27, 2022, the members of Bayview Credit Union, Advance Savings Credit Union and Progressive Credit Union voted and approved the amalgamation of the three credit unions to form a new entity named Brunswick Credit Union Limited. The amalgamation was completed subsequent to the 2022 fiscal year-end and became effective January 1, 2023.