

Victory Credit Union Limited
Financial Statements
December 31, 2019

Victory Credit Union Limited

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For the year ended December 31, 2019

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Independent Auditor's Report

To the Members of Victory Credit Union Limited:

Opinion

We have audited the financial statements of Victory Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2019, and the statements of income and other comprehensive income, changes in customer-owners' equity, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Credit Union for the year ended December 31, 2018 were audited by another firm of public accountants who expressed an unmodified opinion on those statements on March 21, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Dartmouth, Nova Scotia

March 25, 2020

MNP LLP

Chartered Professional Accountants

Victory Credit Union Limited

Statement of Financial Position

As at December 31, 2019

	2019	2018
Assets		
Cash resources <i>(Note 6)</i>	9,711,182	9,119,874
Customer-owners' loans <i>(Note 7)</i>	44,353,671	41,435,108
Income taxes receivable	2,767	5,813
Other assets	68,030	40,443
Investments <i>(Note 8)</i>	2,040,056	2,034,621
Deferred income taxes <i>(Note 9)</i>	17,900	10,801
Property and equipment <i>(Note 10)</i>	1,815,346	1,821,058
	58,008,952	54,467,718
Liabilities		
Payables and accruals	69,382	40,492
Customer-owners' deposits and accrued interest <i>(Note 11)</i>	52,702,407	49,424,289
	52,771,789	49,464,781
Commitments <i>(Note 13)</i>		
Events after the reporting period <i>(Note 21)</i>		
Customer-owners' equity		
Customer-owners' shares <i>(Note 12)</i>	228,447	231,141
Retained earnings	5,008,716	4,771,796
	5,237,163	5,002,937
	58,008,952	54,467,718

Approved on behalf of the Board

Director

Director

Victory Credit Union Limited
Statement of Income and Other Comprehensive Income
For the year ended December 31, 2019

	2019	2018
Income		
Loan interest	1,887,394	1,784,772
Investment income	206,160	137,747
	2,093,554	1,922,519
Interest and loan related expenses		
Distributions to customer-owners:		
Interest on deposits	228,267	192,708
Loan impairment losses (Note 7), (Note 18)	67,295	35,477
Borrowed money	80	144
	295,642	228,329
Financial margin	1,797,912	1,694,190
Other income (Note 16)	760,367	796,615
Income before operating expenses	2,558,279	2,490,805
Operating expenses		
Administrative expenses (Schedule 1)	851,116	834,197
Amortization of property and equipment (Note 10)	96,396	101,511
Occupancy expenses (Schedule 2)	145,214	129,956
Salaries, benefits, contracted services	1,077,865	985,113
Central service charges	70,624	72,604
CUDIC assessment	45,852	55,141
	2,287,067	2,178,522
Income before income taxes	271,212	312,283
Provision for income taxes (Note 9)		
Current	41,391	38,713
Deferred (recovery)	(7,099)	(59)
	34,292	38,654
Net income and comprehensive income	236,920	273,629

The accompanying notes are an integral part of these financial statements

Victory Credit Union Limited
Statement of Changes in Customer-Owners' Equity
For the year ended December 31, 2019

	<i>Customer- owners' shares (Note 12)</i>	<i>Retained earnings</i>	<i>Customer owners' equity</i>
Balance January 1, 2018	232,444	4,498,167	4,730,611
Income and comprehensive income for the year	-	273,629	273,629
Common shares issued	7,760	-	7,760
Common shares redeemed	(8,641)	-	(8,641)
Surplus shares redeemed	(422)	-	(422)
Balance December 31, 2018	231,141	4,771,796	5,002,937
Income and comprehensive income for the year	-	236,920	236,920
Common shares issued	7,834	-	7,834
Common shares redeemed	(10,052)	-	(10,052)
Surplus shares redeemed	(476)	-	(476)
Balance December 31, 2019	228,447	5,008,716	5,237,163

The accompanying notes are an integral part of these financial statements

Victory Credit Union Limited

Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Interest received from customer-owners' loans	1,887,772	1,782,497
Interest received from investments	205,946	138,886
Revenue from contracts and other income	760,367	796,615
Cash paid to suppliers and employees	(2,189,877)	(2,040,545)
Interest paid on deposits	(220,504)	(207,381)
Interest paid on borrowed money	(80)	(144)
Rebates received	-	34,913
Recovery of impaired loans	16,303	19,392
Income taxes paid	(38,344)	(51,156)
	421,583	473,077
Financing activities		
Net change in customer-owners' deposits	3,270,354	774,799
Net redemption of equity shares	(2,693)	(1,302)
	3,267,661	773,497
Investing activities		
Net change in members' loans receivable	(2,992,299)	(1,340,237)
Net change in investments	(5,435)	1,950,750
Purchases of property and equipment	(280,146)	(19,141)
Proceeds from disposal of property and equipment	179,944	-
	(3,097,936)	591,372
Increase in cash resources	591,308	1,837,946
Cash resources, beginning of year	9,119,874	7,281,928
Cash resources, end of year	9,711,182	9,119,874

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Victory Credit Union Limited (the "Credit Union") was formed pursuant to the Credit Union Act of Nova Scotia ("the Act") and operates three Credit Union branches. The address of the Credit Union's registered office is 41 Gerrish Street, Windsor, Nova Scotia. Subsequent to year end, the Credit Union's registered office was updated to 150 Wentworth Road, Windsor, Nova Scotia.

The Credit Union operates principally in personal and commercial banking. The Credit Union conducts its principal operations through three branches, offering products and services including deposit business, individual lending, and independent business and commercial lending. The deposit business provides a wide range of deposit and investment products and sundry financial services to all customer-owners. The lending business provides a variety of credit products and services designed specifically for each particular group of borrowers. Other business comprises business of a corporate nature such as real estate and insurance, investment, risk management, asset liability management, treasury operations and revenue and expenses not expressly attributed to the business units.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the board of directors and authorized for issue on March 25, 2020.

3. Basis of preparation

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments. The significant accounting policies are set out in Note 4.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to retail customers do not result in payments that are not solely payments of principal and interest because they represent reasonable additional compensation for early termination of the contract.

Key assumptions in determining the allowance for expected credit losses

At each reporting period, financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrowers' ability to meet debt obligations:

- Expected significant increase in unemployment rates and interest rates
- Declining revenues, working capital deficiencies, increases in balance sheet leverage and liquidity.
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the Credit Union develops a number of assumptions as follows:

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Loan to Value ratios
- Consumer Price Index
- Housing/Construction starts

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Credit Union uses judgment to weight these scenarios.

Impairment of non-financial assets

At each reporting date, the Credit Union assesses whether there are any indicators of impairment for non-financial assets. Non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

Income taxes

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

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. By their nature these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material.

Other

Other financial statement items that use estimates include the estimated useful lives of property and equipment and certain accrued liabilities.

4. Summary of significant accounting policies

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

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

Debt instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of deposits with Atlantic Central classified as cash resources, customer-owners' loans, customer-owners' deposits and accrued interest and payables and accruals.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss include cash resources other than those identified above.

- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Credit Union does not hold any financial assets designated to be measured at fair value through profit and loss.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. Equity instruments measured at fair value through profit and loss are disclosed in note 8.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, '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, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union's claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Credit Union reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments, as well as lease receivables, contract assets, and any financial guarantee contracts and loan commitments not measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Credit Union commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Credit Union's accounting policies for impairment of financial assets.

For customer-owners' loans the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period ("Stage 1"), unless there has been a significant increase in credit risk since initial recognition ("Stage 2"). For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date ("Stage 3"). Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants, and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;
- For loan commitments and financial guarantee contracts, as a provision; and

- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision.

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

Refer to Note 18 for additional information about the Credit Union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Credit Union applies its accounting policies for the derecognition of a financial asset to a part of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only a pro-rata share of specifically identified cash flows from a financial asset.

In all other situations the Credit Union applies its accounting policies for the derecognition of a financial asset to the entirety of a financial asset.

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

For this purpose, a financial asset is transferred if the Credit Union either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Credit Union derecognizes the financial asset. At the same time, the Credit Union separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss.

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

Financial liabilities

Recognition and initial measurement

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

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Transaction costs of equity transactions are treated as a deduction from equity.

Classification and subsequent measurement

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

Derecognition of financial liabilities

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

Dividend income

Dividend income is recorded in profit or loss when the Credit Union's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Credit Union, and the amount of the dividend can be measured reliably.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Offsetting

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Credit Union has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material

Collateral

The Credit Union recognizes the proceeds from the sale of any non-cash collateral that has been pledged to it and a liability measured at fair value for its obligation to return the collateral.

If a debtor defaults under the terms of its contract and is no longer entitled to the return of any collateral, the Credit Union recognizes the collateral as an asset initially measured at fair value or, if it has already sold the collateral, derecognizes its obligation to return the collateral.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management system.

Investments and accrued interests

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

Atlantic Central and League Data Limited deposits and shares

Atlantic Central deposits are measured at amortized cost or fair value through profit and loss based on management's intent. Atlantic Central and League Data Limited shares are measured at fair value, with adjustments to fair value recognized in profit or loss.

Customer-owners' loans

Customer-owners' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Customer-owners' loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

Customer-owners' loans are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

Foreclosed assets

Foreclosed assets held for sale are initially recorded at the lower of cost and estimated net realizable value. Cost comprises the balance of the loan at the date on which the Credit Union obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received. Foreclosed assets held for sale are subsequently valued at the lower of their carrying amount and fair value less cost to sell. Foreclosed assets are recorded in customer-owners' loans receivable.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated using the declining balance method over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition. The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	<i>Method</i>	<i>Rate</i>
Buildings	declining balance	5 %
Furniture and fixtures	declining balance	20 %
Paving	declining balance	8 %
Computer equipment	declining balance	45 %
Vaults	declining balance	20 %

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

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

Income taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

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

Shares

Common shares and surplus shares, which are classified as equity, represent a residual interest in the equity of the Credit Union. They are not covered by deposit insurance. Common shares are redeemable upon request of the customer-owner and approval of the directors.

Revenue recognition

Service charge fees and commission

The Credit Union generates revenue from providing various financing and investing services to its members. Revenue is recognized as services are rendered.

The Credit Union does not have an enforceable right to payment until services are rendered and commission revenue is earned when the product is sold.

The amount of revenue recognized on these transactions is based on the price specified in the contract.

The Credit Union does not expect to have any contracts where the period between the transfer of the promised goods or services to a customer-owner and payment by the customer-owner exceeds one year. Consequently, the Credit Union does not adjust any of the transaction prices for the time value of money.

Revenue recognition for items outside the scope of IFRS 15 are included in the financial instruments accounting policy.

Leases - prior to January 1, 2019

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Assets under finance lease are amortized on a straight-line basis, over the shorter of the useful life and the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned by the Credit Union. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs. The Credit Union has no such leases.

All other leases are accounted for as operating leases, and payments are expensed on a straight-line basis over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

Leases - after January 1, 2019

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

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

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

After the commencement date, the Credit Union measures right-of-use assets related to property and equipment by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

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

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

The Credit Union has elected to not recognize right-of-use assets and lease liabilities for short-term leases of equipment where the term leases are leases with a term of twelve months or less or for low value leases are leases where the underlying asset has a new value of \$5,000 USD or less. The Credit Union recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

Employee benefits

The Credit Union's post employment benefit programs consist of a defined contribution plan.

Contributions to defined contribution plans are recognized as an expense when employees have rendered service to the Credit Union during the period, entitling them to the contributions. Pension benefits of \$33,282 (2018 - \$31,669) were paid to the defined contribution retirement plan during the year.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Credit Union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

Standards issued but not yet effective

The Credit Union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2019 but are not yet effective. Unless otherwise stated, the Credit Union does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 3 Business Combinations

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Credit Union has not yet determined the impact of these amendments on its financial statements.

IAS 1 Presentation of Financial Statements

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The Credit Union is currently assessing the impact of these amendments on its financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The Credit Union has not yet determined the impact of these amendments on its financial statements.

5. Change in accounting policies

Leases

Effective January 1, 2019, the Credit Union adopted IFRS 16 which supersedes previous accounting standards for leases including IAS 17 *Leases* and IFRIC 4. Leasing activity for the Credit Union typically involves the leases of office equipment.

IFRS 16 introduced a single accounting model for leases unless the underlying asset is of low value or less than twelve months in duration. The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from the use of the identified asset; and
- The right to direct the use of the identified asset.

The policy is applied to contracts entered into, or changed, on or after January 1, 2019.

A lessee is required to recognize, on its statements of financial position, a right-of-use asset, representing its right to use the underlying lease asset, and a lease obligation liability, representing its obligation to make lease payments. The accounting treatment for lessors remains largely the same as under IAS 17.

The Credit Union adopted IFRS 16 using the modified retrospective approach beginning on January 1, 2019. Under this approach, the Credit Union did not restate its comparative figures for 2018. The Credit Union elected to apply the practical expedient to only transition contracts which were previously identified as leases under IAS 17, and also elected to not recognize right-of-use assets and lease obligation liabilities for leases of low-value assets or with maturity dates within 12 months of the transition date. The Credit Union does not currently have any contracts that fall outside of the low-value assets or maturity dates within 12 months and, therefore, have not recognized a right-of-use asset or lease obligation at January 1, 2019.

The application of the standard has resulted in a change in the Credit Union's accounting policy for recognition of leases.

Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The initial assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that it is within the control of the lessee.

6. Cash resources

	2019	2018
Cash on hand - fair value through profit and loss	789,007	776,150
Demand and short-term deposits - amortized cost	8,922,175	8,343,724
	9,711,182	9,119,874

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2019

7. Customer-owners' loans

Principal and allowance by loan type:

	2019	2018
Personal loans	7,236,599	6,554,242
Residential mortgages	26,710,794	25,007,150
Commercial loans	1,259,877	1,264,896
Commercial mortgages	503,654	565,760
Concentra Financial Mortgage Pools	961,168	724,734
Syndicated loans	2,849,794	1,995,058
Lines of credit	5,030,611	5,443,096
Overdrafts	27,844	32,779
Accrued interest	51,509	51,887
	44,631,850	41,639,602
Allowance for impaired loans	(278,179)	(204,494)
Total	44,353,671	41,435,108

Customer-owners' loans can have either variable or fixed rate of interest and they mature within 1 month to 6 years. The rates offered to customer-owners' are determined by the type of security offered, the customer-owner's credit worthiness, competition from other lenders and the current prime rate.

Commercial loans that are not subject to a government guarantee are all secured by collateral ranging from specific assets such as vehicles, investments, and property to a general security agreement or personal guarantee.

Syndicated loans consist of conventional residential mortgages maturing within five years and secured by residential property. The Credit Union receives monthly amounts from the loan administrators which represent blended payments of principal and interest equal to its percentage interests in the loans, less an administration fee.

Customer-owners' loans from mortgage pools earn interest at 2.57% to 3.33%. The Credit Union receives monthly amounts from the loan administrators which represent blended payments of principal and interest equal to its percentage interests in the loans, less an administration fee. The loan pools are comprised of conventional residential mortgages maturing within five years and secured by residential property.

The following is an analysis of the continuity for the allowance of impaired loans:

	2019	2018
Balance, beginning of year	204,494	236,294
Provision for (recovery of) loan impairment	67,295	35,477
Less: accounts written off, net of recoveries	(6,390)	67,277
Balance, end of year	278,179	204,494

Victory Credit Union Limited
Notes to the Financial Statements
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Allowance for impaired loans

	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2019				
Gross carrying amount of customer-owners' loans	42,905,864	727,053	947,424	44,580,341
Loss allowance	108,794	39,314	130,071	278,179

	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2018				
Gross carrying amount of customer-owners' loans	39,883,977	1,037,185	666,553	41,587,715
Loss allowance	72,700	35,945	95,849	204,494

The following is an analysis of loans in arrears based on the age of repayments outstanding:

	2019	2018
31 to 60 days	339,531	359,275
61 to 90 days	110,002	335,472
91 to 180 days	352,701	87,087
Over 180 days	333,273	244,762
	1,135,507	1,026,596

Maturity analysis:
Scheduled for repayment:

	2019	2018
Overdrafts and line of credit facilities	5,124,300	5,536,940
Not longer than 3 months	6,141,040	1,788,700
Longer than 3 and not longer than 12 months	9,652,200	12,675,950
Longer than 1 year and not longer than 5 years	23,446,401	21,586,125
Longer than 5 years	216,400	-
	44,580,341	41,587,715

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2019

8. Investments

	2019	2018
Investments measured at amortized cost:		
Debenture matured November 27, 2019 bore interest at 1.90%.	-	509,500
Debenture maturing June 2, 2020 bearing interest at 1.60%.	516,128	508,000
Debenture maturing November 27, 2021 bearing interest at 2.15%.	519,181	-
	1,035,309	1,017,500
Shares measured at fair value through profit and loss:		
Atlantic Central common shares	464,280	495,500
Atlantic Central provincial shares	137,000	137,000
Atlantic Central - LSM shares	370,426	347,818
League Date Limited - class B preference shares	25,670	25,670
Healthwise Holdings Co-operative Limited	1,025	5,000
CEDA	10	10
Nova Scotia Enterprises Co-operative	500	500
	998,911	1,011,498
Accrued interest receivable	5,836	5,623
	2,040,056	2,034,621

The shares measured at fair value through profit and loss do not have a quoted market price in an active market and, accordingly, are held at fair value which approximates amortized cost.

9. Income tax

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian federal and provincial statutory income tax rates to income before income taxes. This difference results from the following:

	2019	2018
Income before income taxes	271,212	312,283
Combined Canada basic federal and provincial income tax rate	31.0 %	31.0 %
Expected income tax	84,076	96,808
Effect on income tax of:		
Permanent differences	969	(5,091)
Tax effect of rate reduction	(50,753)	(53,063)
Total income tax expense	34,292	38,654

The components of deferred income tax balances are as follows:

	2019	2018
Deferred income tax assets (liabilities)		
Allowance for impaired loans	17,000	12,112
Property and equipment	16,600	16,499
Atlantic Central Shares	(15,700)	(17,810)
Deferred tax asset	17,900	10,801

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2019

10. Property and Equipment

	<i>Land</i>	<i>Buildings</i>	<i>Furniture and fixtures</i>	<i>Paving</i>	<i>Computer equipment</i>	<i>Vaults</i>	<i>Total</i>
Cost							
Balance at January 1, 2018	502,360	1,831,694	666,814	170,152	546,865	163,167	3,881,052
Additions	-	5,031	11,283	-	2,827	-	19,141
Disposals	-	-	-	-	-	(42,821)	(42,821)
Balance at December 31, 2018	502,360	1,836,725	678,097	170,152	549,692	120,346	3,857,372
Balance at January 1, 2019	502,360	1,836,725	678,097	170,152	549,692	120,346	3,857,372
Additions	-	248,504	2,287	18,389	10,966	-	280,146
Disposals	-	(481,907)	(51,708)	(50,851)	-	-	(584,466)
Balance at December 31, 2019	502,360	1,603,322	628,676	137,690	560,658	120,346	3,553,052
Depreciation and impairment losses							
Balance January 1, 2018	-	688,844	547,422	82,952	541,672	116,734	1,977,624
Depreciation charge for the year	-	57,268	25,007	6,976	2,973	9,287	101,511
Disposals	-	-	-	-	-	(42,821)	(42,821)
Balance at December 31, 2018	-	746,112	572,429	89,928	544,645	83,200	2,036,314
Balance at January 1, 2019	-	746,112	572,429	89,928	544,645	83,200	2,036,314
Depreciation charge for the year	-	56,464	20,967	6,797	4,739	7,429	96,396
Disposals	-	(315,051)	(44,994)	(34,959)	-	-	(395,004)
Balance at December 31, 2019	-	487,525	548,402	61,766	549,384	90,629	1,737,706
Net book value							
At December 31, 2018	502,360	1,090,613	105,668	80,224	5,047	37,146	1,821,058
At December 31, 2019	502,360	1,115,797	80,274	75,924	11,274	29,717	1,815,346

The Credit Union in a previous year recorded an impairment loss related to a building and paving located on the Kempt Shore. The building was vacant and sat on publicly owned land. Management had not been able to sell the building. The building was demolished during the year.

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2019

11. Customer-owners' deposits and accrued interest

	2019	2018
Chequing	24,145,798	22,070,150
Demand, no penalty on withdrawal	20,932,124	19,011,590
RRSP and RRIF	3,601,341	3,604,405
Term deposits	3,976,551	4,699,314
Accrued interest on deposits	46,593	38,830
	52,702,407	49,424,289

12. Customer-owners' shares

Authorized:

Common shares

Unlimited redeemable, voting equity shares with a par value of \$5 per share. Each customer-owner must hold 10 common shares except for customer-owners under 19 and students, who must hold 1 share. Common shares may be withdrawn on demand or withdrawal from membership, subject to the Credit Union meeting capital adequacy requirements and the discretion of the Board of Directors.

Surplus shares

Unlimited redeemable, non-voting equity shares with a par value of \$1 per share. Surplus shares may be withdrawn on demand or withdrawal from membership, subject to the Credit Union meeting capital adequacy requirements and the discretion of the Board of Directors.

Issued:

	2019	2018
43,368 Common shares (2018 - 43,811)	216,839	219,057
11,608 Surplus shares (2018 - 12,084)	11,608	12,084
	228,447	231,141

13. Commitments

The following amounts represent the maximum amount of additional credit that the Credit Union could be obligated to extend. These amounts are not necessarily indicative of the credit risk as many of these arrangements may expire or terminate without being utilized. The Credit Union as of December 31, 2019 had undrawn lines of credit and overdrafts of \$5,508,887.

14. Bank indebtedness

The Credit Union has an authorized line of credit from the Atlantic Central with a limit of \$1,325,000 bearing interest at 3.45%. The line of credit is secured by an assignment of book debts, bears interest at prime and is to be reviewed on an annual basis. Drawings on the line of credit are netted against cash resources. At December 31, 2019 the line of credit balance was \$392,718 (2018 - \$31,959).

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2019

15. Capital requirements

The Credit Union's objectives when managing capital are designed to establish a strong base for future growth, to pay dividends on the equity shares and to provide a cushion in the event of market instability. Customer-owners' equity consists of equity shares and retained earnings. In accordance with the Credit Union Act, Victory Credit Union shall establish and maintain equity at a level equal to 5% of its assets. At December 31, 2019, equity was 9.06% (2018 - 9.19%) of its assets. Customer-owners' equity ratios are monitored regularly and reported to the Board monthly. The Credit Union's equity ratios have been in compliance with the regulatory requirements throughout the year.

16. Other income

	<i>2019</i>	<i>2018</i>
Account and transaction fees	596,319	617,699
Commissions	83,380	83,290
Other	80,668	95,626
	760,367	796,615

17. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union are the General Manager, Accounting Manager, Manager Lending Services, Branch Managers and members of the Board of Directors. Key management personnel remuneration includes the following expenses:

	<i>2019</i>	<i>2018</i>
Direct compensation	341,231	322,665
Contributions to defined contribution pension plans	15,559	15,080
	356,790	337,745

Transactions with key management personnel

	<i>2019</i>	<i>2018</i>
During the year the aggregate value of loans disbursed to KMP amounted to:		
Mortgages	1,011,557	876,279
Loans	504,027	271,171
Revolving credit	138,173	125,715
Less: Approved and undrawn lines of credit	(15,097)	(8,336)
	1,638,660	1,264,829

	<i>2019</i>	<i>2018</i>
Interest and other revenue earned on loans and revolving credit facilities to KMP	56,567	40,619

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2019

	2019	2018
The total value of customer-owners' deposits from the Directors and KMP as at the year-end:		
Chequing and demand deposits	60,292	182,661
Term deposits	151,660	226,876
Registered plans	27,516	82,076
Total value of customer-owners' deposits due to Directors and KMP	239,468	491,613

Transactions with key management personnel

Deposit accounts are maintained under the same terms and conditions as accounts of other customer-owners, and are included in deposit accounts on the balance sheet.

Loans made to key management personnel were made in the normal course of operations with interest rates at regular rates offered to all customer-owners of the Credit Union. Interest rates on deposits and dividends on shares were at identical rates offered to all customers-owners of the Credit Union.

Directors' fees and expenses

	2019	2018
Directors fees and committee remuneration	4,130	4,130
Directors expenses	5,300	5,250

18. Financial instruments

The Credit Union, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: credit risk, market risk, liquidity risk and foreign currency risk.

Accordingly, the Credit Union has established avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows risk management policies approved by its Board of Directors.

The Credit Union's risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Credit Union
- Balance risk and return
- Manage credit, market and liquidity risk through preventative and detective controls
- Ensure credit quality is maintained
- Ensure credit, market, and liquidity risk is maintained at acceptable levels
- Diversify risk in transactions, member relationships and loan portfolios
- Price according to risk taken, and
- Using consistent credit risk exposure tools.

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Audit Committee and Credit Committee.

There have been no significant changes from the previous year in the Credit Union's risks to which it is exposed or its general policies and procedures for managing risk.

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from customer-owners' loans and the Credit Union's lending activities.

Risk management process

Credit risk management is integral to the Credit Union's activities. The Board of Directors is responsible for developing and implementing the credit risk management practices of the Credit Union by establishing the relevant policies and procedures. Management carefully monitors and manages the Credit Union's exposure to credit risk by reviewing member credit extension policies and guidelines and reviewing the performance of loan portfolios, including default events and past due status. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The primary credit risk management policies and procedures include the following:

- Loan security (collateral) requirements
- Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge
- Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security
- Borrowing member capacity (repayment ability) requirements
- Borrowing member character requirements
- Limits on aggregate credit exposure per individual
- Limits on concentration of credit risk by loan type, industry and economic sector
- Limits on the types of credit facilities and services offered
- Internal loan approval processes and loan documentation standards
- Loan re-negotiation, extension and renewal processes
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors
- Control and monitoring processes including portfolio risk identification and delinquency tolerances
- Timely loan analysis processes to identify, access and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes

The Credit Union's credit risk policies, processes and methodologies are reviewed periodically to ensure they remain relevant and effective in managing credit risk.

Providing credit facilities to qualified customer-owners' is one of the Credit Union's primary sources of income and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the customer-owner's ability to repay principal and interest over the term of the facility which is determined by following Board approved policies and procedures, which includes assessing the customer-owner's credit history, character, collateral and debt servicing capacity.

In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with its lending policies and procedures. In addition, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

To meet the needs of its members and to manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. These are subject to normal credit standards, financial controls, risk management and monitoring procedures.

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

- Guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party
- Commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit and credit cards), guarantees or letters of credit.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

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

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

The Credit Union uses the expected loss model to record an allowance against customer-owners' loans. The allowance is broken into three stages. Stage 1 contains all loans that are not delinquent and do not have any known additional risk. Stage 2 contains all loans delinquent between 31 and 90 days, and any loan that has been assessed to have additional risk.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Stage 3 contains all loans delinquent over 90 days, bankruptcy, consumer proposals, credit counselling, debt consolidations and accounts that are in serious default with little chance of recovery.

Each stage is broken down into pools of customer-owners' loans that have similar risk characteristics. The probability of default, risk adjustment and loss given default are used to determine the expected credit loss for each pool of customer-owners' loans.

Measurement of expected credit losses

The Credit Union measures expected credit losses for customer-owners' loans on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type. Otherwise, expected credit losses are measured on an individual basis.

Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

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For the year ended December 31, 2019

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments*. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

Except as noted below, the gross carrying amount of financial assets and exposure amount of loan commitments and financial guarantee contracts represents the maximum exposure to credit risk for that class of financial asset.

	Stage 1 12-month ECL	2019 Stage 2 Lifetime ECL (not credit impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Residential mortgages				
Low risk	25,451,597	500,684	758,513	26,710,794
Less: loss allowance	28,362	626	23,420	52,408
Total carrying amount	25,423,235	500,058	735,093	26,658,386
Personal loans and lines of credit				
Low risk	11,364,570	137,422	118,211	11,620,203
Less: loss allowance	64,631	26,074	69,533	160,238
Total carrying amount	11,299,939	111,348	48,678	11,459,965
Commercial loans, mortgages and lines of credit				
Low risk	2,278,735	88,947	70,700	2,438,382
Less: loss allowance	14,019	12,614	37,118	63,751
Total carrying amount	2,264,716	76,333	33,582	2,374,631
Syndicated loans				
Low risk	2,849,794	-	-	2,849,794
Less: loss allowance	1,781	-	-	1,781
Total carrying amount	2,848,013	-	-	2,848,013
Concentra				
Low risk	961,168	-	-	961,168
Less: loss allowance	-	-	-	-
Total carrying amount	961,168	-	-	961,168
Total				
Low risk	42,905,864	727,053	947,424	44,580,341
Less: loss allowance	108,794	39,314	130,071	278,179
Total carrying amount	42,797,070	687,739	817,353	44,302,162

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	Stage 1 12-month ECL	2018 Stage 2 Lifetime ECL (not credit impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Residential mortgages				
Low risk	23,709,897	814,253	483,000	25,007,150
Less: loss allowance	13,215	805	18,185	32,205
Total carrying amount	23,696,682	813,448	464,815	24,974,945
Personal loans and lines of credit				
Low risk	10,512,611	120,085	144,998	10,777,694
Less: loss allowance	47,310	17,830	63,389	128,529
Total carrying amount	10,465,301	102,255	81,609	10,649,165
Commercial loans, mortgages and lines of credit				
Low risk	2,006,575	102,847	38,555	2,147,977
Less: loss allowance	12,175	17,310	14,275	43,760
Total carrying amount	1,994,400	85,537	24,280	2,104,217
Government guaranteed				
Low risk	935,102	-	-	935,102
Less: loss allowance	-	-	-	-
Total carrying amount	935,102	-	-	935,102
Syndicated loans				
Low risk	1,995,058	-	-	1,995,058
Less: loss allowance	-	-	-	-
Total carrying amount	1,995,058	-	-	1,995,058
Concentra				
Low risk	724,734	-	-	724,734
Less: loss allowance	-	-	-	-
Total carrying amount	724,734	-	-	724,734
Total				
Low risk	39,883,977	1,037,185	666,553	41,587,715
Less: loss allowance	72,700	35,945	95,849	204,494
Total carrying amount	39,811,277	1,001,240	570,704	41,383,221

Concentrations of credit risk

Concentration of credit risk exists if a number of borrowers are exposed to similar economic risks by being engaged in similar economic activities or being located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Credit Union due to its primary service area being Windsor, Nova Scotia and surrounding areas.

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Amounts arising from expected credit losses

Reconciliation of the loss allowance

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Customer-owners' loans				
Balance at January 1, 2018	77,751	23,879	134,664	236,294
Transfer to (from) lifetime ECL (not credit impaired)	26,749	(26,749)	-	-
Transfer to lifetime ECL (credit impaired)	-	38,815	(38,815)	-
Provision for impaired loans	35,477	-	-	35,477
Accounts written off, net of recoveries	(67,277)	-	-	(67,277)
Balance at December 31, 2018	72,700	35,945	95,849	204,494
Balance at January 1, 2019	72,700	35,945	95,849	204,494
Transfer to (from) lifetime ECL (not credit impaired)	(37,591)	37,591	-	-
Transfer to lifetime ECL (credit impaired)	-	(34,222)	34,222	-
Provision for impaired loans	67,295	-	-	67,295
Accounts written off, net of recoveries	6,390	-	-	6,390
Balance at December 31, 2019	108,794	39,314	130,071	278,179

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices and credit spreads. The Credit Union's exposure changes depending on market conditions. Market risks that have a significant impact on the Credit Union include fair value risk and interest rate risk.

Market risk arises from changes in interest rates that affect the Credit Union's net interest income. Exposure to this risk directly impacts the Credit Union's income from its loan and deposit portfolios. The Credit Union's objective is to earn an acceptable net return on these portfolios, without taking unreasonable risk, while meeting customer-owner needs.

Risk measurement

The Credit Union's risk position is measured and monitored each month to ensure compliance with policy. Management provides monthly reports on these matters to the Credit Union's Board of Directors.

Objectives, policies and processes

Management is responsible for managing the Credit Union's interest rate risk, monitoring approved limits and compliance with policies. The Credit Union manages market risk by developing and implementing asset and liability management policies, which are approved and periodically reviewed by the Board.

The Credit Union's goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Credit Union's investment and asset liability management policies periodically to ensure they remain relevant and effective in managing and controlling risk.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of the Credit Union's financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Interest margins reported in the profit or loss may increase or decrease in response to changes in market interest rates.

In managing interest rate risk, the Credit Union relies primarily upon use of asset - liability and interest rate sensitivity simulation models, which is monitored by management and reported to the Board of Directors which is responsible for managing interest rate risk.

Sensitivity analysis is used to assess the change in value of the Credit Union's financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a monthly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union estimates that an immediate and sustained 100 basis point increase in interest rates would increase net interest income by \$112,000 over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net interest income by \$94,500 over the next 12 months.

Other types of interest rate risk are basis risk (the risk of loss arising from changes in the relationship of interest rates which have similar but not identical characteristic).

The Credit Union's major source of income is financial margin which is the difference between interest earned on investments and loans to customer-owners and interest paid to customer-owners on their deposits. The objective of managing the financial margin is to match re-pricing or maturity dates of loans and investments and customer-owners' savings and deposits within policy limits. These limits are intended to limit the Credit Union's exposure to changing interest rates and to wide fluctuations of income during periods of changing interest rates. The differential represents the net mismatch between loans and investments and customer-owners' savings and deposits for those particular maturity dates. Certain items on the statement of financial position, such as non-interest bearing customer-owner deposits and equity do not provide interest rate exposure to the Credit Union. These items are reported as non-interest rate sensitive in the table below.

Amounts with variable interest rates, or due on demand, are classified as variable.

A significant amount of customer-owners' loans receivable and customer-owners' savings and deposits can be settled before maturity on payment of a penalty. No adjustment has been made for repayments that may occur prior to maturity.

Interest rate sensitivity

Interest rate risk is the sensitivity of the Credit Union's financial condition to movements in interest rates. In the table below, the carrying amounts of financial instruments are presented in the periods in which they next re-price to market rates or mature and are summed to show the net interest rate sensitivity gap.

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Contractual repricing and maturity

All financial instruments are reported in the schedule below based on the earlier of their contractual repricing date or maturity date. The schedule below does not identify management's expectations of future events where repricing and maturity dates differ from contractual dates.

					2019	2018
['000s]	Assets	Average yield %	Liabilities	Average costs %	Net Asset Liability Mismatch (000's)	
Within 1 year	21,213	3.18 %	(46,428)	0.46 %	(25,215)	(13,994)
1 to 2 years	7,388	3.55 %	(1,121)	1.69 %	6,267	4,839
2 to 3 years	8,346	3.80 %	(79)	1.75 %	8,267	8,047
3 to 4 years	3,535	4.15 %	(96)	1.62 %	3,439	3,772
4 to 5 years	5,547	3.93 %	(316)	2.12 %	5,231	4,217
Over 5 years	216	5.58 %	-	-	216	-
Non-interest sensitive	10,062	-	(4,662)	-	5,400	(6,881)
	56,307		(52,702)		3,605	-

Foreign currency risk

The Credit Union's foreign exchange risk is related to US dollars deposits and cash on hand denominated in US dollars. At year end, the Credit Union's holdings in foreign currency were 0.11% (2018 – 0.07%) of the total customer-owners' deposits portfolio.

The Credit Union limits its exposure to foreign exchange risk by maintaining only minimal levels of US dollars deposits and cash on hand.

There have been no significant changes from the previous year in the exposure to foreign exchange risk or procedures used to limit 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. Refer to Note 15 for further information about the Credit Union's regulatory capital requirement.

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

To mitigate this risk, the Act requires that the Credit Union maintain, at all times liquidity that is adequate in relation to the business carried on. The Credit Union is required to maintain liquidity levels as defined in Regulation 19 of the Act, which include maintaining a minimum of 10% of total deposits and borrowings in deposit and eligible investment accounts.

The Credit Union manages its liquidity position from three perspectives:

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows;
- Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union's responses thereto.

The primary liquidity risk policies and procedures include the following:

- Liquidity risk management framework to measure and control liquidity risk exposure;
- Measurement of cash flows;
- Maintain a line of credit and borrowing facility with Atlantic Central

Victory Credit Union Limited
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For the year ended December 31, 2019

- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits.

The Board of Directors receives quarterly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with liquidity requirements throughout the year.

The Credit Union's maximum exposure to liquidity risk at the reporting date was:

	2019	2018
Required liquidity	(5,270,240)	(4,938,546)
Liquid assets	11,347,734	9,752,374
Excess liquidity	6,077,494	4,813,828

Liquid assets comprise:

	2019	2018
Cash held at Atlantic Central and on hand	789,007	776,150
Liquidity and short-term deposits held at Atlantic Central	8,922,175	8,343,724
Shares and debentures held at Atlantic Central	1,636,552	632,500
	11,347,734	9,752,374

The Credit Union manages liquidity risk on a net asset and liability basis. The following table details contractual maturities of financial liabilities:

As at December 31, 2019

	< 1 year	1-3 years	> 3 years	Total
Customer-owner deposits	51,090,007	1,199,800	412,600	52,702,407
Payables and accruals	69,382	-	-	69,382
Total	51,159,389	1,199,800	412,600	52,771,789

As at December 31, 2018

	< 1 year	1-3 years	> 3 years	Total
Customer-owner deposits	47,577,589	1,712,500	134,200	49,424,289
Payables and accruals	40,492	-	-	40,492
Total	47,618,081	1,712,500	134,200	49,464,781

19. Fair value measurements

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

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

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

The Credit Union considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

In determining fair value measurements, the Credit Union uses valuation techniques including taking into account changes in interest rates and credit risk that have occurred since the assets and liabilities were acquired. These calculations represent management's best estimates based on a range of methods and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instruments. Interest rate changes are the main cause of changes in the value for the Credit Union's cash resources, demand deposits, certain other assets and certain other liabilities, due to their short-term nature.

Financial assets and financial liabilities measured at fair value

The Credit Union's financial assets and financial liabilities measured at fair value in the statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2019 Level 3</i>
<i>Financial assets</i>				
Cash	9,711,182	9,711,182	-	-
Investments at fair value through profit and loss	998,911	-	998,911	-
Total financial assets	10,710,093	9,711,182	998,911	-

	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2018 Level 3</i>
<i>Financial assets</i>				
Cash	9,119,874	9,119,874	-	-
Investments at fair value through profit and loss	1,011,498	-	1,011,498	-
Total financial assets	10,131,372	9,119,874	1,011,498	-

For fair value measurements of Level 2 investments at fair value through profit and loss, the Credit Union has assumed the fair value of the amounts is comparable to their amortized cost, which equals the par value of the shares. The shares are not quoted or traded, however when new shares are offered the price remains the same as the par value of all currently available shares. There was no impact of the measurement on profit or loss for the year. There have been no transfers between Level 1, 2 and 3 during the year.

Financial instruments not measured at fair value

The carrying amount, fair value, and categorization into the fair value hierarchy of all other financial assets and financial liabilities held by the Credit Union and not measured at fair value on the statement of financial position are as follows:

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				2019	
	<i>Fair value</i>	<i>Carrying amount</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Financial assets measured at amortized cost					
Investments	1,041,145	1,041,145	-	1,041,145	-
Customer-owner loans	43,790,000	44,353,671	-	44,353,671	-
Total financial assets	44,831,145	45,394,816	-	45,394,816	-
Financial liabilities measured at amortized cost					
Payables and accruals	69,382	69,382	-	69,382	-
Customer-owners' deposits and accrued interest	52,703,000	52,702,407	-	52,702,407	-
Total financial liabilities	52,772,382	52,771,789	-	52,771,789	-
2018					
	<i>Fair value</i>	<i>Carrying amount</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Financial assets measured at amortized cost					
Investments	1,023,123	1,023,123	-	1,023,123	-
Customer-owners' loans	41,244,677	41,435,108	-	41,435,108	-
Total financial assets	42,267,800	42,458,231	-	42,458,231	-
Financial liabilities measured at amortized cost					
Payables and accruals	40,492	40,492	-	40,492	-
Customer-owners' deposits and accrued interest	49,256,636	49,424,289	-	49,424,289	-
Total financial liabilities	49,297,128	49,464,781	-	49,464,781	-

20. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation. Payables and accruals were \$71,177 on the prior year financial statements and included accrued interest on customer-owners' deposits for \$38,831. This has been reclassified to customer-owners' deposits and accrued interest to conform with the current year presentation.

21. Events after the reporting period

Subsequent to year end, the COVID-19 pandemic is causing significant economic and social dislocation. The situation is dynamic with various organizations and governments responding in different ways to address the outbreak. The Credit Union continues to monitor the situation to assess the impact the pandemic may have on its operations and the value of its financial assets, including its members' ability to service and repay loans. The extent of the effect of the COVID-19 pandemic on the Credit Union is uncertain at this time.

Victory Credit Union Limited
Schedule 1 - Schedule of Administrative Expenses
For the year ended December 31, 2019

	2019	2018
Administrative expenses		
Accounting and audit	24,337	32,521
Advertising and promotion	47,502	60,175
Atlantic Central dues	49,098	46,938
Data processing	401,490	381,399
Donations	1,144	1,340
Dues, fees and courier	23,539	20,855
Equipment repairs and maintenance	113,345	109,155
Insurance - general and bonding	33,633	31,846
Legal, collection and foreclosed property	15,543	14,300
Meeting expenses	2,160	1,913
Miscellaneous	47,061	41,382
Office, stationery and postage	36,058	38,819
Telephone	34,555	33,438
Travel	21,651	20,116
	851,116	834,197

Victory Credit Union Limited
Schedule 2 - Schedule of Occupancy Expenses
For the year ended December 31, 2019

	2019	2018
Occupancy expenses		
Fire insurance	1,914	2,034
Heat, light and water	43,816	38,842
Rent on short-term leases	10,000	-
Property and business occupancy taxes	53,396	55,395
Repairs and maintenance	36,088	33,685
	145,214	129,956
