

CREDIT UNION
BEAUBEAR

ANNUAL REPORT
2022

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Our Vision Statement

Beaubear Credit Union will be recognized as the financial institution of choice by providing our members with knowledgeable customer service in a professional environment while being a leader in the community.

Our Mission Statement

To provide our members with financial advice, service, and products, while enriching their lives through community support.

Agenda – April 25, 2023

1. **Call to order:**
    a. Approval of Agenda
    b. Moment of silence
    c. Establish a quorum present
    d. Introductions

2. **Reading and approval of the minutes of the last meeting**

3. **Reports:**
    a. Auditor
    b. President and Chief Executive Officer's Message
    c. Audit Committee
    d. Governance Committee

4. **Recommendations of the Board of Directors:**
    a. Appointment of Auditor
    b. Board of Director Reimbursement of Expenses
    c. Board of Director Remuneration

5. **Election of Board of Directors**

6. **Adjournment**

Minutes of the 83rd Annual General Meeting

The 83rd Annual General Meeting of Beaubear Credit Union was held virtually, for the 3rd consecutive year, on Tuesday, April 26, 2022.

Call to Order:

President, Fred Holmes called the meeting to order at 6:03 PM.

He explained the process for Voting on motions.

Approval of the Agenda:

It was **MOVED** by Mary Clark, **SECONDED** by Jason Hamilton that the agenda for the meeting be accepted as presented. **MOTION CARRIED**.

Moment of Silence:

A moment of silence was observed for deceased members.

Quorum:

With 31 members in attendance, a quorum was declared.

Introductions:

The Board of Directors was introduced:

- Fred Holmes – President
- Terry Williston – Vice President
- Mary Clark – Secretary
- Judy Breau
- Pat Clancy
- Lynn Estey
- Dane Gunnlaugson
- Jason Hamilton

Reading and Approval of Minutes of the Previous Meeting:

The minutes of the 82nd AGM, June 1, 2021 were read by Mary Clark.

It was **MOVED** by Terry Williston, **SECONDED** by Marilyn Daley that the minutes be accepted as read. **MOTION CARRIED**.

Reports:

A. Auditor's Report

Brett Campbell, CPA, CA or Allen, Paquet & Arseneau LLP gave the Auditor's Report and reviewed Beaubear's Financials for the year ending December 31, 2021.

It was **MOVED** by Lorie Ann Richard, **SECONDED** by Stella Fleiger that the Auditor's report be accepted as presented. **MOTION CARRIED**.

B. President's and CEO's Message

Fred Holmes gave the message on behalf of the President and CEO. He credited Beaubear's achievement of significant success despite uncertainty and an ever-changing environment to taking the necessary steps to remain competitive, relevant, profitable and by remaining true to our roots.

The strategic planning session held in the fall, along with strong Board governance will assist in directing Beaubear for the future and aid in positive business results.

He closed by saying that an organization is only as good as its people and our people are extraordinary.

It was **MOVED** by Tosha Hamilton, **SECONDED** by Dane Gunnlaugson that the Message of the President and CEO be accepted as presented. **MOTION CARRIED**.

C. Audit Committee Report

Pat Clancy Chair of the Audit Committee gave the Report of the Audit Committee. He outlined the duties of the Committee and introduced the Committee members: Judy Breau, Mary Clark, Lynn Estey and Terry Williston.

Pat reviewed the values of loans and lines of credit approved through the year and presented a chart showing the classification of loans processed, the number per class and dollar value as well as the number and value of loans that were declined or cancelled.

Pat **MOVED** the adoption of his report. It was **SECONDED** by Beth Gillis. **MOTION CARRIED**.

D. Governance Committee Report

Judy Breau, Chair of the Governance Committee gave the report for the Governance Committee. She outlined the mandate of the Committee and introduced Committee members: Dane Gunnlaugson, Terry Williston, Part Clancy and Garrett Law.

Minutes of the 83rd Annual General Meeting

She explained the need for more stringent policies and risk management given the changes in the financial services industry and increase in cyber security issues.

Judy **MOVED** the adoption of her report. It was **SECONDED** by Mary Clark. **MOTION CARRIED**.

Recommendations of the Board of Directors:

A. 2021 Appointment of Auditor

The Board of Directors of Beaubear Credit Union recommends the appointment of Allen, Paquet & Arseneau LLP as Beaubear Credit Union's auditor for the next financial period ending December 31, 2022.

It was **MOVED** by Marilyn Daley, **SECONDED** by Lorie Ann Richard that Allen, Paquet & Arseneau LLP be approved as Beaubear Credit Union's Auditor for the period ending December 31, 2022. **MOTION CARRIED**.

B. 2021 Board of Director Reimbursement of Expenses

The Board of Directors of Beaubear Credit Union recommends the reimbursement of expenses incurred by (a) board member(s) as a result of conducting credit union business on behalf of Beaubear Credit Union.

It was **MOVED** by Stephanie Gremley-Wiseman, SECONDED by David Barker that board members be reimbursed for expenses incurred as a result of conducting credit union business on behalf of Beaubear Credit Union. **MOTION CARRIED**.

C. 2021 Board of Director Remuneration

The Board of Directors of Beaubear Credit Union recommends that if (a) board member(s) incur a loss in wages for conducting any credit union business on behalf of Beaubear Credit Union, Beaubear Credit union will reimburse such member(s) for loss of wages to a maximum of $200.00 per day.

It was **MOVED** by Jason Hamilton, **SECONDED** by David Barker that board members be reimbursed for expenses incurred as a result of conducting credit union business on behalf of Beaubear Credit Union. **MOTION CARRIED**.

Election of Board of Directors:

Fred Homes explained the process for electing the Board of Directors. He stated that 2 of the 5 positions are for 3-year terms and 3 of 5 position are for a 2-year term.

If the incumbent directors are successful and continue in office, they will fill the vacated seats accordingly.

List of Candidates:

- Pat Clancy
  – current board member, reoffering
- Dane Gunnlaugson
  – current board member, reoffering
- Fred Holmes
  – current board member, reoffering
- Rick Lloyd
- Brent Tozer
- Tom MacLean

Members were asked to vote for 5 of the 6 nominees and were advised that ballots with more names than vacancies shall be considered spoiled ballots and not counted. As per by-law 5.20.11

Following the election, Pat Clancy, Dane Gunnlaugson, Fred Holmes, Rick Lloyd and Brent Tozer were the successful candidates. They will join Terry Williston, Lynn Estey, Mary Clark, Jason Hamilton and Judy Breau on the Board.

Adjournment:

MOTION to adjourn was made by Pat Clancy at 6:50PM and **SECONDED** by Mary Clark.

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CEO and President's Joint Message

The Beaubear team takes great pride in providing exceptional member experience, we value our members and their finances. 2022, we drew on our collective strengths and core values to lift our local communities as they struggled with social and financial impacts of a global pandemic. If there is a silver lining from living and working in the midst of a global pandemic it is the greater appreciation for the good that comes from working together for a common purpose. We truly believe that we are stronger together!

We have adapted to an ever-changing environment and despite uncertainty and constant change, Beaubear Credit Union achieved significant success, by taking the necessary steps to remain competitive, relevant, and profitable and remaining true to our roots. As a co-operative organization, we continuously assess our strategies and business decisions against the values and principles that have defined and guided us for eighty-four (84) years. We all should be proud of our hard-working accomplishments in 2022!

A company depends on leadership to thrive, and leadership starts with the board of directors. The Board held its strategic planning session in the fall which will assist in directing Beaubear Credit Union for the future. "Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning, and focused effort." -Paul J. Meyer

We had encountered staff changes with retirements and staff moving to new opportunities of growth. However, this opened the door for staff development with the ability to hire and train new staff! ***"Change is inevitable. Growth is intentional"*** -Glenda Cloud. I am extremely proud of the Beaubear Team. "It goes without saying that no company, small or large, can win over the long run without the amazing employees who believe in the mission and understand how to achieve it." -Jack Welch, GE

The financial services industry is on a path of accelerated transformation, and fostering strategic partnerships is a fundamental component to achieving success. This is a not a new concept for Beaubear Credit Union as we understand, appreciate and will continue to support and encourage collaborative approach to ensure we are well positioned to managed the challenges and embrace the opportunities in our changing landscape.

On behalf of the Board of Directors, I want to thank the management and staff of Beaubear Credit Union, Ltd. for their steadfast leadership and devotion throughout this past year of numerous changes. An organization is only as good as its people and our people are truly dedicated and go above and beyond to see Beaubear succeed and to make our members happy daily. We look forward to working with our members to provide the guidance and advice you need in making the best financial decisions or assisting with navigating the technology changes.

The Board, Management and Staff of Beaubear Credit Union wish to thank you for choosing us as your Financial Institution as it enables us to give back to the Community where we live. Transformational change is upon us for 2023 and we will embrace the opportunities that lie ahead.

Tosha Hamilton,
Chief Executive Officer, Beaubear Credit Union

Terry Williston, President,
Beaubear Credit Union Board of Directors

"You must be the change you wish to see in the world."
~Gandhi

Audit Committee Report

The Board of Directors of Beaubear Credit Union recognizes the importance of oversight related to financial reporting and ensuring the integrity of the Credit Union's financial statements and its internal control monitoring system. Matters relating to financial oversight will be assigned to the Audit/Risk Committee. It is a requirement of the Credit Union Act (the Act) and the Rules CU-001 General Section 18 & 19 of the Financial and Consumer Services Commission, that the committee shall have the following duties and authority:

- The Committee is primarily responsible to oversee the financial reporting process which includes ensuring the integrity of Beaubear Credit Union's financial statements and monitoring the system of internal control.
- Meet with the auditor of the credit union before the commencement of the audit to review the audit plan and to ensure that the audit committee understands the scope of the audit.
- The Committee is responsible for oversight of the Credit Union's ERM process and program.
- The Board has designated the Audit/Risk Committee to complete the duties of the Co-Operative Social Responsibility Committee and to oversee and recommend priorities for charitable giving including sponsorships and donations.
- The Committee is responsible for any other functions as may be assigned by the Board of Directors from time to time.
- The Committee will facilitate the tender or call for proposals of audit services, review proposals from external audit firms and recommend auditors for appointment.
- Review the reasonableness and significance of the financial position and reported results in the audited financial statements of the credit union for recommending to the directors that the audited financial statements be approved.
- Review the accounting principles and practices followed by the Credit Union during the fiscal year of the financial statements reviewed and all significant changes from the principles and practices followed during the preceding fiscal year.
- Review the audited financial statements of the Credit Union's subsidiaries, if there are subsidiaries.
- Discuss with the auditor the audit findings, restrictions on the scope of the auditor's work and problems that the auditor may have experiences performing the audit.
- Review the nature and extent of the auditor's evaluation of the internal control systems of the Credit Union.
- Review the recommendations made by the auditor to the management of the Credit Union and the response made by management to the recommendations.
- Review the organization and independence of the internal auditors of the Credit Union, including the internal auditor's goals and work plans and problems that they may have experienced in performing the internal audit.
- Report and make recommendations to the directors of the Credit Union arising from its duties that the committee considers appropriate in the circumstances.
- Report in writing to the members at the annual general meeting of the Credit Union on activities of the committee during the year.

The Audit Committee's principal role is to ensure that the appropriate level of due diligence has been directed towards ensuring an effective risk management and control framework has been implemented by management. This framework provides reasonable assurance that:

- The financial, operational and regulatory objectives of the Credit Union are achieved;
- That the governance and accountability of board and management are met and
- That there is oversight of risk management, internal control, financial reporting and compliance with regulatory matters.

The Committee met monthly with the CEO to review the financial progress of the Credit Union. The monthly meetings also included the Commercial Account Manager, and the Finance Officer.

During the past year, your Credit Union approved loans, mortgages and commercial requests totalling $17, 904,791 (excludes LOC). There were also 25 lines of credit limits (personal & commercial) for $1,539,200. The table below is a detailed breakdown of the loans processed and declined/cancelled for the past year.

There was an external audit/inspection performed by Financial and Consumer Services Commission (FCNB). They reviewed Capital, Assets, Management, Earnings and Asset/Liability Management.

We commend our Management and Staff and thank them for their hard work and due diligence throughout the year. We look forward to the opportunities and success during fiscal 2022, while continuing to protect the investments of our Members.

LOANS PROCESSED AND DECLINED/CANCELLED

Approved	Number	Dollar Amount	Declined/Cancelled	Number	Dollar Amount
Personal Loans	66	$1,067,942	Personal Loans	21	$427,251
Personal Mortgage	21	$ 8,615,751	Personal Mortgage	18	$990,946
Commercial Loans	4	$121,098	Commercial - Loans	3	$34,337
Commercial Mortgage	7	$8,100,000	Commercial –Mortgage	11	$7,947,700
Line of Credit (Personal & Commercial)	25	$1,539,200	Line of Credit (Personal & Commercial)	15	$214,650
Total	**123**	**$19,443,991**	**Total**	**68**	**$9,614,884**

Respectfully submitted,

Audit Committee:
Lynn Estey, Chair
Pat Clancy
Mary Clark
Jason Hamilton
Fred Holmes
Brent Tozer

Governance Committee Report

Despite the lifting of COVID restrictions, the decision was made to hold the 83rd Annual General Meeting virtually.

The Governance Committee continued to meet monthly throughout 2022 with directors attending some (or all) meetings remotely through ZOOM or audio conference call. The Committee consisted of Judy Breau, as Chair, with Dane Gunnlaugson, Jason Hamilton, Pat Clancy and Rick Lloyd as committee members.

The Board of Directors has assigned the Governance Committee the following oversight responsibilities:

- the size, composition and structure of the Board;
- assessments of the effectiveness and contribution of the Board, its committees and individual directors;
- Beaubear Credit Union's overall approach to its own corporate governance;
- develop and recommend to the Board for approval governance policies, practices and procedures;
- orientation and continuing education for directors;
- matters involving actual or potential conflicts of interest; and
- any additional matters delegated to the Committee by the Board.

The Committee continued to review and update current policies in coordination with the BCU Policy Review Schedule. The Board decision to proceed with the purchase of membership in OnBoard has made it much easier the Governance Committee, as well as all Directors, to work with and access the policies, other resources and meeting materials. In April, we adapted the Atlantic Central Cybersecurity Policy Framework followed later in the year by the Standards and Operating Procedures.

In October, the Committee conducted the annual Board Self-Assessment, in compliance with policy. Results were compiled and presented to the Board in November. The results were reviewed and a commitment was made to continue work towards improvements in our weaker areas.

Recently the Committee completed a revised version of the Beaubear Credit Union Director's Handbook combining the previous version and the Director's Orientation Manual into a single document and updating the information accordingly.

I would like to thank Committee members for their continued work, on the Governance of Beaubear, and Marilyn Daley for her dedication and input as resource to the Committee.

Respectfully submitted on behalf of the Governance Committee.

Judy Breau, Chair
Patrick Clancy
Dane Gunnlaugson
Jason Hamilton
Rick Loyd

Recommendations of the Board of Directors for consideration at the 2022 Annual Meeting

A) APPOINTMENT OF AUDITORS

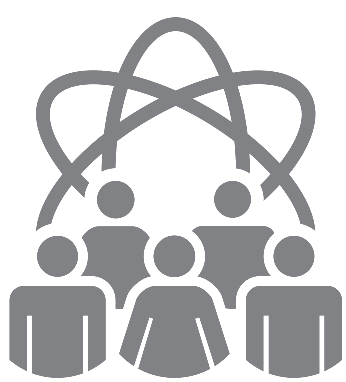
The Board of Directors of Beaubear Credit Union recommends the appointment of Allen, Paquet & Arseneau LLP as Beaubear Credit Union's auditor for the next financial period ending December 31, 2023.

B) BOARD OF DIRECTOR REIMBURSEMENT OF EXPENSES

The Board of Directors of Beaubear Credit Union recommends the reimbursement of expenses incurred by a board member(s) as a result of conducting credit union business on behalf of Beaubear Credit Union.

C) BOARD OF DIRECTOR REMUNERATION

The Board of Directors of Beaubear Credit Union recommends that if a board member(s) incur a loss in wages for conducting any credit union business on behalf of Beaubear Credit Union, Beaubear Credit Union will reimburse such member for loss of wages to a maximum of $300.00 per day.



Board of Directors

Terry Williston, President
Mary Clark, Secretary
Judy Breau
Pat Clancy
Lynn Estey
Dane Gunnlaugson
Jason Hamilton
Fred Holmes
Rick Lloyd
Brent Tozer

Employees

Karie Allain, MSR
Kelley Amos, Senior MSR
Cindy Brewer, MSR
Marilyn Daley, Financial Officer
Natalie Flynn, Senior MSR
Stephanie Gremley-Wiseman, Mktg and Advertising Coordinator
Erin Hambrook, Personal and Commercial Administrator
Tosha Hamilton, Chief Executive Officer
Bradley MacDonald, MSR
Cathy MacDonald, Personal Account Manager
Sherri Mountain, MSR
Kelly Muzzerall, MSR
Maggie Power, Personal Account Manager
Lorie Ann Richard, Commercial Account Manager
Natalie Savoie, Internal Control Officer
Angela Sutherland, MSR

*MSR Member Service Representative

Supporting Credit Union Initiatives

2022 Beaubear Credit Union Founders Scholarship Recipients

Tyler Mullin - MVHS
Presented by Chief Executive Officer,
Tosha Hamilton

Keona Jardine - NSER
Presented by Board of Director,
Fred Holmes

2022 Graduation Awards

MVHS Grad Awards w/ Town Hill Jewellery & Highland Society of NB Miramichi

- Megan Brennan -Female Student Who Best Combines Academic and Athletic Achievement
- Waylon Matchett - Male Student Who Best Combines Academic and Athletic Achievement

NSER Grad Awards

- Highest Standing in -Entrepreneurship 110 Haylee Ward
- Highest Standing in Pre-Calculus 120A Zoe Harris

James M Hill Awards

- James Watling - Improvement Prize
- Emma Pollock - Improvement Prize

2022 Highlights

Management's Responsibility for Financial Information

The management of Beaubear Credit Union is responsible for the integrity, objectivity and consistency of the financial information presented in this annual report. This responsibility includes selecting appropriate accounting policies which are in accordance with Canadian generally accepted accounting principles and ensuring that the financial information is based on informed judgments and estimates with appropriate consideration as to materiality. The Board of Directors has approved the financial statements for issuance to the members.

Management maintains the necessary system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

The Board of Directors oversees the management's responsibility for financial statements through the Audit Committee. The Audit Committee conducts a detailed review of the financial statements with management and the independent auditors before recommending their approval to the Board of Directors.

Allen, Paquet & Arseneau LLP, the independent auditors appointed by the members, have examined our financial statements in accordance with generally accepted auditing standards and issued their report below.

The auditors have full and complete access to and meet periodically with the Audit Committee to discuss the audit of the financial statements and matters arising there from.

Tosha Hamilton
Chief Executive Office

BEAUBEAR CREDIT UNION LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2022

Allen, Paquet & Arseneau LLP
CHARTERED PROFESSIONAL ACCOUNTANTS • COMPTABLES PROFESSIONNELS AGRÉÉS

INDEPENDENT AUDITORS' REPORT

To the Members of
Beaubear Credit Union Ltd.

Opinion
We have audited the financial statements of Beaubear Credit Union Ltd., which comprise the statement of financial position as at December 31, 2022, and the statements of operations and comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Beaubear Credit Union Ltd. as at December 31, 2022, 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 organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT (continued)

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 organization'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 organization'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 organization 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.

Miramichi, NB

Allen Paquet & Arseneau LLP

April 25, 2023

Chartered Professional Accountants

BEAUBEAR CREDIT UNION LTD.
Statement of Financial Position
As at December 31

	2022	2021
ASSETS		
Cash	**$ 8,196,203**	$ 10,118,902
Investments (Note 3)	**18,242,536**	16,939,466
Accounts receivable (Note 4)	**-**	29,817
Accrued interest receivable	**275,635**	113,766
Prepaid expenses	**380,064**	32,189
Loans receivable (Notes 5 and 7)	**51,167,500**	45,916,776
Future income taxes	**19,500**	16,500
Property and equipment (Note 6)	**1,099,693**	1,189,508
	$ 79,381,131	$ 74,356,924
LIABILITIES		
Member deposits (Note 11)	**$ 72,586,098**	$ 68,232,363
Accounts payable and accrued liabilities	**609,984**	528,660
Accrued interest on deposits	**259,499**	102,796
Income taxes payable	**32,741**	7,462
Lease liability (Note 8)	**665,749**	707,552
	74,154,071	69,578,833
MEMBERS' EQUITY		
Membership shares (Note 12)	**183,513**	193,538
Special reserve (Note 13)	**178,000**	178,000
Technology reserve (Note 9)	**50,000**	-
Surplus - Page 5	**4,815,547**	4,406,553
	5,227,060	4,778,091
	$ 79,381,131	$ 74,356,924

Approved by the board

______________________ Director

______________________ Director

BEAUBEAR CREDIT UNION LTD.
Statement of Operations and Comprehensive Income
For the year ended December 31

	2022	2021
INTEREST INCOME		
Interest on loans	**$ 2,236,668**	$ 1,967,904
Interest on investments	**317,763**	96,579
	2,554,431	2,064,483
INTEREST EXPENSE AND CREDIT LOSSES		
Interest on member deposits	**371,717**	224,948
Provision for credit losses	**116,027**	52,425
	487,744	277,373
FINANCIAL MARGIN	**2,066,687**	1,787,110
NON-INTEREST EXPENSES		
Amortization	**125,787**	127,472
General business	**834,904**	819,730
Member security	**97,999**	88,543
Occupancy	**119,457**	124,499
Organization	**66,470**	59,531
Personnel	**862,019**	830,442
	2,106,636	2,050,217
OTHER INCOME		
Commissions	**105,889**	123,901
Service charges	**386,908**	465,812
Miscellaneous	**81,655**	63,649
Canada Emergency Wage Subsidy	**6,355**	36,219
	580,807	689,581
EXCESS OF EARNINGS BEFORE INCOME TAXES	**540,858**	426,474
INCOME TAXES		
Current	**84,864**	52,123
Future (recoverable)	**(3,000)**	(800)
	81,864	51,323
EXCESS OF EARNINGS FOR THE YEAR - to Page 5	**$ 458,994**	$ 375,151

BEAUBEAR CREDIT UNION LTD.
Statement of Changes in Members' Equity
For the year ended December 31

	2022	2021
SURPLUS, beginning of year	**$ 4,406,553**	$ 4,031,402
Excess of earnings for the year - Page 4	**458,994**	375,151
	4,865,547	4,406,553
Transfer to technology reserve	**50,000**	-
SURPLUS, end of year	**$ 4,815,547**	$ 4,406,553

BEAUBEAR CREDIT UNION LTD.
Statement of Cash Flows
For the year ended December 31

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	**$ 458,994**	$ 375,151
Adjustments for		
Amortization	**125,787**	127,472
Future income taxes	**(3,000)**	(800)
	581,781	501,823
Change in non-cash working capital items:		
Decrease in accounts receivable	**29,817**	55,921
Increase in accrued interest receivable	**(161,869)**	(26,100)
Decrease (increase) in prepaid expenses	**(347,875)**	1,280
Increase in accounts payable and accrued liabilities	**81,324**	96,935
Increase (decrease) in accrued interest on deposits	**156,703**	(71,065)
Increase (decrease) in income taxes payable	**25,279**	(12,758)
	365,160	546,036
CASH FLOWS FROM FINANCING ACTIVITIES		
Member deposits	**4,353,735**	5,397,692
Repayment of leasing liability	**(41,803)**	(40,187)
Issuance (redemption) of members' shares	**(10,025)**	(18,346)
Technology reserve	**50,000**	-
Transfer to technology reserve	**(50,000)**	-
	4,301,907	5,339,159
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	**(1,303,070)**	(8,079,375)
Loans receivable	**(5,250,724)**	2,473,166
Purchase of property and equipment	**(35,972)**	(20,073)
	(6,589,766)	(5,626,282)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,922,699)**	258,913
CASH AND CASH EQUIVALENTS, beginning of year	**10,118,902**	9,859,989
CASH AND CASH EQUIVALENTS, end of year (Note 10)	**$ 8,196,203**	$ 10,118,902

1. STATUS AND NATURE OF ACTIVITIES

Beaubear Credit Union Ltd. was incorporated under the Credit Unions Act of New Brunswick (the Credit Unions Act) and its principal activity is providing financial services to its members. For financial reporting and regulatory matters, the Credit Union is under the authority of the Superintendent of Credit Unions, Province of New Brunswick.

2. SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements have been approved and authorized for issue by the Board of Directors on April 25, 2023.

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 17.

(a) Financial instruments

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

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income or fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss; the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as fair value through profit or loss; the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Credit Union may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at fair value through profit or loss. In addition, on initial recognition, the Credit Union may irrevocably designate a financial asset that otherwise meets the requirement to be measured at amortized cost or at fair value through other comprehensive income as fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

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

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

- how the performance of the portfolio is evaluated and reported to the Credit Union's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Credit Union's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessment of whether contractual cash flows are solely payments of principal and interest
For the purpose of this assessment, "principal" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

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

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

Non-recourse loans
In some cases, loans made by the Credit Union that are secured by collateral of the borrower limit the Credit Unions' claim to cash flows of the underlying collateral (non-recourse loans). The Credit

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) **Financial instruments (continued)**

Union applies judgment in assessing whether the non-recourse loans meet the solely payments of principal and interest criterion. The Credit Union typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Credit Union's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Credit Union will benefit from any upside from the underlying assets.

Contractually linked instruments
The Credit Union has some investments in securitizations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the solely payments of principal and interest criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are solely payments of principal and interest without looking through to the underlying pool of financial instruments;

- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are solely payments of principal and interest; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are solely payments of principal and interest; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and

- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing financial assets. There were no changes to any of the Credit Union business models during the current year.

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

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

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

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

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

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in profit or loss as part of the gain or loss on de-recognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Credit Union plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the de-recognition criteria are not usually met in such cases.
If the modification of a financial asset measured at amortized cost or fair value through other comprehensive income does not result in de-recognition of the financial asset, then the Credit Union first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

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

Restructured financial liabilities
The Credit Union derecognizes a financial liability when its terms are modified and the cash flows of

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

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

If the modification of a financial liability is not accounted for as de-recognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss.

For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

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

Income and expense are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Credit Union's trading activity.

Impairment
The Credit Union recognizes loss allowances for expected credit losses on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognized on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime expected credit losses is recognized but which are not credit impaired are referred to as "Stage 2 financial instruments".

Measurement of expected credit losses
Expected credit losses are a probability weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Credit Union in accordance with the contract and the cash flows that the Credit Union expects to receive);

- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive; and

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Credit Union expect to recover.

Credit impaired financial assets
At each reporting date, the Credit Union assesses whether financial assets carried at amortized cost and debt financial assets carried at fair value through other comprehensive income are credit impaired (stage 3). A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for a security because of financial difficulties.

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

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

- financial assets are measured at amortized cost: as a deduction from the gross carrying amount of

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

the assets;

- loan commitments and financial guarantee contracts: generally, as a provision;

- where a financial instrument includes both a drawn and an undrawn component, and the Credit Union cannot identify the expected credit losses on the loan commitment component separately from those on the drawn component: the Credit Union presents a combined loss allowance for both components. The combined
amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- debt instruments measured at fair value through other comprehensive income: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-offs
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in "impairment losses on loans" in the statement of operations. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Credit Union's procedures for recovery of amounts due.

Recognition and derecognition
Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the financial instrument. The Credit Union recognizes financial instruments at the trade date. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

(b) Property and equipment

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

Buildings	25 years Straight-line
Office equipment	10 years Straight-line
ATM	4 years Straight-line
Safekeeping equipment	20 years Straight-line
Computer equipment	5 years Straight-line

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreclosed assets

Foreclosed assets held for sale, if any, are carried at the lower of the carrying value of the loan foreclosed, adjusted for revenues received and costs incurred subsequent to foreclosure, and the estimated net proceeds from sale of the assets less costs to sell.

(d) Income taxes

The Credit Union uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in the period that includes the date of enactment or substantive enactment.

(e) Membership shares

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

Under the Credit Unions Act of New Brunswick, the Credit Union is not permitted to make distributions on redemption by members if the distributions will cause the Credit Union to fall below legislated capital requirements (Note 15). Membership shares are presented as equity to the extent they are required to meet the legislated capital requirements.

(f) Revenue recognition

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

(i) the amount of revenue can be measured reliably;

(ii) it is probable that the economic benefits associated with the transaction will flow to the entity;

(iii) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and

(iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognised that are recoverable.

Interest income is recognized using the effective interest method.

Dividends are recognized when the Credit Union's right to receive the payment is established.

(g) Foreign currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(h) Leases

At inception of a contract, the Credit Union assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Credit Union uses the definition of a lease in IFRS 16.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases (continued)

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

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

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

(i) Standards, amendments and interpretations not yet effective

There are currently no new standards, amendments or interpretations that have been published that are mandatory or relevant for the Credit Union's accounting periods beginning on or after January 1, 2023.

3. INVESTMENTS

	2022	2021
Amortized cost		
Liquidity reserve	$ 5,948,124	$ 5,637,574
Atlantic Central - term deposit	11,250,000	10,250,000
Fair value through profit and loss		
Atlantic Central common shares	734,370	747,610
Atlantic Central LM shares	129,092	123,332
Atlantic Central League Data class B preferred shares	34,850	34,850
Atlantic Central Class NB shares	146,000	146,000
Atlantic Co-op shares	100	100
	$ 18,242,536	$ 16,939,466

The Credit Union holds five term deposits with Atlantic Central. The first term deposit of $2,250,000 matures on February 7, 2023 and bears interest at 1.39%. The second term deposit of $2,000,000 matures on June 21, 2023 and bears interest at 3.45%. The third term deposit of $1,000,000 matures on March 9, 2023 and bears interest at 1.60%. The fourth term deposit of $5,000,000 matures on August 11, 2023 and bears interest at 3.66%. The fifth term deposit of $1,000,000 matures March 17, 2023 and bears interest at 2.16%.

The Credit Union must maintain a minimum liquidity reserve with Atlantic Central at 8% of total liabilities at December 31 each year. Deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total assets or upon withdrawal of membership from Atlantic Central.

Atlantic Central shares are subject to an annual re-balancing mechanism and are issued and redeemable at par value. Fair value is equal to redemption value.

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

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

4. ACCOUNTS RECEIVABLE

	2022	2021
Trade receivables	$ -	$ 11,465
Canada Emergency Wage Subsidy receivable	-	18,352
	$ -	$ 29,817

5. LOANS RECEIVABLE

	2022	2021
Personal loans:		
Mortgages	$ 16,620,101	$ 17,046,940
Other (LOC, term, student, etc.)	5,006,255	5,932,560
Commercial loans:		
Mortgages	23,127,606	19,550,439
Business loans	6,902,476	3,772,543
	51,656,438	46,302,482
Allowance for impaired loans	(488,938)	(385,706)
Net loans to members	$ 51,167,500	$ 45,916,776

Terms and conditions

Personal loans have fixed or variable rates of interest with a maturity date of up to twenty years depending on the economic life of the security pledged and the relative policy section for each loan type. Student line of credits have a variable rate of interest with a maturity date of up to ten years. Mortgages have a variable or fixed rate of interest with a maturity date of up to twenty five years.

The interest rate offered on fixed rate loans being advanced at December 31, 2022 is 2.00% to 15.44%.

Variable rate student loans are based on prime rate formula of prime plus 1.00% to 2.00%. The Credit Union's prime rate at December 31, 2022 was 6.45%.

Residential mortgages are loans secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

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

Fair value

The fair value of member loans at December 31, 2022 was $51,656,438 (2021 - $46,302,482).

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

Concentration risk

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments. A significant portion of member loans are with members located in and around Miramichi, New Brunswick.

6. PROPERTY AND EQUIPMENT

	2022							
	Land	**Buildings**	**Office equipment**	**Leasehold improvements**	**ATM**	**Safekeeping equipment**	**Computer equipment**	**Total**
Cost								
Balance as at January 1, 2022	$ 146,115	$ 1,676,026	$ 152,072	$ 2,028	$ 128,445	$ 151,814	$ 133,957	$ 2,390,457
Additions	-	35,972	-	-	-	-	-	35,972
Disposals	-	-	-	-	-	-	-	-
Balance as at December 31, 2022	$ 146,115	$ 1,711,998	$ 152,072	$ 2,028	$ 128,445	$ 151,814	$ 133,957	$ 2,426,429
Accumulated amortization								
Balance as at January 1, 2022	$ -	$ 734,035	$ 143,369	$ 1,859	$ 128,445	$ 97,801	$ 95,440	$ 1,200,949
Amortization expense	-	93,607	6,523	169	-	7,591	17,897	125,787
Balance as at December 31, 2022	$ -	$ 827,642	$ 149,892	$ 2,028	$ 128,445	$ 105,392	$ 113,337	$ 1,326,736
Net book value								
December 31, 2022	$ 146,115	$ 884,356	$ 2,180	$ -	$ -	$ 46,422	$ 20,620	$ 1,099,693
December 31, 2021	$ 146,115	$ 941,991	$ 8,703	$ 169	$ -	$ 54,013	$ 38,517	$ 1,189,508

The cost of the right-of-use asset that was recognized at January 1, 2019 was $826,222.

The accumulated depreciation of the right-of-use asset at December 31, 2022 was $236,063.

7. ALLOWANCE FOR IMPAIRED LOANS

Allowance for impaired loans:

	Gross carrying amount	Expected credit losses allowance	2022 Carrying amount
Personal loans:			
Mortgages	$ 16,620,101	$ (39,826)	$ 16,580,275
Other (LOC, term, student, etc.)	5,006,255	(250,772)	4,755,483
Commercial loans:			
Mortgages	23,127,606	(24,978)	23,102,628
Business loans	6,902,476	(173,362)	6,729,114
	$ 51,656,438	$ (488,938)	$ 51,167,500

	Gross carrying amount	Expected credit losses allowance	2021 Carrying amount
Personal loans:			
Mortgages	$ 17,046,940	$ (37,124)	$ 17,009,816
Other (LOC, term, student, etc.)	5,932,560	(232,400)	5,700,160
Commercial loans:			
Mortgages	19,550,439	(21,114)	19,529,325
Business loans	3,772,543	(95,068)	3,677,475
	$ 46,302,482	$ (385,706)	$ 45,916,776

	12 months expected credit losses (Stage 1)	Lifetime non-credit impaired (Stage 2)	Lifetime credit impaired (Stage 3)	2022 Total
Beginning balance	$ 285,786	$ 78,886	$ 21,034	$ 385,706
Stage 1	51,007	(51,007)	-	-
Stage 2	(55,884)	55,884	-	-
Stage 3	(43,599)	-	43,599	-
Re-measurement	110,623	11,495	(8,650)	113,468
Realized losses	-	-	(15,895)	(15,895)
Recoveries	-	-	5,659	5,659
	$ 347,933	$ 95,258	$ 45,747	$ 488,938

7. ALLOWANCE FOR IMPAIRED LOANS (continued)

		Allowance for credit losses			
	Gross amount	**Stage 1**	**Stage 2**	**Stage 3**	**Net amount**
Personal					
Mortgages	$ 16,620,101	$ 21,499	$ 18,327	$ -	$ 16,580,275
Other	5,006,255	128,094	76,931	45,747	4,755,483
Commercial					
Mortgages	23,127,606	24,978	-	-	23,102,628
Business loans	6,902,476	173,362	-	-	6,729,114
	$ 51,656,438	$ 347,933	$ 95,258	$ 45,747	$ 51,167,500

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

Stage 1 – Where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to twelve months expected credit losses is recorded. The expected credit losses is computed using a probability of default occurring over the next twelve months.

Stage 2 – When a financial instrument experiences a significant increase in credit risk subsequent to initial recognition but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit losses based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage.

The probability of default, exposure at default, and loss given default are inputs used to estimate the expected credit losses, and are modelled based on macroeconomic factors that are closely related with credit losses in the relevant portfolios.

Details of these statistical parameters/inputs are as follows:

Probability of default - is an estimate of the likelihood of default over a given time horizon, and is expressed as a percentage. Probability of default is adjusted based on historical experience and changes in forward-looking information to considered indicators of changes in the probability of default.

Exposure at default - is the expected exposure in the event of default at a future default date, and is expressed as an amount. This includes the expected amount, if any, of future advances of unused line of credits, overdraft limits or other loan commitments that may not be advanced as at the reporting date.

Loss given default - is an estimate of the loss arising in cases where a default occurs at a given time and is based on the difference between the contractual cash flows due and those that the Credit Union would expect to receive, including from the realization of any collateral. It is expressed as a percentage of the exposure at default.

7. ALLOWANCE FOR IMPAIRED LOANS (continued)

Forward-looking information

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

Unemployment rates:
Base - 7.80% (2021 - 9.10%)
Range - 8.20% and 7.80% (2021 - 9.10% and 8.20%)

Interest rates:
Base - 6.45% (2021 - 2.45%)
Range - 6.45% and 2.45% (2021 - 2.45% and 3.95%)

Assessment of significant increase in credit risk

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

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

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

Personal loans and residential mortgages
- Payment history
- External data related to change in financial abilities

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

8. LEASE LIABILITY

The Credit Union has a lease for Branch #2 at 202 Pleasant Street, Miramichi, New Brunswick. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of sales) are excluded from the initial measurement of the lease asset and liability. The Credit Union classifies its right-of-use asset in a consistent manner to its property, plant and equipment (see Note 6).

The original lease has a term of ten years, with a renewal option for another ten years in 2023. Lease payments are fixed for the first 10 years, however in the renewal option, the payments are subject to a CPI increase each year to a maximum 3% per year.

The lease imposes a restriction that, unless approved by the lessor, the property can only be used by the Credit Union. The lease is non-cancellable. The Credit Union is prohibited from selling or pledging the underlying leased asset as security. Further, the Credit Union is required to keep the property in good state, must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease agreement.

The following explains the Credit Union's leasing activity: the Credit Union has one right-of-use asset leased for Branch #2 at 202 Pleasant Street, Miramichi, New Brunswick. The remaining term of the lease is three years, with a renewal option of ten years available at the end of the lease.

The timing of the lease liability payments are as follows:
Current $45,592
Non-Current $620,157

	2022	2021
Balance, January 1	$ 707,552	$ 747,739
Payments	(69,000)	(69,000)
Interest	27,197	28,813
	$ 665,749	$ 707,552

9. TECHNOLOGY RESERVE

	2022	2021
Beginning balance	$ -	$ -
Transfer to reserve	50,000	-
Ending balance	$ 50,000	$ -

The board of directors approved a $50,000 transfer of retained earnings into a technology reserve to be used to fund system changes and initiatives. Any utilization of the reserve will require the approval of the board of directors.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and current accounts held with Atlantic Central. The Credit Union maintains an authorized line of credit, which was not utilized at year end, with Atlantic Central in the amount of $1,862,000 with an interest rate of 6.45%. The line is secured by investments with Atlantic Central and a general assignment of book debts.

11. MEMBER DEPOSITS

	2022	2021
Chequing	$ 28,103,983	$ 26,647,321
Demand	22,030,104	21,842,324
Term	13,129,412	11,863,831
Registered retirement savings plans	2,977,590	2,486,934
Registered retirement investment funds	1,832,825	1,904,286
Tax free savings accounts	4,512,184	3,487,667
	$ 72,586,098	$ 68,232,363

Terms and conditions

Commercial chequing deposits are due on demand and bear interest at a variable rate up to 0.45% at December 31, 2022 depending on the balance in the account.

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

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest rates offered on term deposits issued on December 31, 2022 range from 0.20% to 5.10%.

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

Registered retirement income funds (RRIFs) consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above. Members may make withdrawals from an RRIF account on a monthly, semi-annual, or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

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

Included in chequing deposits are amounts of $132,548 (2021 - $150,952) denominated in US dollars. Included in savings deposits are amounts of $15,677 (2020 - $14,306) denominated in US dollars.

Concentration of risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments. No individual or related groups of member deposits exceed 10% of member deposits. Substantially all member deposits are with members located in and around Miramichi, New Brunswick.

11. MEMBER DEPOSITS (continued)

Fair value

The fair value of member deposits at December 31, 2022 was $72,537,154 (2021 - $68,191,312). The estimated fair value of the variable rate deposits is assumed to be equal to book value as the interest rates on these deposits re-price to market on a periodic basis. The estimated fair value of fixed rate deposits is determined by discounting the expected future cash flows at current market rates for products with similar terms.

12. MEMBER SHARES

	2022	2021
Membership shares	$ 183,513	$ 193,538

Membership shares are a requirement for membership in the Credit Union and are redeemable on withdrawal from membership. Pursuant to the Credit Unions' by-laws, the value of each membership share is $5. The authorized share capital is not covered by Credit Union deposit insurance and the shares have various restrictions on withdrawal. The number of membership shares issued and outstanding at December 31, 2022 is 37,103 (2021 - 38,708).

13. ATLANTIC CENTRAL TRANSACTION AND CREDIT UNION CENTRAL NEW BRUNSWICK WIND UP

The Credit Union received $178,000 as a gain on sale of shares on September 30, 2011, as a result of rebalancing of cash and shares from Credit Union Central New Brunswick into the new Atlantic Central. This income, which is included in a special reserve, is not to be distributed in any form and is frozen for an indefinite period subject to the Risk Management Agency's review at that time.

14. RELATED PARTY TRANSACTIONS

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

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

	2022	2021
Board expenses (including annual meeting)	$ 1,463	$ 2,906
Aggregate value of loans advanced	991,037	1,280,955
Aggregate value of lines of credit advanced	6,058	5,319

14. RELATED PARTY TRANSACTIONS (continued)

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

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

In accordance with the profit sharing provision in the collective agreement between the Credit Union and it's employees, an amount of $19,845 was accrued at year end to be distributed equally to all staff and management.

15. CAPITAL MANAGEMENT

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

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

New Brunswick Credit Union Legislation

Regulatory capital:

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

	2022	2021
Membership shares	0.23 %	0.26 %
Retained earnings/special reserve	6.29 %	6.17 %
	6.52 %	6.43 %

16. RISK MANAGEMENT

The types of risk inherent in the Credit Union environment include credit, liquidity and interest rate risk.

(a) Credit Risk

Credit risk is the risk that the Credit Union will incur a loss because a member fails to meet an obligation. Risk management policies are implemented by management and the Board. These include the evaluation of the member's character, ability to pay, and the value of collateral available to secure the loan, and the regular monitoring of member information such as delinquent and over-limit amounts.

In addition, the Credit Unions Act requires the Credit Union to maintain, at all times, a prescribed capital base. The required level of capital, consisting of share capital and retained earnings, is 5% of total assets. The actual capital base at December 31, 2022 is detailed in Note 15 to the financial statements.

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

(b) Liquidity Risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members. To mitigate this risk, the Credit Union is required under the Credit Unions Act to maintain, at all times, liquid assets that are adequate in relation to the business carried on. The level of liquidity is based on a prescribed percentage of total liabilities. At December 31, 2022, the prescribed liquidity requirement was 10% of total liabilities of which 8% is to be in liquid deposits with Atlantic Central. The actual liquidity was 19% of total liabilities, and 8% was in liquidity deposits with Atlantic Central.

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

16. RISK MANAGEMENT (continued)

(c) Interest rate risk

Interest rate risk refers to the potential impact on the Credit Union's earnings and net asset values due to changes in interest rates. Interest rate risk results primarily from differences in the maturity or re-pricing dates of assets and liabilities. The Credit Union manages the impact of interest rate changes with self-imposed limits, thus minimizing fluctuations of income during periods of changing interest rates. The Credit Union's major source of income is the financial margin between income earned on investments and loans to members, and interest paid to members on their deposits and interest on temporary borrowings.

The Credit Union is exposed to interest rate risk as a consequence of the mismatch between the assets and liabilities. Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

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

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

	Assets	Liabilities and members' equity	Net asset/liability mismatch
0-6 months	$ 25,192,660	$ 34,288,193	$ (9,095,533)
6-12 months	16,741,575	9,596,823	7,144,752
1-2 years	9,355,924	1,150,576	8,205,348
2-3 years	9,966,665	806,470	9,160,195
3-5 years	10,918,343	1,964,431	8,953,912
Non interest sensitive	7,205,964	31,574,638	(24,368,674)
	$ 79,381,131	$ 79,381,131	$ -

(d) Fair value of financial instruments

The estimated fair values of the Credit Union's financial instruments disclosed do not reflect the value of items that are not considered financial instruments, such as capital assets. Since many of the Credit Union's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments. The carrying value of the Credit Union's financial instruments are not adjusted to reflect changes in interest rates, as it is the Credit Union's intention to hold the instruments to maturity.

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

16. RISK MANAGEMENT (continued)

(e) Currency risk

Currency risk is the risk to the organization's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization does not use derivative instruments to reduce its exposure to foreign currency risk.

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

17. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

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

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

Fair value of financial instruments

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

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

Classification of financial assets

The classification of financial assets requires an assessment of the business model within which assets are held and an assessment of whether the contractual terms of the financial assets have primarily cash flows that are solely payments of principle and interest on the principle outstanding.

Member loan loss provision

Impairment of financial instruments is assessed on whether credit risk on the financial asset has significantly increased since initial recognition and requires forward looking information in the measurement of expected credit losses.

In determining the collective loan loss provision management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. Further details on the estimates used to determine the allowance for impaired loans are provided in Notes 5 and 7.

18. COMMITMENT

One of the Credit Union's two branches operates from a leased premises. The lease expires December 31, 2023 with a renewable option for a further 10 years. The minimum annual rent is $60,000 plus HST.

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