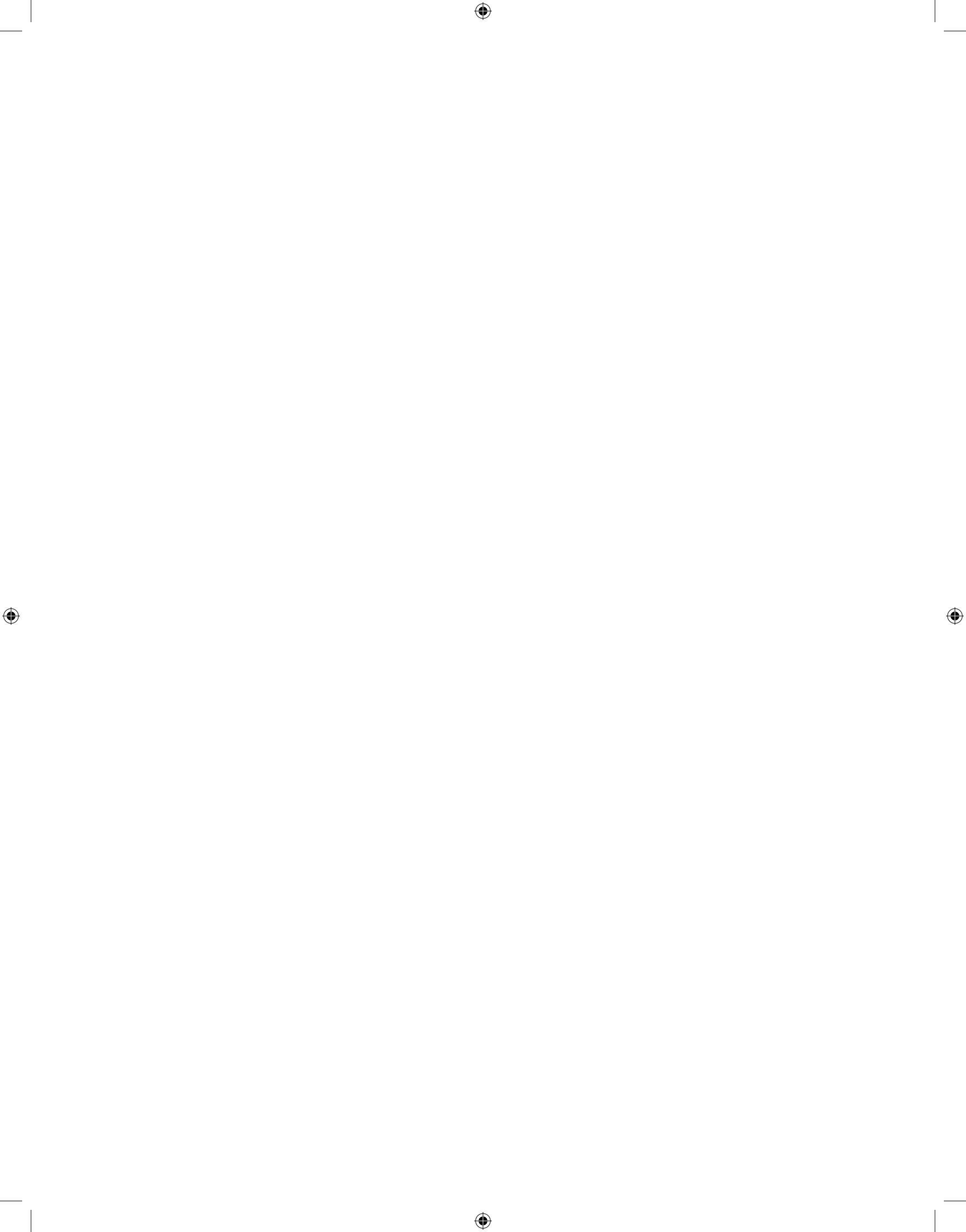


# ANNUAL REPORT

2023



PROVINCIAL  
GOVERNMENT  
EMPLOYEES



**Our mission at Provincial Government Employees Credit Union is to provide a full range of financial services and products to our valued members in an ethical and professional manner to enhance their financial well-being and that of our community.**



**CREDIT  
UNION**

PROVINCIAL  
GOVERNMENT  
EMPLOYEES



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### Agenda

- Call to Order
- In Memoriam
- Approval of 2022 AGM Minutes
- Board of Directors Report
- Chief Executive Officers Report
- Auditor Report and Financial Report for 2023
- Committee Report- As per Package
  - Credit Committee Report
  - Audit Committee Report
  - Governance and Strategic Planning  
Committee Report
  - Marketing and Member Relations Report
  - Nominating Committee Report
- Board Confirmed for 2023-2024
- Appointment of Auditor
- New Business
- Adjournment



## 2023 Annual Meeting Minutes

For the year ending 2022

### Call to order:

The 85th annual meeting of Provincial Government Employees Credit Union Limited was held on Thursday, April 27, 2023 at our location at 1718 Argyle St, Halifax, NS.

Mr. Jim Sherry called the meeting to order at 4:00pm.

### Moment of Silence for Departed Members:

Mr. Sherry welcomed all those in attendance, and called for a moment of silence as a tribute or respect to the members who passed away during the year 2023.

Motion Carried.

### Minutes of the 2022 Annual Meeting:

Mr. Jim Sherry called on Mrs. Ingrid Foshay Murphy to read the previous minutes aloud. These were moved by Mr. Mark Peck and seconded by Mrs. Meredith Cowan.

Motion Carried.

### Board of Director's Report:

Mr. Mark Peck took the chair's seat and asked Mr. Jim Sherry to read the Directors report. There being no questions, Mr. Mark Peck moved to accept the report which was seconded by Mrs. Meredith Cowan.

Motion Carried.

### CEO Report:

Mrs. Ingrid Foshay Murphy presented the report of the CEO. There being no questions or comments, Mr. Sherry called on the membership to accept the report. This was moved by Mr. Mark Peck and seconded by Mr. Stephen McManus.

Motion Carried.

### Report of the Auditors:

Mr. Jim Sherry called upon Ms. Dragana Cooper of Baker Tilly to present the financial statements for the year ending December 31, 2022. Ms. Cooper indicated that Provincial Government Employees Credit Union's equity is financially healthy. After discussion and with there being no additional questions or comments, Mr. Stephen McManus moved to adopt the report and Mrs. Meredith Cowan seconded.

Motion Carried.

### Audit Committee:

Mr. Jim Sherry called upon Mr. Stephen McManus to read the Audit Committee Report. There were no questions. Mr. Jim Sherry moved to adopt the report and Mr. Mark Peck seconded the motion.

Motion Carried.

### Credit Committee:

Mr. Jim Sherry called upon Mr. Mark Peck to present the Credit Report. There being no questions, Mr. Sherry called to adopt the report, Mrs. Meredith Cowan moved, and seconded by Mr. Stephen McManus.

Motion Carried.



## 2023 Annual Meeting Minutes

For the year ending 2022

### Marketing Committee:

Mrs. Meredith Cowan read the Marketing and Member Relations Committee Report. There being no questions the report was adopted and moved by Mrs. Meredith Cowan and seconded by Mr. Mark Peck.

Motion Carried.

### Nomination Committee:

Mr. Jim Sherry called upon Mrs. Meredith Cowan to read the report of the nomination committee. As of December 31, 2022 there were 3 Directors up for re-election: Mr. Gerry Langille, Mrs. Miriam Murray and Mr. Mark Peck. At the closing of nomination, there were no new nominations to the Board of Directors. There being no questions or comments, Mrs. Cowan called for the adoption of the report. This was moved by Mrs. Meredith Cowan and seconded by Mr. Stephen McManus.

Motion Carried.

### New Business:

No new business.

### Adjournment:

There being no further business, Mr. James Sherry adjourned the meeting at 4:30pm.





## Board of Directors' Report

The Board of Directors of the Provincial Government Employees Credit Union is pleased to report that 2023 was another successful year for the credit union and its members.

The continued success of the credit union is due to the exceptional work of the staff. Year over year members continue to call out the incredible and personalized support they receive from the dedicated team of professionals here at the Provincial Government Employees Credit Union. They are an incredible group who go above and beyond everyday. The board thanks them.

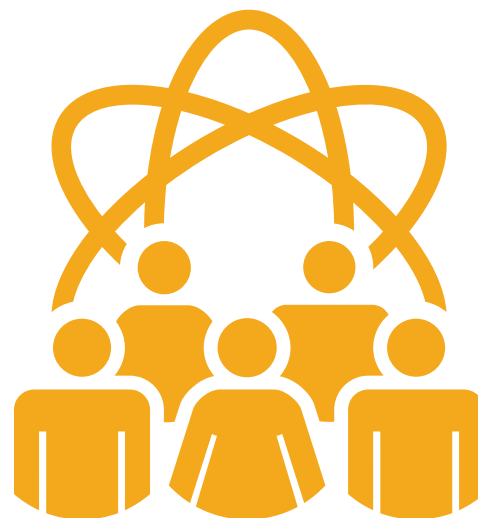
I would like to thank my colleagues on the board whose guidance and oversight is instrumental in the success of the credit union. For many the role on the board and the committees is in addition to the many other things that you do, including your career, families and other volunteer commitments, thank you for your continued commitment.

Finally, it is with great respect and admiration that we say goodbye to Ingrid Foshay Murphy who is retiring in 2024. Ingrid has been with the Provincial Government Employees Credit Union for 30 years, CEO for 23 years. Her keen eye for numbers, her quick wit and deep concern for members and her staff have been the cornerstone of the success of the credit union. The Board of Directors would like to thank Ingrid for her work and wish her good health and happiness in her retirement.

On behalf of the Board, I would like to thank our members and their continued trust in us.

Respectfully submitted,

Meredith Cowan





**PROVINCIAL GOVERNMENT EMPLOYEES  
CREDIT UNION LIMITED**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**





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www.bakertilly.ca

## INDEPENDENT AUDITORS' REPORT

To the Members of:  
**Provincial Government Employees Credit Union Limited**

### *Opinion*

We have audited the financial statements of **Provincial Government Employees Credit Union Limited** ("the Credit Union"), which comprise the statement of financial position as at December 31, 2023 and the statements of comprehensive income and changes in retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2023, and results of 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Baker Tilly Nova Scotia is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All Members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.



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.

*Auditors' 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 auditors' 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 auditors' 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 auditors' 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  
April 12, 2024

**Chartered Professional Accountants**



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 4**  
**STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN**  
**RETAINED EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023	2022
	\$	\$
<b>INTEREST INCOME</b>	<b>1,946,670</b>	<b>1,628,531</b>
<b>INTEREST EXPENSE</b>	<u><b>709,927</b></u>	<u><b>262,278</b></u>
<b>GROSS FINANCIAL PROFIT</b>	<b>1,236,743</b>	<b>1,366,253</b>
<b>SERVICE CHARGES AND OTHER REVENUE (Note 19)</b>	<u><b>247,966</b></u>	<u><b>189,112</b></u>
<b>FINANCIAL MARGIN</b>	<u><b>1,484,709</b></u>	<u><b>1,555,365</b></u>
<b>OPERATING EXPENSES</b>		
Amortization	24,278	25,032
Charitable donations and education awards	6,647	7,211
General and administrative	601,833	491,627
Members' security	55,444	55,383
Occupancy	48,571	44,724
Personnel salaries and benefits	642,437	634,832
Recovery of impaired loans (Note 5(i))	<u>( 38,706)</u>	<u>-</u>
	<u><b>1,340,504</b></u>	<u><b>1,258,809</b></u>
<b>EARNINGS BEFORE INCOME TAXES</b>	<u><b>144,205</b></u>	<u><b>296,556</b></u>
<b>PROVISION FOR INCOME TAXES</b>		
Current	16,679	32,004
Deferred	<u>-</u>	<u>-</u>
	<u><b>16,679</b></u>	<u><b>32,004</b></u>
<b>NET INCOME and COMPREHENSIVE INCOME</b>	<b>127,526</b>	<b>264,552</b>
<b>RETAINED EARNINGS - beginning of year</b>	<u><b>4,358,362</b></u>	<u><b>4,093,810</b></u>
<b>RETAINED EARNINGS - end of year</b>	<u><b>4,485,888</b></u>	<u><b>4,358,362</b></u>

The accompanying notes are an integral part of these financial statements



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 5**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023**

	2023	2022
	\$	\$
<b>ASSETS</b>		
<b>MEMBERS' LOANS (Note 5)</b>		
Mortgages under administration	2,801,500	3,037,839
Mortgages	25,896,109	18,262,960
Personal	9,281,199	11,756,341
Accrued interest	<u>26,732</u>	<u>37,555</u>
	38,005,540	33,094,695
Allowance for impaired loans (Note 5(i))	<u>(128,338)</u>	<u>(198,388)</u>
	37,877,202	32,896,307
<b>INVESTMENTS (Note 6)</b>	994,869	3,009,459
<b>PROPERTY AND EQUIPMENT (Note 7)</b>	<u>161,078</u>	<u>182,017</u>
	<u>39,033,149</u>	<u>36,087,783</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 8)	3,955,720	5,529,681
Income taxes recoverable	901	-
Other assets (Note 9)	<u>3,517,154</u>	<u>7,749,024</u>
	<u>7,473,775</u>	<u>13,278,705</u>
	<u>46,506,924</u>	<u>49,366,488</u>
<b>LIABILITIES</b>		
<b>MEMBERS' DEPOSITS (Note 10)</b>		
Savings and chequing	18,755,314	22,135,076
Deferred salary deposits	1,887,135	2,204,684
Term deposits	20,902,058	20,409,762
Accrued interest	<u>356,053</u>	<u>153,645</u>
	41,900,560	44,903,167
<b>MEMBERS' SHARES (Note 11)</b>	<u>13,040</u>	<u>13,095</u>
	<u>41,913,600</u>	<u>44,916,262</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	107,436	69,783
Income taxes payable	-	22,081
	<u>107,436</u>	<u>91,864</u>
	<u>42,021,036</u>	<u>45,008,126</u>
<b>MEMBERS' EQUITY</b>		
<b>RETAINED EARNINGS (Note 13)</b>	<u>4,485,888</u>	<u>4,358,362</u>
	<u>46,506,924</u>	<u>49,366,488</u>
<b>COMMITMENTS (Note 20)</b>		

Approved by the Board of Directors

*Stephen mcmanus*

Director

*M Cowan*

Director

The accompanying notes are an integral part of these financial statements



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 6**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023	2022
	\$	\$
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING</b>		
Net income and comprehensive income	127,526	264,552
Item not affecting cash		
Amortization	<u>24,278</u>	<u>25,032</u>
	151,804	289,584
Changes in operating assets and liabilities		
Other assets	4,231,871	830,787
Accounts payable and accrued liabilities	37,652	( 19,712)
Income taxes payable	<u>( 22,981)</u>	<u>16,116</u>
	<u>4,398,346</u>	<u>1,116,775</u>
Changes in member activities (net)		
Increase in members' loans	( 10,904,397)	( 5,730,253)
Increase (decrease) in members' deposits	<u>( 3,002,607)</u>	<u>1,013,130</u>
	<u>( 13,907,004)</u>	<u>( 4,717,123)</u>
Cash flows related to interest		
Interest received on members' loans	1,565,948	1,304,515
Interest received on investments	369,899	339,274
Interest paid on members' deposits	<u>( 507,520)</u>	<u>( 330,761)</u>
	<u>1,428,327</u>	<u>1,313,028</u>
Total cash from operating activities	<u>( 8,080,331)</u>	<u>( 2,287,320)</u>
<b>FINANCING</b>		
Members' shares issued	610	275
Members' shares redeemed	<u>( 665)</u>	<u>( 695)</u>
	<u>( 55)</u>	<u>( 420)</u>
<b>INVESTING</b>		
Disposal (acquisition) of investments	6,509,764	1,477,364
Acquisition of property and equipment	<u>( 3,339)</u>	<u>( 2,126)</u>
	<u>6,506,425</u>	<u>1,475,238</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>( 1,573,961)</b>	<b>( 812,502)</b>
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u><b>5,529,681</b></u>	<u><b>6,342,183</b></u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u><b>3,955,720</b></u>	<u><b>5,529,681</b></u>

The accompanying notes are an integral part of these financial statements



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**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**1. NATURE OF OPERATIONS**

Provincial Government Employees Credit Union Limited ("the Credit Union") is a financial institution incorporated under the Companies Act of Nova Scotia and its operations are subject to the Credit Union Act of Nova Scotia.

The Credit Union operates a closed bond credit union, where the only members are employees or retirees of the Nova Scotia public service or members of the Nova Scotia Government Employees Union and their spouses, dependents, or former members of these groups. The Credit Union office is located in Halifax, Nova Scotia.

These financial statements have been authorized for issue by the Board of Directors on March 27, 2024.

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

Statement of compliance and basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("the IASB"). The principle accounting policies applied in the preparation of these financial statements are set out below.

These financial statements were prepared under the historical cost principle using a going concern basis.

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

The Credit Union classifies its expenses by function.

The Credit Union presents its statement of financial position on a classified basis in order of liquidity (least to most liquid).

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with Atlantic Central.

Members' loans

All members' loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as financial assets at amortized cost.



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 8**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

---

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

Members' loans (Continued)

Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Members' loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the carrying amount of the loan.

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

*Provision for impairment*

Members' loans are reviewed by management at each reporting period to assess the significance of the change in credit risk since the initial recognition of the member loan.

If there is objective evidence that the change in the credit risk of a member loan since original recognition is significant, an impairment loss equal to the lifetime expected credit loss is recognized in net earnings and comprehensive income.

If the change in the credit risk of a member loan since original recognition is not significant, an impairment loss equal to the 12-month expected credit loss is recognized in net earnings and comprehensive income.

If, in a subsequent period, the assessment of the significance of change in credit risk since original recognition changes, the resulting adjustment to expected credit loss is recognized in net earnings and comprehensive income.

*Bad debts*

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the allowance for impaired loans, if a provision for impairment had previously been recognized. If no allowance had been recognized, the write offs are recognized as expenses in net earnings and comprehensive income.





**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

Investments

Short-term investments, initially recorded at fair value, include guaranteed investment certificates ("GICs") with maturities of a year or less and are subsequently measured at amortized cost.

Long-term investments, initially recorded at fair value, include guaranteed investment certificates ("GICs") with maturities of more than a year and non-controlling share investments. GICs are subsequently measured at amortized cost. The share investments are subsequently measured at fair value through other comprehensive income.

Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for temporary differences arising on the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting or taxable profit or loss.

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.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date and are expected to apply when the assets are recovered.

Members' deposits

All members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 10**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

Members' deposits (Continued)

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

Accounts payable and accrued liabilities

Liabilities for trade creditors and accrued liabilities are initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Members' shares

Members' shares issued by the Credit Union are classified as debt as the member receives a refund of paid-up capital amount when account is closed.

Mortgages under administration

The Credit Union, under a Mortgage Origination Program, has the ability to refer certain mortgages to a third party, no gain or loss is recorded as a result of these transactions. Fees earned by the Credit Union to service these mortgages are recognized through net earnings under the effective interest method over the term of the underlying loans. The Credit Union derecognizes the loans only when the contractual right to receive the cash flow from these assets has ceased to exist or substantially all risks and rewards of the loans have been transferred.

Revenue recognition

The Credit Union recognizes interest income on members' loans on the accrual basis using the effective interest rate method. The effective rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the net carrying amount of the loan. When estimating the future cash flows, the Credit Union considers all contractual terms of the loan excluding any future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When the loan is classified as uncollectable the interest income continues to be accrued on a credit-adjusted effective interest rate to the amortized cost of the financial asset.

Service charges and other revenue are recognized over the period in which the service is provided. Transaction based service charges and commission income are recognized when earned at a point in time when a transaction is complete.



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 11  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized.

Property and equipment

Property and equipment are recorded at cost and subsequently measured at cost less accumulated amortization. Amortization method, useful lives and residual values are reviewed annually. Amortization is recognized in comprehensive earnings and is provided for using the following rates and method over their estimated useful lives as follows:

Computer equipment	2 years	Straight-line
Furniture and equipment	5 years	Straight-line
Leasehold improvements	Term of lease	Straight-line

Share dividends

The Credit Union's policy is to accrue share dividends when approved by the Board of Directors, which are recorded in comprehensive income in the year to which they relate.

**3. CHANGES IN ACCOUNTING STANDARDS**

There were no changes in accounting standards or policies during the year ended December 31, 2023 that had a significant impact on the Credit Union. There are no changes in accounting standards or policies, which have been issued but are not yet effective, that have a significant impact on the Credit Union.



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**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 12**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS**

The Credit Union makes estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities. These estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive 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.

The estimates and assumptions that carry a material risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market using valuation techniques. The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note 15.

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 provision.

Management believes 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.

Allowance for doubtful account

At each reporting period, the Credit Union assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a material increase in credit risk. To assess whether there is a material increase in credit risk, the Credit Union compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information (Note 5).



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 13**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. MEMBERS' LOANS**

Terms and conditions

Members' loans can have either a variable or fixed rate of interest with varying maturity dates. The interest rate sensitivity is disclosed in Note 17.

Variable rate loans are based on a 'prime rate' formula, ranging from prime to prime plus 21.24%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2023 was 7.2% (2022 - 6.45%).

The interest rate offered on fixed rate loans being advanced at December 31, 2023 ranges from 1% to 28.44 (2022 - 1% to 21.75%).

The Credit Union loans consists of mortgages under administration, residential mortgages and personal loans. 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 consist of term loans and lines of credit and, as such, have various repayment terms. Some of the personal loans are secured by personal property or investments or hold no security.

Average yields to maturity

Loans bear interest at variable and fixed rates with the following average yields:

	2023		2022	
	Principal	Yield	Principal	Yield
	\$	%	\$	%
Variable rate	7,753,499	5.49	7,841,041	6.85
Fixed rate due less than 1 year	5,391,940	4.69	6,386,757	5.12
Fixed rate due between 1 and 5 years	24,828,355	4.20	18,829,342	3.59
Fixed rate due more than 5 years	<u>5,014</u>	-	-	-
	<u><b>37,978,808</b></u>	<u><b>4.53</b></u>	<u><b>33,057,140</b></u>	<u><b>4.66</b></u>

Concentration of risk

Concentration risk does exist, as generally members are required to be a member of the Nova Scotia Government Employees Union, or an employee or related to an employee of the Province of Nova Scotia or its agencies.

As at year-end, the Credit Union had 13 (2022 - 10) accounts in excess of 10% of members' equity totaling \$7,504,777 (2022 - \$7,393,457) or 20% (2022 - 22%) of the loan portfolio. Overall, the loan portfolio is diversified among members. Given this management feels the Credit Union does not have a material exposure to concentration risk relating to its portfolio.



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 14**  
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**5. MEMBERS' LOANS (Continued)**

Allowance for impaired loans

The Credit Union has determined the significance of the change in credit risk of member loans' since initial recognition and the resulting impairment loss has been recorded in the statement of earnings and comprehensive income.

In assessing the change in credit risk the Credit Union considers the loan type, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses.

The analysis of loans, by class, together with related allowances for doubtful loans is as follows:

	2023		2022	
	Impaired loans	Impairment allowance	Impaired loans	Impairment allowance
	\$	\$	\$	\$
Residential mortgages	87,679	48,500	298,555	101,500
Personal	<u>175,856</u>	<u>79,838</u>	<u>218,072</u>	<u>96,888</u>
	<u><u>263,535</u></u>	<u><u>128,338</u></u>	<u><u>516,627</u></u>	<u><u>198,388</u></u>

i) Continuity of allowance for impaired loans	2023	2022
	\$	\$
Balance - beginning of year	198,388	209,538
Current provision (recovery) for impaired loans	( 38,706)	-
Loans written off as uncollectable	( 33,294)	( 13,367)
Bad debts recovered (net)	<u>1,950</u>	<u>2,217</u>
Balance - end of year	<u><u>128,338</u></u>	<u><u>198,388</u></u>

Quality of collateral held

The Credit Union deems it not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions.



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 15**  
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<b>6. INVESTMENTS</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Atlantic Central common shares	<b>460,390</b>	474,980
Atlantic Central NS provincial common shares	<b>97,000</b>	97,000
League Savings and Mortgage Company preferred A shares	<b>418,809</b>	418,809
League Data Limited preferred 'B' shares	<b>18,660</b>	18,660
COOP EFT Development	<b>10</b>	10
Matured or presented as current investments.	<u>-</u>	<u>2,000,000</u>
	<b><u>994,869</u></b>	<b><u>3,009,459</u></b>

The shares in Atlantic Central are required as condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Atlantic Central. The shares are subject to an annual rebalancing mechanism and issued and redeemable at par value. The shares in Atlantic Central are not actively traded and there is no separately quoted market value for these shares. It is determined the fair value is to be equivalent to par 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. Dividends on these shares are at the discretion of the Board of Directors of Atlantic Central.

The shares in League Savings and Mortgage Company and League Data Limited are issued and redeemable at par value. The shares in League Savings and Mortgage Company and League Data Limited are not actively traded and there is no separately quoted market value for these shares. It is determined the fair value is to be equivalent to par value.

All investment valuations are Level 2 as there is no separately quoted market values for the securities held. There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2023 and 2022. The maximum exposure to credit risk would be the fair value determined to be equivalent to par value.



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. PROPERTY AND EQUIPMENT**

<b>Cost</b>	Computer equipment \$	Furniture and equipment \$	Leasehold improvements \$	<b>Total</b> \$
December 31, 2021	11,486	193,411	192,202	<b>397,099</b>
2022 additions	2,057	-	-	<b>2,057</b>
2022 disposals	-	-	-	-
December 31, 2022	13,543	193,411	192,202	<b>399,156</b>
2023 additions	2,150	1,190	-	<b>3,340</b>
2023 disposals	-	-	-	-
December 31, 2023	<u>15,693</u>	<u>194,601</u>	<u>192,202</u>	<b><u>402,496</u></b>
<b>Accumulated amortization</b>				
December 31, 2021	10,474	136,261	45,441	<b>192,176</b>
2022 amortization	1,450	10,517	12,996	<b>24,963</b>
2022 disposals	-	-	-	-
December 31, 2022	11,924	146,778	58,437	<b>217,139</b>
2023 amortization	1,298	9,985	12,996	<b>24,279</b>
2023 disposals	-	-	-	-
December 31, 2023	<u>13,222</u>	<u>156,763</u>	<u>71,433</u>	<b><u>241,418</u></b>
<b>Net book value</b>				
December 31, 2022	<u>1,619</u>	<u>46,633</u>	<u>133,765</u>	<b><u>182,017</u></b>
December 31, 2023	<u>2,471</u>	<u>37,838</u>	<u>120,769</u>	<b><u>161,078</u></b>

**8. CASH AND CASH EQUIVALENTS**

The Credit Union's current accounts are held with Atlantic Central. Cash balance consists of the following:

	2023 \$	2022 \$
Cash on hand	330,632	401,157
Current account	74,903	651,462
Atlantic Central demand liquidity	7,155	623,649
Atlantic Central mandatory liquidity	3,513,283	3,762,877
Atlantic Central USD account	<u>29,747</u>	<u>90,536</u>
	<b><u>3,955,720</u></b>	<b><u>5,529,681</u></b>





**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 17**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. CASH AND CASH EQUIVALENTS (Continued)**

The Credit Union's mandatory liquidity reserve with Atlantic Central must be equal to or be greater than 6% of total assets. The Credit Union's required overall liquidity is 10% of total member deposits. The average yield on the balances held with Atlantic Central is 3.12%. As at December 31, 2023, The Credit Union was in compliance with these liquidity reserves.

The Credit Union has a \$1,234,000 (2022 - \$1,203,000) line of credit with Atlantic Central of Nova Scotia, secured by an assignment of book debts including loans and mortgages. Line of credit limit is adjusted each year by Atlantic Central based on the 2.5% of the previous year's total assets. As at December 31, 2023, the balance outstanding on the line of credit was \$NIL (2022 - \$NIL). When utilized, the line of credit bears interest at an interest rate of 6.70% (2022 - 1.95%) per annum.

**9. OTHER ASSETS**

	2023	2022
	\$	\$
Interest and rebate receivables	51,600	101,073
Deferred income taxes payable	( 11,815)	( 11,815)
Prepaid expenses	477,369	150,002
Concentra term deposit, interest at 2.10%, maturing November 2024	1,000,000	-
Concentra term deposit, interest at 4.30%, maturing June 2024	1,000,000	-
Concentra term deposit, interest at 5.33%, maturing June 2024	1,000,000	-
Matured or cashed investments.	<u>-</u>	<u>7,509,764</u>
	<u><b>3,517,154</b></u>	<u><b>7,749,024</b></u>

**10. MEMBERS' DEPOSITS**

Terms and conditions

Savings and chequing deposits are due on demand and bear interest at variable interest rates up to 3.00% (2022 - 0.75%) as at December 31, 2023. Interest is calculated daily and paid on the account monthly and quarterly depending on the account type.

Deferred salary deposits are due on demand and bear interest at variable interest rate up to 0.90% (2022 - 0.85%) as at December 31, 2023.



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. MEMBERS' DEPOSITS (Continued)**

Term deposits, registered retirement savings plans (RRSPs), registered retirement income funds and tax-free savings accounts bear both fixed and variable rates of interest for terms up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest offered ranged from 0.50% to 5.00% (2022 - 0.30% to 4.25%) as at December 31, 2023.

Refer to Note 17 for the breakdown of interest rate sensitivity.

Maturities of principal for fixed interest rate deposits in each of the next five years are approximately as follows:

	\$
2024	16,019,824
2025	4,346,645
2026	268,682
2027	478,854
2028	2,033,595

Average yields to maturity

Members' deposits bear interest at both variable and fixed rates with the following average yields:	Principal \$	2023 Yield %	Principal \$	2022 Yield %
Variable rate	18,396,907	0.91	22,579,622	0.05
Fixed rate due in less than 1 year	16,019,824	3.90	18,881,742	1.45
Fixed rate due between 1 and 5 years	<u>7,127,776</u>	<u>3.94</u>	<u>3,288,158</u>	<u>2.51</u>
	<u>41,544,507</u>	<u>2.59</u>	<u>44,749,522</u>	<u>0.82</u>

Concentration of risk

The Credit Union as at December 31, 2023 does not have any deposits to one individual in excess of 10% of members deposits. Therefore, management feels the Credit Union does not have a material exposure to concentration risk relating to its loan portfolio.

**11. MEMBERS' SHARES**

Authorized

Unlimited Non-transferable shares with a par value of \$5

	2023 \$	2022 \$
Issued		
2,608 Member shares (2022 - 2,619)	<u>13,040</u>	<u>13,095</u>



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 19**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**11. MEMBERS' SHARES (Continued)**

As a condition of membership, which is required to use the services of the Credit Union, each member is required to purchase a share. The shares are redeemable at par only when membership is withdrawn. Dividends paid on members' shares are at the discretion of the Board of Directors.

During the year the Credit Union issued 122 shares (2022 - 55 shares) for a consideration of \$610 (2022 - \$275) and repurchased 133 shares (2022 - 139 shares) for a total consideration of \$665 (2022 - \$695).

**12. PENSION PLAN AND RETIREMENT SAVINGS**

i) The employees of the Credit Union are members of the Province of Nova Scotia's Public Service Superannuation Plan, a defined benefit pension plan administered under the Public Service Superannuation Act. The Credit Union matches employee contributions, calculated as percentage of salary, there are no minimum funding requirements. Contributions of \$43,188 have been expensed in 2023 (2022 - \$44,799), approximately the same contribution expense is expected to be incurred in the next annual reporting period. The Credit Union is not liable to the plan for other entities' obligations. With only ten employees, the Credit Union represents an insignificant percentage of the pension plan, as well the pension plan's financial information is not broken down by employer.

The Credit Union is responsible for its portion of deficiencies (if any) that may arise in the plan from time to time. As at December 31, 2022, the date of the last actuarial valuation, the pension plan was 101.0% funded with an overall funding excess of \$75,847,000.

ii) Concentra Financial is the trustee of the Registered Retirement Savings and Registered Retirement Income plans offered to members. Under the agreement with Concentra Financial, members' contributions to these funds, as well as income earned thereon, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made by the Credit Union.

**13. RETAINED EARNINGS**

In accordance with the Credit Union Act, the Credit Union is required to maintain a level of equity that is not less than 5% of its assets. As at December 31, 2023 members' equity as a percentage of assets was calculated as follows:



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 20  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>13. RETAINED EARNINGS (Continued)</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Members' equity	4,485,888	4,358,362
Total assets	<u>46,506,924</u>	<u>49,366,488</u>
Members' equity as a percentage of total assets	<u>9.66%</u>	<u>8.74%</u>

**14. RELATED PARTY TRANSACTIONS**

The Credit Union entered into the following transactions with key management personnel, staff, directors, and committee members which are defined by IAS 24, Related Party Disclosures, as individuals having authority and responsibility for planning and directing and controlling the activities of the Credit Union.

i) Compensation to key management personnel	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Salaries and other short-term employee benefits	229,243	240,670
Total pension contributions	<u>20,337</u>	<u>27,014</u>
	<u>249,580</u>	<u>267,684</u>
ii) Loans to all related parties	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Aggregate value of loans and mortgages advanced	2,517,846	2,535,344
Total value of lines of credit advanced	<u>1,714,360</u>	<u>871,289</u>
	<u>4,232,206</u>	<u>3,406,633</u>

During the year, interest income on loans to related parties was approximately \$32,000 (2022 - \$59,000).

The Credit Union's policy for lending to key management personnel is such where loans are approved and deposits accepted on the same terms and conditions which apply to members for each class of loan or deposit.

iii) Deposits from related parties	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Aggregate value of savings and checking	225,391	203,351
Aggregate value of term deposits	<u>1,148,739</u>	<u>539,864</u>
	<u>1,374,130</u>	<u>743,215</u>

During the year, interest paid on related party deposits was approximately \$16,000 (2022 - \$11,000).



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 21**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. RELATED PARTY TRANSACTIONS (Continued)**

With respect to mortgages and members' deposits, these transactions were made in the normal course of business. Interest rates on personal loans when it comes to a minimum interest rate extended have to be in accordance with the Canada Revenue Agency's prescribed rates of interest (average of 4.75% effective throughout 2023) for management and staff, Board Members and under certain circumstances, former Board Members.

**15. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE**

Financial instruments classification is as follows:

		2023	2022
		\$	\$
Cash and cash equivalents	Amortized cost	3,955,720	5,529,681
Other assets	Amortized cost	3,517,154	7,749,024
Members' loans	Amortized cost	37,877,202	32,896,307
Long-term investments	Fair value	994,869	3,009,459
Accounts payable and accrued liabilities	Amortized cost	( 107,436)	( 69,783)
Members' deposits and members' shares	Amortized cost	( 41,913,600)	( 44,916,262)
		<u>4,323,909</u>	<u>4,198,426</u>

Financial assets and financial liabilities at amortized cost are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method.

IFRS requires the use of a fair value hierarchy in order to classify the fair value measurements related to the financial instruments recognized in the Credit Union's statement of financial position at fair value. The fair value hierarchy has the following levels:

- a) Level 1 - Quoted market prices;
- b) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 - inputs for the asset of liability that are not based on observable market data.

The Credit Union does not have any financial instruments subsequently measured at fair value under Level 1 as outlined in Note 6.



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**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 22**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**16. FINANCIAL INSTRUMENTS**

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies. The risk management design and operating of risk processes is the responsibility of Credit Union's management. The Board of Directors performs a periodic review of the effectiveness of the processes in place and the appropriateness of the objectives and policies it sets.

The Credit Union's financial instruments include cash and cash equivalents, members' loans, accounts receivable (included in other assets), short-term investments (included in other assets), long-term investments, members' deposits, members' shares, accounts payable and accrued liabilities.

*Risks and concentrations*

The Credit Union is exposed to various risks through its financial instruments. The following analysis provides a measure of the Credit Union's risk exposure and concentrations at December 31, 2023.

It is management's opinion that the Credit Union is not exposed to significant currency and other price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Credit Union to concentrations of credit risk consist of cash and cash equivalents, members' loans, short-term investments (included in other assets), long-term investments and accounts receivable (included in other assets).

The Credit Union deposits its cash with Atlantic Central of Nova Scotia, a reputable financial institution, and therefore believes the risk of loss to be remote. The Credit Union is exposed to credit risk from interest receivable on investments. The Credit Union believes this credit risk is minimized as the interest receivable is due from reputable investment management companies.

Credit risk associated with members' loans is mitigated through Credit Union's approval systems as designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay and value of collateral available to secure the loan.



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. FINANCIAL INSTRUMENTS (Continued)**

*Credit risk (continued)*

The Board of Directors ensures that management has a framework, policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's members' loans credit risk policies comprise the following:

- i) General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;
- ii) Loan lending limits; and
- iii) Loan collateral security classifications, loan delinquency controls.

The Board of Directors reviews new loans and delinquent loans at each reporting period along with an analysis of bad debts and allowance for impaired loans.

The Credit Union's maximum exposure to credit risk at the statement of financial position date is in relation to each class of recognized financial assets at the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event members fail to perform their obligations under the financial instruments in question. The principal collateral and other credit enhancements the Credit Union holds as security for loans include: (i) insurance and mortgages over residential lots and properties; and (ii) recourse to liquid assets, guarantees and securities. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

*Liquidity risk*

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its members' deposits, members' shares, accounts payable and accrued liabilities. The Credit Union mitigates the liquidity risk by maintaining a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union's liquidity management includes a minimum liquidity ratio set at 6% of total assets.

The Credit Union monitors its members' deposit profiles and ensures to maintain adequate reserves, liquidity support facilities and reserve borrowing facilities. As at December 31, 2023 the Credit Union was in compliance with the liquidity requirement. (Refer to Note 8 for the breakdown of the liquidity cash reserves.)



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. FINANCIAL INSTRUMENTS (Continued)**

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union is exposed to interest rate risk on its financial obligations at variable interest rates. Interest rate sensitivity is broken out in Note 17. The Credit Union manages the interest rate risk by monitoring the rates and ensuring that rates extended are in line with the market.

**17. INTEREST RATE SENSITIVITY**

The Credit Union's primary source of income is financial margin, which is the difference between interest earned on investments and loans to members and interest paid to members on their deposits. The objective of managing the financial margin is to manage re-pricing or maturity dates of loans and investments and members' savings and deposits within policy limits that are intended to limit the Credit Union's exposure to changing interest rates.

The Credit Union's financial assets and liabilities bear interest at rates which adjust from time to time. The following table sets out the scheduled maturities or re-pricing dates, whichever occurs earlier, of the financial assets and liabilities as at December 31, 2023 together with the weighted average interest rates earned on the financial assets or paid on the financial liabilities.

	Demand Principal \$	Rate %	Under 1 Year Principal \$	Rate %	1-3 Year Principal \$	Rate %	Over 3 Years Principal \$	Rate %	Over 5 Years Principal \$	Rate %
<b>ASSETS</b>										
Cash and investments	442,420	0.08	7,489,509	2.86	-	-	-	-	18,660	-
Members' loans										
Personal	7,753,499	5.49	624,741	5.44	787,367	4.77	110,578	8.06	5,014	6.91
Mortgages	-	-	4,767,199	4.60	12,886,910	4.30	11,043,500	4.00	-	-
	<u>8,195,919</u>		<u>12,881,449</u>		<u>13,674,277</u>		<u>11,154,078</u>		<u>23,674</u>	
<b>LIABILITIES</b>										
Members' deposits	<u>18,396,907</u>	0.91	<u>16,019,824</u>	3.90	<u>4,615,327</u>	3.90	<u>2,512,449</u>	4.00	-	-

For the fiscal year ended December 31, 2023, a 100 basis point increase or decrease in interest rates, assuming all other variables are constant, would have resulted in approximately a decrease or increase of \$39,000 (2022 - \$118,000) in the Credit Union's net earnings, respectively.





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**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 25**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**18. CAPITAL RISK MANAGEMENT**

IFRS require the Credit Union to disclose information that enables financial statement users to evaluate the entity's objectives, policies and processes for managing capital.

The Credit Union provides financial services to its members and is subject to the capital requirements set out in the Credit Union Act of Nova Scotia (the "Act"). The Credit Union complied with these capital requirements as at December 31, 2023.

The Credit Union's objectives when managing capital are to ensure the long-term viability of the Credit Union, and the security of members' deposits by holding a level of capital deemed sufficient to protect against unanticipated losses. The Credit Union is also required to comply at all times with the capital requirements set out in the Act.

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

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

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

- i) Establishing policies for capital management, monitoring and reporting;
- ii) Establishing policies for related areas such as asset/liability management;
- iii) Reporting to the Board of Directors regarding financial results and capital adequacy;
- iv) Reporting to the Credit Union Deposit Insurance Corporation on its capital adequacy; and
- v) Establish budgets and reporting variances to those budgets.

The Credit Union's capital structure consists of members' equity. As at December 31, 2023, the Credit Union's members' equity was \$4,485,888 (2022 - \$4,358,362).



**PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED 26**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>19. SERVICE CHARGES AND OTHER REVENUE</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Discretionary rebates	38,907	933
Monthly service charges	134,514	141,020
CURP life and disability insurance	27,820	34,647
Money orders, mortgage penalties, loan administration fees, credit card charges and other	<u>46,725</u>	<u>12,512</u>
	<u><b>247,966</b></u>	<u><b>189,112</b></u>

**20. COMMITMENTS**

The Credit Union has a commitment to its members in terms of unused lines of credit. As at December 31, 2023 the total amount of unused lines of credit is \$11,029,825 (2022 - \$10,226,616). As at December 31, 2023 there were no approved and unadvanced mortgages or personal loans.

The Credit Union is committed to implement a new banking system by August 2024. Total anticipated cost of the new system is \$628,800, of which \$188,640 is still to be incurred. Approximate minimum commitments over the next year is as follows:

	\$
2024	188,640

The Credit Union has a signed sublease with East Coast Credit Union. Approximate minimum commitments over the next four years are as follows:

	\$
2024	50,000
2025	50,000
2026	50,000
2027	58,000



## Chief Executive Officer Report

The Provincial Government Employees Credit Union continued our success during our 86th year of serving Provincial Employees throughout the Province of Nova Scotia.

2023 was both a challenging and exciting year. Managing the volatility of rising interest rates, technology, cybersecurity and continuing our member centered experiences were the focus of our year.

As outlined by our auditors, we continued to have an excellent equity position. The competitive nature of the financial services industry coupled with the effects of both financial and economic challenges makes our success gratifying.

We continued to increase our exposure throughout government through our Marketing and Member Relations Committee and also appreciate the commitment of our Governance, Audit and Credit Committees.

To our staff, members, Board of Directors, I would like to thank-you for your continued dedication to the Provincial Government Employees Credit Union throughout 2023.

Finally, after 35 years in the credit union system and almost 30 years with Provincial Government Employees Credit Union, it has been my ultimate pleasure to serve with you, the Board, you the staff and you our members throughout my career.

Most sincerely,

Ingrid Foshay Murphy,  
Chief Executive Officer





## Credit Committee Report

The Credit Committee has a mandate to review loan policy and recommend changes, as deemed necessary, to the Board of Directors of the Provincial Government Employees Credit Union.

The Credit Committee reviews loans to staff and board members of the credit union, and any loans which are an exception to the loan policy. The Credit Committee also reviews delinquencies, bankruptcies and any loans which are written-off. These reviews are reported to the Board of Directors.

The Credit Committee has met quarterly during the 2023 fiscal year to address the aforementioned requirements.

As of December 31, 2023 the grand total of the loan account of the Provincial Government Employees Credit Union stood at \$37,978,103.28.

The Credit Committee thanks the management and staff for their continued effort to maintain a high level of professionalism and a caring business environment for all members.

Respectfully submitted,

Gerald Langille, Chairperson  
Gwen Beazley, Vice Chairperson  
Donald Hebb

**\$37,978,103.28**  
**LOAN ACCOUNT**  
Grand Total



## Audit Committee Report

The Audit Committee convened on four occasions during 2023, during which time we followed the rules and regulations of the Nova Scotia Credit Union Act. The committee reviewed the minutes of the Board, staff loans and deposits, loans for Board and committee members, all financial reports sent to regulators and Board.

The committee also met with our external auditors to review their report. We are pleased to report that all aspects reviewed by our committee were well within the policy and procedures of the Provincial Government Employees Credit Union and the rules and regulations of the Nova Scotia Credit Union Act.

We would like to congratulate the General Manager and her staff for their dedication and the excellent year they made possible. We also thank them for the exceptional cooperation given to the Audit Committee throughout 2023.

Respectfully submitted,

Stephen McManus, Chair  
Linda Fraser  
Miriam Murray



## Governance and Strategic Planning Committee Report

The Governance and Strategic Planning Committee continues to advise the Board and CEO on how to address the changing dynamic of the financial needs of members in a fluctuating landscape of technology, security and the financial realities that face Nova Scotian public servants today and into the future.

The committee has undertaken significant work on how the Provincial Government Employees Credit Union can move forward during times of changes and stresses. Members are always looking for ease of transaction, use of technology and increased security and the committee continues to work through how we address those needs in the most efficient and safe ways.

The committee continues to work to ensure the best interests of the members is the heart of any strategy.

Respectfully submitted,

Meredith Cowan  
Sandra McKenzie  
Ingrid Foshay Murphy



## Marketing and Member Relations Committee Report

The financial landscape has changed significantly over the last number of years. Interest rates have increased and rising inflation has caused many members to be concerned about their finances. The Provincial Government Employees Credit Union continues to work hard to support members with the products they need.

We continue to have great results through outreach via groupwise which gives us access to all provincial employees across the province. This was evident in our spring 2023 special mortgage rate campaign that was an overwhelming success, and those new members continue to invest more with us and are enjoying the difference in being a member of a credit union.

As we look ahead, we recognize the financial landscape is volatile and challenging for all Nova Scotians, but we are committed to ensure our members and all public servants can look to our credit union as a trusted source for their financial needs.

Respectfully submitted,

Meredith Cowan (Chair)  
Sandra McKenzie  
Mark Peck  
Kathleen Trott  
Tracey Taweel





## Nomination Committee Report

Board of Directors nominations for the three-year term ending December 31, 2023:

Meredith Cowan  
James Sherry  
Stephen McManus

Board of Directors is as follows:

Meredith Cowan  
James Sherry  
Stephen McManus  
Gerald Langille  
Miriam Murray  
Sandra McKenzie  
Mark Peck  
Linda Fraser



## Directors and Committees

### Board of Directors

Meredith Cowan, President  
Mark Peck, Vice President  
Linda Fraser, Secretary  
James Sherry, Director  
Gerald Langille, Director  
Stephen McManus, Director  
Miriam Murray, Director  
Sandra McKenzie, Director

### Audit Committee Members

Stephen McManus, Chairperson  
Linda Fraser  
Miriam Murray

### Credit Committee Members

Gerry Langille, Chairperson  
Gwen Beazley, Vice Chairperson  
Donald Hebb

### Marketing and Member Relations Committee

Meredith Cowan, Chair  
Mark Peck  
Sandra McKenzie  
Kathleen Trott  
Tracey Taweel

### Governance and Strategic Planning Committee

Meredith Cowan  
Sandra McKenzie  
Ingrid Foshay Murphy





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