

Annual Report

2020



momentum[™]
CREDIT UNION
now you're getting somewhere

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Count on us for simple solutions and service.

Values

We believe that innovation is the best tool to be ahead in the future.

We believe our vision for the future should be top of mind with every interaction.

We believe in accountability to our members, our colleagues and to ourselves.

We believe in the strength of diversity - diversity of opinion, approach and perspectives.

We believe our people have the ability to do great things.

We believe that we will never lose sight of our co-operative principles.

We believe that every member should feel like they belong to something bigger, membership is only the beginning...

Report of the Chair

On behalf of the Board of Directors, it is my pleasure to welcome you to our 11th Annual General Meeting of Momentum Credit Union and give my fifth report as the Chair of the Board.

2020 was another year of change and challenge for MCU. As the Board Chair, and with the help of the directors, we said goodbye to our former CEO, Rob Kirby, who moved on to a risk management role at a chartered bank.

The Credit Union was not profitable this year, owing mostly to loan loss provisions and the hangover effect of a number of mortgages that were issued in previous years. The effects of this, combined with turnover of senior management, lead to stricter oversight from our regulator, the Financial Services Regulatory Authority of Ontario (FSRA). With their help and guidance, and the dedication and hard work of our employees, we believe we have addressed most of the issues facing us and look forward to a profitable year that will allow us to refocus our time and commitment to enhancing the member experience.

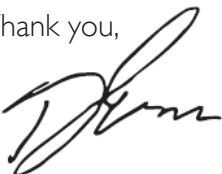
During times of change, our staff has to endure upset and uncertainty. To the person, they have done a wonderful job and I would like to thank them for continuing to provide the products and services that our members need, enjoy and depend upon to live their busy lives. Their continued commitment to delivering the best possible service levels are critical to our long-term success. They deliver the experiences that you rely on both face-to-face, online, over the phone and behind the scenes every day and we are all grateful for their dedication, care and passion for the membership.

The Board's oversight role is undertaken through its work and the work of its Audit & Risk Committee. The Board takes its duties very seriously and is responsible for approval of annual business plans and budgets as well as monitoring of the deliverables and risks that are being taken in support of those plans.

I would like to thank the Board of Directors for their support of me, the staff, the Members and the Credit Union. They are a dedicated and talented team and their commitment to the Credit Union is at the forefront of everything that we do and every decision that we make.

Finally, I will thank the membership for their ongoing support and patronage of the Credit Union. We know you have plenty of choices available when it comes to your day-to-day banking needs and we appreciate your dedication to Momentum Credit Union.

Thank you,



Dave Thomas
Chair of the Board

Report of the CEO

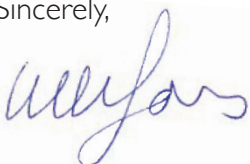
As the new CEO of Momentum Credit Union in 2020, I was tasked with reviewing all of our processes, technology and procedures with a focus on service to Members, compliance, growth and sustainable profitability. Building on the work of Rob Kirby, and with the help of FSRA, our regulator, we have identified areas where we can improve and others where we excel. Operational and procedural change is an ongoing process and we have embraced them as continuous and permanent. The staff has responded and performed admirably when asked to make change and we thank them for it.

Your leadership team is committed to ensuring financial sustainability while looking at streamlining operations and investing in technology. As we continue to move through the changing landscape of financial services, we will continuously review our products and services that Momentum Credit Union provides, looking to ensure we continue to be competitive within the financial marketplace. We will continue to monitor the financial landscape and look for solutions to improve the convenience and ease of financial services to our Members. Our commitment to investing in technology and current innovations is of utmost importance while we strive to deliver safe and proven technology that simplifies and enhances your experience.

In closing, I would like to thank the membership for their loyalty, patronage, commitment and support of Momentum Credit Union. I would also like to take this opportunity to thank Momentum Credit Union's Board of Directors, management, and all employees for their dedication to our Members. It is through these individuals' efforts that we have built a successful and caring Credit Union. We understand that changes are sometimes difficult, but we are committed to delivering value, convenience and simple solutions for your day-to-day banking needs.

Momentum Credit Union has exciting opportunities and challenges ahead and we are certain that the future looks bright and that together we will create and do great things.

Sincerely,



William Jones
Chief Executive Officer

Report of the Audit & Risk Committee

Momentum Credit Union Limited Audit and Risk Committee ("ARC") pursuant to Section 125 of the Credit Union and Caisses Populaires Act, 1994, meet not less than quarterly or as required. The ARC operates under the mandate that covers all of the duties in the Regulations of the Act. For the year ended December 31, 2020, the Committee met 12 times.

As delegated by the Board of Directors and the Act, the ARC has primary responsibility for review of audited financial statements, internal controls, accounting policies and reporting procedures. The ARC has oversight of the Enterprise Risk Management program and has primary contact with both the Internal and External auditors.

The ARC recommends to the Board of Directors that MNP LLP be appointed as the external Auditors. Internal Auditors for the financial year 2021 are PRA Group. Their remuneration is to be set by the Board of Directors.

The ARC is not aware of any matters required to be disclosed pursuant to the Act and Regulations. The ARC receives full cooperation from the new management of the Credit Union when conducting its business. There were no significant recommendations made by the ARC, the Internal Auditor, the External Auditor or the Financial Services Regulatory Authority of Ontario (FSRA) that have not been implemented or are not in the process of being implemented by management.

Respectfully submitted,



Shaun Power

Chair of the Audit & Risk Committee

Years of Service

Please join Momentum Credit Union in recognizing and thanking these employees for their important contributions over their milestone years of service.

5

YEARS
Laura Belluz

10

YEARS
Meghan Watson

Board of Directors Meeting Attendance

Director	Regular
Nadia Anton-Collins	11/12
Budh Dhillon	3/3
William Jones	10/11
Gail Luyben-Powers	12/12
Shaun Power	10/12
Pasquale Pugliese	1/1
Dave Thomas	11/12

In the Community

2020 was a challenging year for many non-profit organizations in our communities. While it was difficult for the MCU team to show support by participating in community events, we continued to be committed to giving back through corporate donations, sponsorships and fundraisers. We sincerely thank our membership and employees for consistently supporting our efforts to invest back into our communities. You help us make a difference in the lives of people in need and we couldn't do it without you.



We thank
you for your
continued
support.

Management's Responsibility for Financial Statements

To the Members of Momentum Credit Union Limited:

The accompanying financial statements of Momentum Credit Union Limited (the "Credit Union") are the responsibility of management and have been approved by the Board of Directors.

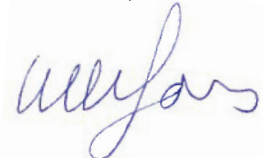
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board of Directors fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board of Directors is also responsible for recommending the appointment of the Credit Union's external auditor's.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditor's have full and free access to, and meet periodically and separately with, both the Board of Directors and management to discuss their audit findings.

March 25, 2021



William Jones,
Chief Executive Officer



Jason Wong
Chief Financial Officer

Report of the Independent Auditor

To the Members of Momentum Credit Union Limited:

Opinion

We have audited the accompanying financial statements of Momentum Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2020, and the statement of income and comprehensive income, changes in members' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

Burlington, Ontario
March 25, 2021



Chartered Professional Accountants
Licensed Public Accountants

Statement of Financial Position

As at December 31

2020

2019

Assets

Cash and interest-bearing deposits	27,311,633	13,941,366
Investments	19,131,654	17,375,010
Derivatives	16,815	22,937
Loans to members	162,724,633	160,769,231
Accounts receivable	302,232	120,704
Prepaid expenses	100,059	68,381
Property, equipment and right-of-use asset	3,075,144	4,051,542
Assets held for sale	805,116	-
Intangible assets	269,962	294,152
Deferred income taxes	258,000	237,000
Defined benefit plan	80,900	94,400

Total Assets

214,076,148

196,974,723

Liabilities

Members' deposits	201,992,571	184,718,517
Accounts payable and accrued liabilities	463,388	517,879
Income taxes payable	-	-
Lease liability	346,896	422,474
Derivatives	16,815	22,937
Obligation for post-retirement benefits	1,472,400	1,359,600
Shares	353,679	363,308

Total Liabilities

204,645,749

187,404,715

Members' Equity

Shares	2,821,337	2,900,467
Retained earnings	5,344,571	5,257,450
Accumulated other comprehensive income	(801,306)	(653,706)
Contributed surplus	2,065,797	2,065,797

Total Members' Equity

9,430,399

9,570,008

Total Liabilities and Members' Equity

214,076,148

196,974,723

Statement of Income and Comprehensive Income

For the year ended December 31

2020

2019

Interest revenue	6,211,768	7,091,656
Interest expense	3,192,030	3,191,158
Interest margin	3,019,738	3,900,498
Other income	744,083	795,814
Income before operating expenses	3,763,821	4,696,312
Operating expenses		
Employee salaries and benefits	1,383,740	2,001,428
Data processing	440,302	434,384
Administration	765,977	822,820
Insurance	281,608	279,544
Collections and bad debts	286,503	138,650
Occupancy	190,234	247,276
Staff and director expenses	70,372	145,540
Depreciation and amortization	278,964	279,399
	3,697,700	4,349,041
Income before income taxes	66,121	347,271
Income taxes – current	-	-
Income taxes – deferred	21,000	51,360
Net income for the year	87,121	295,911
Other comprehensive income, net of income taxes		
Actuarial loss on defined benefit plan and post-retirement benefits	(147,600)	(13,000)
Total comprehensive (loss) income for the year	(60,479)	282,911

Statement of Changes in Members' Equity

For the year ended December 31

	Accumulated other comprehensive income	Shares	Contributed surplus	Retained earnings	Total
Balance at Jan. 1, 2019	(640,706)	3,084,907	2,065,797	4,961,539	9,471,537
Net income	-	-	-	295,911	295,911
Redemptions of shares, net	-	(184,440)	-	-	(184,440)
Actuarial gain on defined benefit plan and post-retirement benefits	(13,000)	-	-	-	(13,000)
Balance at Dec. 31, 2019	(653,706)	2,900,467	2,065,797	5,257,450	9,570,008
Net income	-	-	-	87,121	87,121
Redemptions of shares, net	-	(79,130)	-	-	(79,130)
Actuarial loss on defined benefit plan and post-retirement benefits	(147,600)	-	-	-	(147,600)
Balance at Dec. 31, 2020	(801,306)	2,821,337	2,065,797	5,344,571	9,430,399

Statement of Cash Flows

For the year ended December 31

2020

2019

Cash flows from operating activities

Net income	87,121	295,911
Adjustments for:		
Interest revenue	(6,211,768)	(7,091,656)
Interest expense	3,192,030	3,191,158
Interest expense on lease liability	15,274	17,958
Interest received on member loans	5,517,923	6,456,941
Interest received on investments	453,686	526,887
Interest paid on member deposits	(3,236,409)	(2,985,289)
Depreciation and amortization	278,964	279,399
Income taxes	(21,000)	51,360
Net change in non-cash working capital	(288,997)	(3,070)

Changes in members' activities:

Net change in loans to members	(1,715,243)	15,076,039
Net change in members' deposits	17,318,433	164,158

15,390,014 **15,979,796**

Cash flows used by financing activities

Term loans	-	(5,450,000)
Shares	(88,759)	(206,463)
Payments on lease liability	(90,852)	(90,852)

(179,611) **(5,747,315)**

Cash flows used by investing activities

Purchase of property, equipment and intangibles	(83,492)	(199,518)
Investments	(1,756,644)	(2,787,231)

(1,840,136) **(2,986,749)**

Net increase in cash and interest-bearing deposits

13,370,267 7,245,732

Opening cash and interest-bearing deposits, beginning of year

13,941,366 6,695,634

Closing cash and interest-bearing deposits, end of year

27,311,633 **13,941,366**

Note to Financial Statements

For the year ended December 31, 2020

2. Basis of Presentation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). The financial statements have been prepared in accordance with all IFRS issued and in effect as at December 31, 2020.

Basis of measurement

These financial statements have been prepared on a going concern basis under a historical cost convention, except for derivatives and equity investments that have been measured at fair value.

The going concern basis presumes that the Credit Union will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The Credit Unions and Caisses Populaires Act, 1994 requires that the Credit Union maintain a regulatory capital leverage ratio of 4% of total assets and 8% of a risk weighted equivalent value. The Credit Union has an internal policy of maintaining a regulatory capital leverage ratio of 5% of total assets and 9% of a risk weighted equivalent value. As at December 31, 2020, the Company had a regulatory capital leverage ratio of 4.90% (2019 – 5.28%), which, while lower than management's internal policy of 5%, is within the regulatory limit and a risk weighted assets ratio of 11.90% (2019 – 10.99%). The Credit Union anticipates that its current business plan and onboarding of key management personnel will improve the regulatory capital leverage ratio through more profitable allocation of capital. The business plan also contains strict cost management practices in order to reduce the Credit Union's ongoing expenditures thereby improving capital ratios.

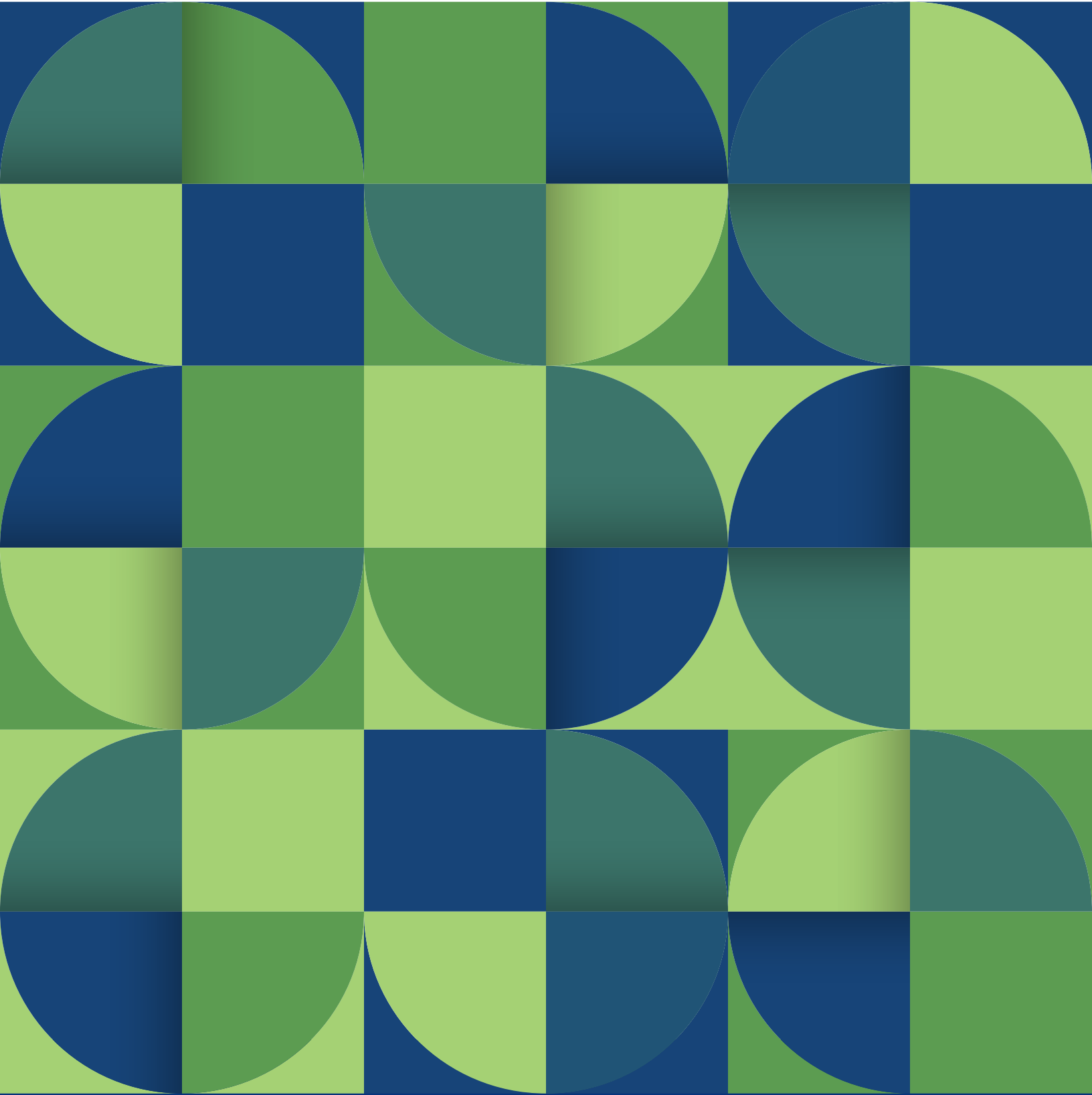
However, unexpected decreases in loans to members, reduction in interest rates or increases in costs and expenses due to operational decisions made by the Credit Union and/or factors beyond the Credit Union's control, such as forgone interest revenues and increased expenses as a result of the impact of COVID-19, could cause a material impact on capital and the profitability of the Credit Union. There can be no certainty that the Credit Union will have sufficient capital to remain outside the Credit Unions and Caisses Populaires Act, 1994 minimum leverage ratio requirement of 4%.

Functional and presentation currency

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

Use of estimates and judgments

The preparation of financial statements requires management to make estimates and judgements that affect the application of the Credit Union's accounting policies and the carrying amounts of assets and liabilities, net income and related disclosures. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.



Complete Audited Financial Statements

The Financial Statements of Momentum Credit Union Limited were audited by the firm MNP LLP, Licensed Public Accountants. The statements presented in the annual report represent excerpts from the audited financial statements.

A complete copy of the audited financial statements of Momentum Credit Union Limited, including all notes to the financial statements, are available upon request.

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