2018 ANNUAL REPORT

CONSOLIDATED CREDIT UNION

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2018 HIGHLIGHTS

$202M
ASSETS

$193M
DEPOSITS

7,608
MEMBERS

$172M
LOANS

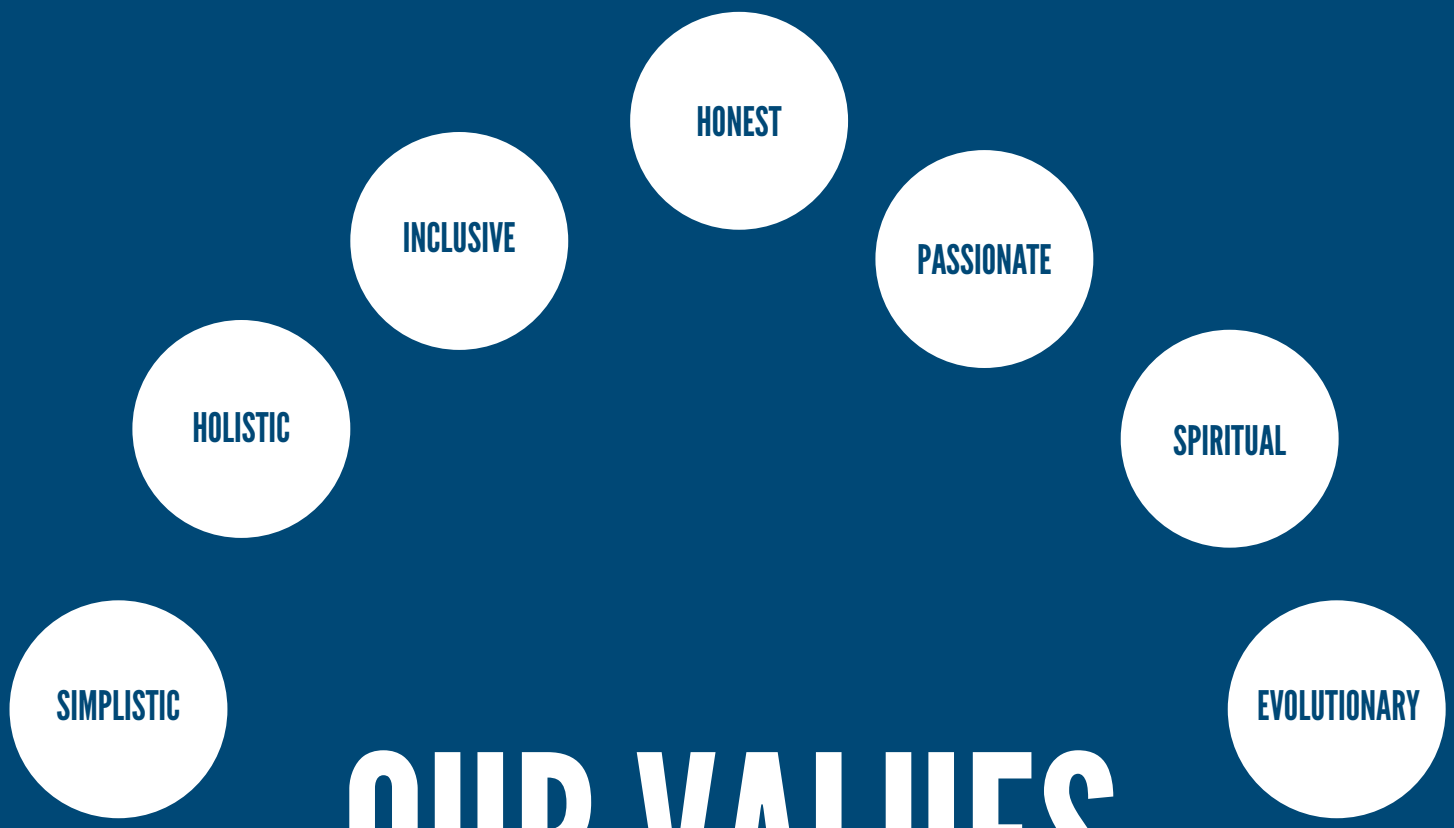
$50K
PAID TO MEMBERS

4.33%
GROWTH IN AVG. MEMBER SAVINGS

OUR MISSION

At Consolidated Credit Union, we are focused on you: your community, your future, your prosperity. We want to be a partner in your success. We're committed to providing outstanding financial service and wise financial guidance that will enable you, our members, to reach your financial goals.

We pride ourselves in our commitment to serving you, our members, and community as best as possible, and we believe that this annual report will be an indication of that commitment.



OUR VALUES

BOARD OF DIRECTORS

RON MACLEAN
President

LARRY MACKINNON
Vice President

DAVID OLSCAMP
Secretary

HARVEY WEDGE

AMY KILBRIDE

JAMES ARSENAULT

SCOTT COSTAIN

RON SILLIKER

JOHN MACISAAC

PRESIDENT'S REPORT

On behalf of the Board of Directors of Consolidated Credit Union Ltd. it is my pleasure to report to you on Board activities for 2018. As we celebrate 50 years of service to our community, I hope that you share in my sense of pride for our credit union and the impact that we make each day.

This year we achieved two significant milestones. We are celebrating our 50th year in business and we exceeded $200 million dollars in assets. The significance of both cannot be understated. Celebrating 50 years is a major accomplishment and is a credit to the members, directors and staff who have served before us. Exceeding $200 million in assets is recognition of the integral part that your credit union plays within our communities and demonstrates the impact that we have in the lives of our members. You should be very proud of your involvement with your credit union and the impact that it has on your neighbors, family and friends.

In 2018 your board participated in regular board meetings and director training. It has been a pleasure to serve as the President for this past year and I would like to thank my fellow board members for their dedication and commitment. They truly do have your best interests in mind and work very hard to ensure that our credit union remains strong and relevant in the future. I would like to thank Sarah and her staff for a wonderful year. Success is an indication of hard work and your board of directors appreciates your efforts. As well, I would like to thank you, our members for your continued loyalty. The ability to celebrate 50 years in business is because of you. We value your continued support.

In closing there is one other group I would like to acknowledge. In 2018, Sarah lead an initiative to create a youth board. Students from both Three Oaks Senior High School and Kinkora Regional High School answered the call and agreed to serve. This is a wonderful group of young adults and I look forward to seeing their contributions in the years to come as they become our next group of credit union volunteers.

Thank you.

RON MACLEAN
President

50 YEARS HELPING MEMBERS DO MORE WITH THEIR MONEY

MANAGER'S REPORT

It is my pleasure to share with you some of the highlights from a busy 2018.

Looking at our financial statements you will see that 2018 was a very positive year. Several factors, both internal and external, resulted in significant growth and strong profitability. What the numbers do not appropriately reflect is the effort that is required for this type of success. So, to begin this evening I would like to thank my staff. The results that we achieved in 2018 were a team effort and a product of a lot of hard work. I want to thank each one of you for your contributions.

In previous years you joined me in saying goodbye to several retiring staff members. This year I would like you to join me in welcoming four new employees. Lucy Zhang, Judy Doyle-Waugh and Judy Martin joined our front office group as Member Service Representatives and Shelly MacKay joined the Consumer Lending Department as a Financial Services Officer. They have been great additions to our staff, and I want to formally welcome them to Consolidated Credit Union.

2018 was a busy year. In the fall I had the privilege to meet with a number of wonderful students to create a Youth Board. This group has been given the task of creating a Fraud Awareness Seminar and have been meeting on a regular basis to plan this event. I am so impressed with their confidence, leadership and willingness to learn and I truly have enjoyed my interaction with them. I look forward to attending their seminar.

Also, in 2018, we continued our efforts to find a use for our building in Borden-Carleton. Late in the year, we reached an agreement to sell the

building which was completed in February of 2019. While the building ownership has changed, our commitment to the community has not. As part of the agreement, we signed a lease which allows us to keep our ATM and night deposit in place. We wish the new owners all the best and look forward to working with them in the future.

In the latter part of 2018, we worked with Credit Union Place to develop a presence here in the is building. I am pleased to report that in February, our remote office opened and has had a very positive response from our members.

As well in 2018, we began a full renovation of our Summerside office. It had been a long time since it was updated and we have established a roadmap for updating the whole building by early 2020. While some of the renovations are easy to see, we are also making structural updates that will ensure that our building is well maintained. To date we have completed the second-floor renovation that include a new Business Centre, staff room, Boardroom, washrooms and administration offices. As well, we have installed a new sprinkler system throughout the entire building and have begun renovating offices on the first floor. We look forward to the completion of these renovations and trust that you will find them enjoyable during your visits.

Last year I shared with you that we would be changing our Credit Card and Global Payment Card provider. Although the credit card transition has been positive, unfortunately, Collabria has been unable to provide a replacement for our Global Payment Cards. This has been unfortunate given the popularity of the Global Payment product. Although this has been beyond our control, we are committed to working with each impacted member in assisting them in finding a suitable alternative and we appreciate your patience and support.

In closing, I would like to again thank you, our members, for your dedication and support for the last 50 years. Having an organization that is over $200 million in assets and that has been in operation for 50 years is a major accomplishment. Thank you to my Board of Directors for your confidence and to all our partners; CUDIC, Atlantic Central, League Savings and Mortgage and our suppliers. Our success is your success.

Thank you.

SARAH MILLAR
General Manager

YOUTH BOARD

DREW DRUMMOND
President

HARRISON DUFFY
Vice President

MAGGIE COSTAIN
Secretary

MIKO MORALETA

HÉLÈNE MOASE

JILL CLARK

REBECCA PROCTER

NOT PICTURED – SARAH HALL

YOUTH REPORT

My name is Drew Drummond and I am the President of Consolidated Credit Union's Youth Board. I would like to share with you how the Youth Board was formed and what our mandate has been for the year 2018-2019. In the fall, there was an announcement at my school (Three Oaks Senior High) that stated that Consolidated Credit Union was looking for volunteers to establish a Youth Board. I found the idea very interesting to me as I am very committed to my community. Also, as a credit union member, I appreciate what the credit union does for our school and the community we live in.

The first meeting was an information meeting at Three Oaks and we had a great response from a group of students. We were all asked to write a letter to outline why we wanted to be on the board which was sent to Sarah and the credit union board to review. This same process took place at Kinkora Regional High School as well. After this process was complete, the Consolidated Credit Union Youth Board was formed with representation from both schools.

An election took place at the first meeting and after the voting process I was elected President. Harrison Duffy became Vice President and Maggie Costain Secretary. As a group, we decided that our purpose for 2018-2019 would be to create a fraud awareness event for our community. Fraud takes on many different forms. It can be hacking into a computer, phone calls that can gather information and steal your identity or just simply someone taking your information to be used for the criminal's own benefit. We see numerous cases in the news, and we felt that if we could help our members to be aware of the risks that it would be very beneficial.

The Expo is on May 9th from 7-9pm here at Credit Union Place and I encourage you all to attend.

In closing, I would like to thank my fellow Youth Board members, the board members of the credit union and Sarah and her staff for giving us the opportunity to be part of the first Consolidated Credit Youth Board.

Thank You,

DREW DRUMMOND
Youth Board President

IN OUR COMMUNITY

THIS YEAR, WE SPENT OVER

$131,303

TO MAKE OUR COMMUNITY EVEN BETTER.

THIS CONTRIBUTED TO THE

$600,000

TOTAL THAT CREDIT UNIONS IN PEI SPEND EACH YEAR.

CREDIT UNION PLACE

350K
VISITORS

150K
TICKETS SOLD

$75K
MEMBERS SAVED IN FEES

15
FREE EVENTS

A STRONG PART OF OUR ISLAND COMMUNITY

In 2018, Credit Union Place in Summerside continued to be a strong partnership for the credit union system on PEI. Working on enhancing our presence within the building, 2018 marked the announcement that a new branch concept would be opening in Credit Union Place giving our members a new and convenient location to bank at.

A new credit union ding-free ATM will be incorporated into the new branch as well as a contemporary meeting space and re-vamped seating area, complete with electronic charging stations. We are excited to expand into this premiere venue as Credit Union Place continues to be one of the top entertainment destinations in the Maritimes.

In 2019 not only will our members experience a more convenient location to visit with us at Credit Union Place but they will also continue to enjoy the many discounts offered to them through our partnership. To date we have seen a yearly savings of $75,000 for our members through discounts on gym memberships, pool use, bowling and other services offered at the multipurpose facility. We look forward to serving you in a more convenient location in 2019!

GET ACTIVE

2018 marked the second year of our social cause across Island credit unions – where we are committed to more physically active communities on PEI. This initiative was conceptualized around the 2016 Public Health Officer's Report which reported that over half of Islanders consider themselves physically inactive. Physical inactivity leads to a staggering decrease in overall health resulting in a higher risk factor for the development of health conditions including stroke, heart disease, obesity and type 2 diabetes. This decrease in health can negatively impacts a household's finances, especially in the retirement stages where income is fixed.

1.4K

ISLAND STORM

A returning sponsorship for the credit union system in 2018 was our continued involvement with the Island Storm – our local professional NBL team. Through the Storm we have been able to give added value to our local communities through the offering of free events such as the popular Under 25 Free games, where anyone aged twenty-five or younger could see the game for free. Over 1,400 free tickets were used last year.

Also in partnership with the Storm we were able to bring you the Cancer Awareness game with proceeds going to the Canadian Cancer Society PEI Division. This game was unique as we were able to auction off custom purple jerseys worn by the players during the game, resulting in over $3,000 raised for CCS. We continue to enjoy our partnership with the Storm and the added value it brings to our communities!

$6K

GYM REBATE PROGRAM

The Get Active Gym Program offered $50 cash back to any of our members who paid some sort of gym membership fees in 2018 returned for its second year. This resulted in close to $6,250 being rebated to our members across PEI. We're so proud to be able to assist these members and in turn, encouraging more Islanders to get physically active.

SCHOLARSHIPS

$10,500
SAVED IN TUITION

7
AWARDS

We are pleased to announce 7 Consolidated Credit Union Scholarship Recipients for 2018. Each scholarship recipient received $1,500 towards furthering their education. In total, Consolidated Credit Union distributed $10,500.

ALLISON MEISTERE

GABRIELLE GALLANT

LIAM ARSENAULT

LILY GALLANT

ROSS PAYNTER

MIKAELA TYNSKI

MICHAEL LARSEN

WE WISH ALL STUDENTS THE BEST IN THEIR STUDIES AND FUTURE ENDEAVORS.

3.6K

JUNIOR ACHIEVEMENT

Since 2016, credit unions on the Island have built a valuable partnership with JA PEI.

Working off JA's already well-received programming, we teamed up to enhance their Economics for Success program with the additional knowledge of a financial expert. Economics for Success focuses on the importance of financial literacy and teaches students budgeting skills which they'll need for the future.

Through the growing popularity of the program we have currently been able to instruct over 3,600 students at 14 different Island high-schools.

FILL THE YUMOB

In December our sixth Annual #FilltheYuMob took place outside of Toys'R'Us.

As a direct result of the general public's generosity, we filled our new, much larger YuMob to the top in under 4 hours. The generosity was so great that we had to use an additional pick-up truck to transport all the toys.

A huge thank you to the Pownal Peewee AA team 2 who volunteered to be our elves and help us out this year, as well as Santa and Geoffrey the Giraffe who both made an appearance.

Of course, this wouldn't have been possible without the support from the Toys'R'Us Charlottetown store and staff, thank you for being amazing every year.

All the toys were delivered to Santa's Angels, a volunteer group that delivers the toys on Christmas Day to over 300 local families in need. Thank you to everyone who participated in this incredible cause.

RONALD MCDONALD HOUSE CHARITIES ATLANTIC

13
FAMILIES

246
NIGHTS

FAMILY COMES FIRST

We are proud of our ongoing partnership with Ronald McDonald House Charities Atlantic in many different capacities for 2018. With our Members Stay Free program, credit union members are able to stay at the Ronald McDonald House in Halifax for free while their child is being treated at the IWK. During 2018, this program was able to help 13 families on PEI totaling 246 nights spent at the Ronald McDonald House.

Alongside our member program, 2018 marked the first year we were involved with the annual PJ Walk – a major fundraiser for the RMHC Atlantic held in three cities across the Maritimes. The PJ Walk raised $230,000 in total, with the event on PEI raising more than $63,000 of that amount.

We look forward to continuing our support for our members who have to visit Halifax for their child's treatment into 2019. We're proud to help ease a small portion of the inevitable stress.

FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with International Financial Reporting Standards established by the International Accounting Standards Board. A summary of the significant accounting policies is disclosed in note 3 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Consolidated Credit Union Ltd. on matters of financial reporting and internal control. Management provides the Board of Directors with externally audited financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Consolidated Credit Union Ltd.

SARAH MILLAR
General Manager

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Member of The AC Group of Independent Accounting Firms

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February 26, 2019

Independent Auditor's Report

To the Members of
Consolidated Credit Union Ltd.

Opinion
We have audited the accompanying financial statements of Consolidated Credit Union Ltd., which comprise the statement of financial position as at December 31, 2018, and the statements of 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 Consolidated Credit Union Ltd. as at December 31, 2018, and the results of its operations 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 Financial Statements* section of our report. We are independent of Consolidated Credit Union Ltd. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 Consolidated Credit Union Ltd.'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 Consolidated Credit Union Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Consolidated Credit Union Ltd.'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 reasonable 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 Consolidated Credit Union Ltd.'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 Consolidated Credit Union Ltd.'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 Consolidated Credit Union Ltd. 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.

Chartered Professional Accountants

CONSOLIDATED CREDIT UNION

STATEMENT OF FINANCIAL POSITION

December 31, 2018

	2018 $	2017 $
Assets		
Cash and cash equivalents	11,849,861	8,940,832
Accounts receivable	31,497	54,546
Loans and mortgages (notes 6 and 14)	171,716,495	154,715,830
Prepaid expenses	475,356	620,293
Asset held for sale (note 6)	165,336	163,198
Property and equipment (note 7)	2,582,242	2,239,673
Investments (note 8)	15,475,998	24,886,147
	202,296,785	191,620,519
Liabilities		
Member deposits (notes 9 and 10)	193,400,658	183,672,589
Accrued interest payable	952,443	861,405
Other liabilities	412,544	320,955
Income taxes payable	157,142	49,383
Deferred income taxes (note 11)	48,010	48,010
	194,970,797	184,952,342
Members' Equity		
Undistributed income	7,325,988	6,668,177
	202,296,785	191,620,519

Approved by the Board of Directors

Director

Director

CONSOLIDATED CREDIT UNION

STATEMENT OF CHANGES IN MEMBERS' EQUITY

Year Ended December 31, 2018

	2018 $	2017 $
Undistributed income - Beginning of year	6,668,177	6,224,575
Cumulative effect of adopting IFRS 9 (note 17)	(201,285)	-
	6,466,892	6,224,575
Net earnings for the year	859,096	443,602
Undistributed income - End of year	7,325,988	6,668,177

CONSOLIDATED CREDIT UNION

STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2018

	2018 $	2017 $
Revenue		
Loan interest (note 14c)	6,066,169	5,284,458
Investment	293,837	315,376
Service fees	684,988	666,442
Commissions	330,585	352,671
Property rentals	16,050	20,110
Other income	53,119	54,352
	7,444,748	6,693,409
Expenses		
Staff (notes 12 and 14)	1,829,831	1,884,826
Premises	205,460	184,539
Insurance	298,033	273,767
Office	213,433	208,636
Service fees	842,574	834,031
General	711,331	656,168
Cost of capital	2,005,731	1,891,753
Amortization	114,937	102,905
	6,221,330	6,036,625
Operating earnings	1,223,418	656,784
Other expense		
Share dividends	(50,663)	(44,668)
Provision for loan losses (note 6)	(57,337)	(68,074)
	(108,000)	(112,742)
	1,115,418	544,042
Provision for income taxes (note 11)		
Current	256,322	99,180
Deferred	-	1,260
	256,322	100,440
Net earnings for the year	859,096	443,602

CONSOLIDATED CREDIT UNION

STATEMENT OF CASH FLOW

Year Ended December 31, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Net earnings for the year	859,096	443,602
Items not affecting cash		
Amortization	114,937	102,905
Deferred income taxes	-	1,260
Provision for loan losses	57,337	68,074
Cumulative effect of adopting IFRS 9	201,285	-
	1,232,655	615,841
Net change in non-cash working capital items		
Decrease in accounts receivable	23,049	35,092
Increase in loans and mortgages	(17,460,572)	(15,513,000)
Decrease (increase) in prepaid expenses	144,937	(118,988)
Decrease in income taxes receivable	-	24,547
Decrease (increase) in assets held for resale	(2,138)	81,848
Increase (decrease) in accrued interest payable	91,038	(16,187)
Increase in other liabilities	91,589	36,412
Increase in income taxes payable	107,759	49,383
	(15,771,683)	(14,805,052)
Financing activity		
Increase in member deposits	9,728,069	13,423,405
Investing activities		
Purchase of property and equipment	(457,506)	(153,087)
Decrease (increase) in investments	9,410,149	(93,019)
	8,952,643	(246,106)
Increase (decrease) in cash and cash equivalents	2,909,029	(1,627,753)
Cash and cash equivalents - Beginning of year	8,940,832	10,568,585
Cash and cash equivalents - End of year	11,849,861	8,940,832
Supplementary disclosure		
Interest received	6,450,512	5,568,527
Interest paid	1,920,679	1,907,158
Dividends received	935	-
Dividends paid	44,668	45,437
Income taxes paid	148,562	49,798

1 General information

Consolidated Credit Union Ltd. (the "Credit Union") is incorporated under the Prince Edward Island Credit Unions Act. Its principal business activities include financial and banking services for credit union members.

The Credit Union's head office is located in Summerside, Prince Edward Island.

2 Basis of presentation

(a) Statement of compliance

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

These financial statements have been approved for issue by the Board of Directors on February 26, 2019.

(b) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 3.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are detailed in note 4.

3 Summary of significant accounting policies

(a) Change in accounting policy

The Credit Union has adopted IFRS 9 as issued by the IASB with a date of transition of January 1, 2018, which resulted in a change in accounting policy and adjustments to amounts previously recognized in the financial statements. The Credit Union did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Credit Union elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings of the current period.

Consequently, for note disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

Refer to note 17, Transition to IFRS 9, for the impact on the opening statement of financial position at January 1, 2018.

(b) Financial instruments

i) *Classification and measurement of financial assets*

From January 1, 2018, the Credit Union has applied IFRS 9 and classifies its financial assets into one of the following measurement categories:

- Amortized cost;
- Fair value through profit or loss (FVTPL); or
- Fair value through other comprehensive income (FVOCI).

Financial assets include both debt and equity instruments.

<u>Debt instruments</u>

Classification and subsequent measurement of debt instruments depend on:

i) the Credit Union's business model for managing the asset; and
ii) the cash flow characteristics of the asset.

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Credit Union's business model assessment is based on the following categories:

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale.

The Credit Union assesses the business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of a business model, the Credit Union takes into consideration the following factors:

- How the performance of assets in a portfolio is evaluated and reported to group heads and other key decision makers within the Credit Union's business lines;
- How compensation is determined for the Credit Union's business lines' management that manages the assets;
- Whether the assets are held for trading purposes (ie. assets that the Credit Union acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking;
- The risks that affect the performance of assets held within a business model and how those risks are managed; and
- The frequency and volume of sales in prior periods and expectations about future sales activity.

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount.

Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), and a profit margin.

If the Credit Union identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Based on these factors, the Credit Union classifies its debt instruments into one of the following three measurement categories:

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 6. Interest income form these financial assets is included in 'Loan interest' using the effective interest rate method.

Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within "Investment revenue" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in "Investment revenue". Interest income from these financial assets is included in "Investment revenue" using the effective interest method.

Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, expect for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified form equity to profit or loss and recognized in "Investment revenue". Interest income from these financial assets is included in "Investment revenue" using the effective interest rate method.

Equity instruments

The Credit Union subsequently measures all equity investments at FVTPL, except where the Credit Union's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and reversals of impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Credit Union's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in "Investment revenue" in the statement of comprehensive income.

ii) *Classification and measurement of financial liabilities*

Financial liabilities are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Amortized cost; or
- Designated at FVTPL.

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are held principally for the purpose of repurchasing in the near term, or form a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-making. Financial liabilities are recognized on a trade date and are accounted for at fair value, with changes in fair value and any gains or losses recognized in the Statement of Comprehensive Income as part of the non-interest income. Transaction costs are expensed as incurred.

Financial liabilities measured at amortized cost

Member deposits are accounted for at amortized cost. Interest on deposits, calculated using the effective interest rate method, is recognized as interest expense. Interest on subordinated notes and debentures, including capitalized transaction costs, is recognized using the effective interest rate method as interest expense.

Financial liabilities designated at FVTPL

Financial liabilities classified in this category are those that have been designated by the Credit Union upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is only available for those financial liabilities for which a reliable estimate of fair value can be obtained.

Financial liabilities are designated at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities designated at FVTPL are recorded in the Statement of Financial Position at fair value and any changes in fair value are recognized in the Statement of Comprehensive Income.

iii) *Determination of fair value*

Fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Credit Union has access at the measurement date.

The Credit Union values instruments carried at fair value using quoted market prices, where available. Unadjusted quoted market prices for identical instruments represents a Level 1 valuation. When quoted market prices are not available, the Credit Union maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require significant use of unobservable inputs are considered Level 3.

iv) *Derecognition of financial assets and liabilities*

The derecognition criteria are applied to the transfer of part of an asset rather than the asset as a whole, only if such part comprises specifically identified cash flows from the asset, a fully proportionate share of the cash flows from the asset, or a fully proportionate share of specifically identified cash flows from the asset.

A financial asset is derecognized when the contractual rights to the cash flows from the asset has expired or the Credit Union transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party, or the Credit Union has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risk and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Credit Union has retained substantially all of the risks and rewards of ownership.

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Credit Union derecognizes the transferred asset only if it has lost control over the asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Credit Union retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the Statement of Comprehensive Income.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. If an existing financial liability is replaced by another from the same counterparty on substantially different terms or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognized as a gain/loss in the Statement of Comprehensive Income.

iv) *Impairment*

The Credit Union applied a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9 for the financial assets measured at amortized cost.

The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument.

The impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – when a financial instrument experiences a credit risk subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss 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. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The probability of default (PD), exposure at default (EAD) and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical inputs are as follows:

- PD – the probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life.
- EAD – the exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.
- LGD – the loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

At each reporting date, the Credit Union assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral and the impact of forward-looking macroeconomic factors. Common assessments for credit risk include management judgment, delinquency and monitoring.

When measuring expected credit loss, the Credit Union considers the maximum contractual period over which the Credit Union is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment and extension and rollover options.

The Credit Union considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- Significant financial difficulty of the borrower;
- Default or delinquency in interest or principal payments;
- High probability of the borrower entering a phase of bankruptcy or a financial recognition;
- Measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Credit Union considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due.

The Credit Union writes off an impaired financial asset, either partially or fully, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determine and there is no reasonable expectation of further recover, write-off may be earlier.

Financial instruments effective prior to November 1, 2017:

i) Recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued. At initial recognition, the Credit Union classifies its financial instruments as follows:

- Financial assets at fair value through profit or loss ("FVTPL")

  Financial assets at FVTPL through the statement of comprehensive income are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if so designated by management or it is a derivative that is not designated and not effective as a hedging instrument.

  Financial assets carried at fair value through the statement of comprehensive income are initially recognized, and subsequently carried at fair value, with changes recognized in the statement of comprehensive income. Transaction costs are expensed.

  Assets in this category include cash and cash equivalents and investments in the liquidity reserve deposit.

- Held to maturity investments

  Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Credit Union has the positive intent and ability to hold to maturity, and which are not designated as FVTPL or as available for sale.

  Held to maturity investments are carried at amortized cost using the effective interest method. A sale or reclassification of a more than an insignificant amount of held to maturity investments would result in the reclassification of all held to maturity investments as available for sale, and would prevent the Credit Union from classifying investment securities as held to maturity for the current and the following two financial years. However sales and reclassifications in any of the following circumstances would not trigger a reclassification:

  – Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value

  – Sales or reclassifications after the Credit Union has collected substantially all of the asset's original principal

  – Sales or reclassifications attributable to non-recurring isolated events beyond the Credit Union's control that could not have been reasonably anticipated.

  Assets in this category include investments in term deposits.

- Available for sale ("AFS")

  Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are recognized initially at fair value plus transactions costs, and are subsequently carried at fair value, other than the Credit Union's investment in certain shares as their fair value cannot be reliably measured. Therefore, the Credit Union's investment in certain shares are carried at cost. Upon such time that their fair value can be reliably measured, the carrying amount of these financial assets will be adjusted to fair value. Gains and losses arising from remeasurement are recognized in other comprehensive income. Available for sale investments are classified as non-current unless an investment matures within twelve months, or management expects to dispose of it within twelve months.

  Dividends or distributions on available for sale investments are recognized in the statement of comprehensive income as investment income, when the Credit Union's right to receive payment is established.

  Assets in this category include investments in credit union and co-operative type shares.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recorded at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

  Assets in this category include accounts receivable and loans and mortgages.

- Other financial liabilities

  Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

  Liabilities in this category include member deposits, accrued liabilities, and other liabilities.

ii) Impairment of financial assets

The Credit Union assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Credit Union on non-market terms that the Credit Union would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as conditions that correlate with defaults in the group.

- Financial assets classified as loans and receivables

  For the purposes of individual evaluation of impairment, the amount of the impairment loss on a loan or receivable is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. The calculation of the carrying value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are categorized on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparties' ability to pay all amounts due according to contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off after all the necessary procedures have been completed and the amount of loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income in provision for loan loss expense.

Loans that were past due and either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, if the loan becomes past due, this will be disclosed only if renegotiated again.

- Assets classified as available for sale

  At each Statement of Financial Position date, the Credit Union assesses if there is objective evidence that an AFS financial asset or a group of AFS financial assets may be impaired. A significant or prolonged decline in the fair value of an AFS security below its costs is considered objective evidence in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is reclassified from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed.

(c) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Credit Union at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between cost in the functional currency at the beginning of the period, and the cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on the translation are recognized in the statement of comprehensive income.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(e) Assets held for resale

In certain circumstances, the Credit Union may take possession of property held as collateral as a result of foreclosure on loans that are in default. Foreclosed properties are classified as assets held for sale and are measured at the lower of the carrying amount and the fair value less costs to sell.

(f) Property and equipment

Furniture, equipment and computer and pavement are stated at cost less accumulated amortization. Land and buildings were stated at fair value on October 1, 2010 which subsequently became the cost basis (see note 4). Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost can be measured reliably. Repairs and maintenance costs are charged to expenses during the financial period in which they are incurred.

Land is not depreciated. Building depreciation is calculated on a straight-line method over 40 years. All other property and equipment is amortized using the declining balance method at the following annual rates:

Buildings	2.5%
Furniture and equipment	20%
Computers	30%
Pavement	8%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment were identified as impaired as at December 31, 2018.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds to the net book value of the asset and are presented as a gain or loss on disposal in the statement of comprehensive income.

(g) Revenue recognition

i) Loan interest

Interest on loans and mortgages is recognized on an amortized cost 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 and mortgage to the net carrying amount of the loan and mortgage. When estimating the future cash flows the credit union considers all contractual terms of the loan and mortgage 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 premium or discounts. Mortgage prepayment penalties are recognized in income when received. All interest is recognized on an accrual basis.

ii) Investment and other income

Investment and other income is recognized as revenue on an accrual basis.

iii) Service fees

Service fees are recognized on an accrual basis in accordance with the service agreement.

iv) Commissions

Commissions income is recognized when the event creating the commission takes place.

v) Property rentals

Property rental income is recognized in the month the rent is earned.

(h) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly to equity.

i) Current income tax

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous periods.

ii) Deferred income tax

Deferred income tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are comprised primarily of differences between the carrying amounts and the income tax basis of the Credit Union's loans outstanding and property and equipment. Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

(i) Related parties

A related party is a person or an entity that is related to the Credit Union.

A person or a close member of that person's family is related to the Credit Union if that person:

i) Has control or joint control over the Credit Union, with the power to govern the Credit Union's financial and operating policies;

ii) Has significant influence over the Credit Union, participating in financial and operating policy decisions, but not control over these policies; or

iii) Is a member of the key management personnel of the Credit Union. Key management personnel, consistent with the definition under IAS 24, Related Party Disclosures, are persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director of the Credit Union.

(j) Capital disclosures

The Credit Union considers its capital to be its members' equity. The Credit Union's objectives when managing its capital are to safeguard its ability to continue as a going concern in order to provide services to its members. Capital is under the direction of the Board with the objective of minimizing risk and ensuring adequate liquid investments are on hand to meet the Credit Union's national standards.

(k) Standards issued but not yet effective

The following new standard has been issued but is not effective for the fiscal year ended December 31, 2018 and, accordingly, has not been applied in preparing these financial statements.

IFRS 16 Leases

This standard replaces IAS 17 Leases and introduces a single accounting model for lessees and for all leases with more than a 12 month term unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a corresponding lease liability, representing its obligation to make lease payments. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. While early adoption is permitted, the Credit Union has chosen not to early adopt this standard.

The Credit Union is currently evaluating the potential impact, if any, of this standard.

4 Critical accounting estimates and judgments

The Credit Union makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions change. The principal areas involving a higher degree of judgment or complexity and/or area which require significant estimates are described below:

(a) Fair value of land and building

On October 1, 2010, the Credit Union increased the carrying value of land and building by $212,112. The fair value of the property and equipment was determined by an independent third party appraisal.

(b) Allowance for credit losses

The expected credit loss model requires the recognition of credit losses based on up to 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant credit risk since origination.

The determination of a significant increase in credit risk takes into account many different factors since origination, and certain other criteria, such as delinquencies. The assessment of a significant increase in credit risk requires experienced credit judgment.

In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

(c) Estimated useful lives of property and equipment

Management estimates the useful lives of property and equipment based on the period during which assets are expected to be available for use. The amounts and timing of recorded amortization expense of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal and other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the Credit Union's property and equipment in the future.

(d) Fair value of financial instruments

Fair value measurement techniques are used to value various financial assets and financial liabilities and are used in impairment testing on certain non-financial assets.

The fair values of the credit union's financial instruments were estimated using the valuation methods and assumptions described below. 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 interest rates that have occurred since their origination. Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Fair values of floating loans and deposits approximate book value as the interest rates on these instruments automatically re-price to market and the spread remains appropriate. Fixed rate loans are valued by discounting the contractual future cash flows at current market rates for loans with similar credit risks. Fixed rate deposits are valued by discounting the contractual future cash flows using market rates currently being offered for deposits with similar terms. A credit valuation adjustment is applied to the calculated fair value of uninsured deposits to account for the credit union's own risk.

The fair value for the credit union's investments as detailed in note 5 is determined as follows:

- Membership shares in Atlantic Central, League Data, League Savings & Mortgage and Co-operative do not trade in a public market. Fair market value approximate par value as the shares are subject to regular rebalancing across the membership; and
- Liquidity reserve deposits are fair valued by discounting the contractual future cash flows at current market rates of similar financial instruments with similar terms.

(e) Income taxes

The actual amounts of income tax expense only become final upon filing and acceptance of the tax return by relevant authorities which occur subsequent to the issuance of the financial statements. Estimation of income taxes include evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions, before they expire, against future taxable income. The assessment is based upon enacted tax acts and estimates of future taxable income. To the extent estimates differ from the final tax provision, earnings would be affected in a subsequent period.

5 Fair value of financial instruments

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

		2018		2017	
	Fair level hierarchy	**Carrying amount $**	**Fair value $**	**Carrying amount $**	**Fair value $**
Financial assets					
Loans and mortgages	Level 2	171,716,495	171,716,495	154,715,830	154,715,830
Liquidity reserve deposit	Level 2	12,160,048	12,160,048	11,581,118	11,581,118
Atlantic Central shares	Level 2	2,201,040	2,201,040	2,042,500	2,042,500
League Data shares	Level 2	71,730	71,730	71,730	71,730
League Savings & Mortgage shares	Level 2	22,680	22,680	22,680	22,680
Co-operative membership	Level 3	3,000	3,000	3,000	3,000
Term deposits	Level 2	1,017,500	1,017,500	11,165,119	11,165,119
		187,192,493	187,192,493	179,601,977	179,601,977
Financial liabilities					
Member deposits	Level 2	193,400,658	193,400,658	183,672,589	183,672,589

The fair value for items that are short-term in nature are equal to book value. These include cash and cash equivalents, accounts receivable, accrued liabilities and other liabilities.

6 Loans and mortgages

(a) Loans at amortized cost

	IFRS 9			IAS 39		
			2018			2017
	Gross loans $	Allowance for credit losses $	Net carrying amount $	Gross loans $	Allowance for credit losses $	Net carrying amount $
Insured mortgages	6,753,566	506	6,753,060	3,356,749	-	3,356,749
Uninsured mortgages	70,265,159	28,558	70,236,601	57,857,078	-	57,857,078
Personal loans	5,477,898	21,942	5,455,956	5,300,561	-	5,300,561
Personal lines of credit and overdrafts	5,509,268	38,683	5,470,585	5,088,155	-	5,088,155
Dealer plan loans	3,333,842	11,699	3,322,143	3,062,354	-	3,062,354
Commercial loans	8,238,616	19,122	8,219,494	7,081,454	-	7,081,454
Commercial mortgages	48,497,495	36,373	48,461,122	42,995,165	-	42,995,165
Commercial lines of credit	4,240,091	55,418	4,184,673	4,058,574	-	4,058,574
Syndication loans	3,705,596	926	3,704,670	2,193,565	-	2,193,565
Mortgage pools	7,161,602	537	7,161,065	12,012,481	-	12,012,481
Municipalities	5,939,546	446	5,939,100	8,546,172	-	8,546,172
Secured lines of credit and overdrafts	2,808,237	211	2,808,026	3,163,522	-	3,163,522
	171,930,916	214,421	171,716,495	154,715,830	-	154,715,830

Mortgages and loans

Mortgages are secured by realty mortgages with interest rates of 2.69% - 5.95% (2017 - 2.69% - 4.74%).

Non-mortgage loans are priced at market rates unless circumstances warrant special considerations. The interest rates range from 1.99% - 18.99% (2017 - 2.2% - 18.0%) on personal and business loans, 2.95% - 30.0% (2017 - 0.00% - 30%) on line of credits and overdrafts and 0.00% - 12.5% (2017 - 0.00% - 12.5%) on student loans. The non-mortgage loans are secured by an assignment of specific call deposits and share capital of the borrower and other specific assigned securities.

The Credit Union's prime lending rate

The Credit Union's prime lending rate is set by the Board based on the prime interest rate of chartered banks in Canada. The rate as at December 31, 2018 was 3.95% (2017 - 3.20%).

(b) Impaired loans

	IFRS 9			IAS 39		
			2018			2017
	Gross impaired loans $	Allowance for credit losses $	Net carrying amount $	Gross impaired loans $	Allowance for credit losses $	Net carrying amount $
Uninsured mortgages	897,331	23,355	873,976	-	-	-
Personal loans	55,213	11,097	44,116	-	-	-
Personal lines of credit and overdrafts	36,183	11,318	24,865	-	-	-
Dealer plan loans	665	33	632	-	-	-
Commercial loans	62,439	6,858	55,581	-	-	-
Commercial lines of credit	60,000	22,500	37,500	-	-	-
	1,111,831	75,161	1,036,670	-	-	-

(c) Allowance for credit losses

	IFRS 9			
				2018
	Balance as at January 1, 2018 $	Provision for credit losses $	Net write-offs $	Net $
Insured mortgages	252	254	-	506
Uninsured mortgages	17,639	10,919	-	28,558
Personal loans	15,744	20,964	(14,766)	21,942
Personal lines of credit and overdrafts	38,130	553	-	38,683
Dealer plan loans	10,718	981	-	11,699
Commercial loans	16,938	37,714	(35,530)	19,122
Commercial mortgages	34,534	1,839	-	36,373
Commercial lines of credit	65,003	(9,585)	-	55,418
Syndication loans	548	378	-	926
Mortgage pools	901	(364)	-	537
Municipalities	641	(195)	-	446
Secured lines of credit and overdrafts	237	(26)	-	211
	201,285	63,432	(50,296)	214,421

	IFRS 9			
As at December 31, 2018	**Stage 1 $**	**Stage 2 $**	**Stage 3 $**	**Total $**
Insured mortgages	506	-	-	506
Uninsured mortgages	5,203	4,355	19,000	28,558
Personal loans	10,845	431	10,666	21,942
Personal lines of credit and overdrafts	27,365	4,633	6,685	38,683
Dealer plan loans	11,666	33	-	11,699
Commercial loans	12,264	129	6,729	19,122
Commercial mortgages	36,373	-	-	36,373
Commercial lines of credit	32,918	-	22,500	55,418
Syndication loans	926	-	-	926
Mortgage pools	537	-	-	537
Municipalities	446	-	-	446
Secured lines of credit and overdrafts	211	-	-	211
	139,260	9,581	65,580	214,421

	IAS 39 2017 $
Balance - Beginning of year	-
Increase in allowance	68,074
Amounts written off during the year	(81,506)
Recoveries of loans previously written off	13,432
Balance - End of year	-

(d) Provision for loan losses

	IRFS 9 2018 $	**2017 $**
Increase in allowance	63,432	68,074
Recoveries	(6,095)	-
	57,337	68,074

(e) Loans past due but not impaired

At December 31, 2018, all loans that were past due have been considered impaired by the Credit Union.

	31 - 90 days $	91+ days $	Total $
December 31, 2017	16,303	332,607	348,910

(f) Foreclosed properties

Expenses related to the upkeep of the foreclosed properties have been added to the cost of the properties, and it is management's expectation that the foreclosed properties will be sold in the near future. At December 31, 2018, the Credit Union has $165,336 (2017 - $163,198) in foreclosed properties that are classified as assets held for sale in the statement of financial position.

7 Property and equipment

	Land $	Buildings $	Furniture, equipment and computers $	Pavement $	Total $
Recorded amount					
Balance - Beginning of period	664,144	1,621,972	601,130	97,679	2,984,925
Additions	-	353,300	104,206	-	457,506
Balance - End of period	664,144	1,975,272	705,336	97,679	3,442,431
Accumulated amortization					
Balance - Beginning of period	-	291,722	375,714	77,816	745,252
Current period amortization	-	51,964	61,384	1,589	114,937
Balance - End of period	-	343,686	437,098	79,405	860,189
Carrying value					
December 31, 2017	664,144	1,330,250	225,416	19,863	2,239,673
December 31, 2018	664,144	1,631,586	268,238	18,274	2,582,242

8 Investments

	IFRS 9 2018 $	IAS 39 2017 $
Measured at fair value through profit or loss		
Liquidity reserve	12,160,048	11,581,118
Atlantic Central shares	2,201,040	-
League Data shares	71,730	-
Co-operative membership	3,000	-
League Savings & Mortgage shares	22,680	-
Total fair value measured through profit or loss	14,458,498	11,581,118
Measured at amortized cost		
Term deposits	1,017,500	-
Held to maturity investments	-	11,165,119
Available for sale investments	-	2,139,910
	15,475,998	24,886,147

Liquidity reserve deposit

In order to meet the Credit Union national standards, the Credit Union is required to maintain on deposit in Atlantic Central an amount equal to 6% of the prior quarter's assets (note 15b). The deposit bears interest at a variable rate.

Term deposits

Term deposits are invested with the League Savings & Mortgage Company, Atlantic Central and Concentra and are carried at cost which approximates fair value. These term deposits have the following maturity dates and rates of return:

Amount $	Rate of Return	Maturity
1,017,500	1.45%	October 17, 2019

9 Member deposits

	2018 $	2017 $
Ownership shares and share accounts (note 10)	12,208,628	11,123,403
Savings and Plan 24	20,147,586	18,842,254
Chequing accounts	51,417,018	57,968,114
Term deposits	67,894,279	54,688,274
RRSP and RRIF	41,733,147	41,050,544
	193,400,658	183,672,589

Ownership share and share accounts include the $5 membership share plus individual members' deposits.

Ownership share and share accounts pay members a dividend return at the discretion of the Board. Privileges of the shares are under the authority of the Board. The member dividend rate declared and paid for 2018 was 0.5% (2017 - 0.5%) based on the average minimum monthly share balance throughout the period.

Savings and Plan 24 are deposits on a call basis that pay holders a variable interest rate ranging from 0.00% - 3.0% (2017 - 0.00% - 1.70%) and 0.00% - 0.35% (2017 - 0.00% - 0.35%), respectively.

Chequing accounts are held on a call basis and pay the account holders interest at the Credit Union's stated rates, 0.00% -1.75% (2017 - 0.00% - 1.75%).

Term deposits are for periods of one to five years and generally may not be withdrawn prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Withdrawal privileges on all member deposit accounts are subject to the overriding right of the Board to impose a waiting period.

Fixed *term deposits* bear interest at various rates ranging from 0.00% - 4.45% (2017 - 0.00% - 4.45%) and extend for a term of up to five years.

RRSP and RRIF

Concentra Financial is the Trustee for the registered savings plans offered to owners. Under an agreement with the trust company, members' contributions to the plans, as well as income earned on them, are deposited in the credit union. On withdrawal, payment of the plan proceeds is made to the members, or the parties designed by them, by the credit union, on behalf of the trust company. RRSP and RRIF term deposits bear interest at various rates ranging from 0.00% - 4.5% (2017 - 0.00% - 4.45%).

10 Share accounts

An unlimited number of membership shares are available for issuance, with a par value of $5 each. These shares are non-transferable, redeemable by the Credit Union, retractable by shareholders subject to the Credit Union's right to suspend redemption, if the redemption would impair the financial stability of the Credit Union, for a period of up to twelve months by Board resolution and indefinitely by Board resolution with the approval of the Credit Union Deposit Insurance Corporation. Dividends on membership shares are payable at the discretion of the Board.

11 Income taxes

Tax rate reconciliation

	2018 $	2017 $
Income before income taxes	1,115,418	544,042
Taxes at statutory rates - 31.00% (2017 - 31.00%)	345,780	168,653
Impact of the 17% (2017 - 16%) small business deduction and additional deduction for credit unions	(85,000)	(80,000)
Permanent differences and other	6,174	10,527
Reduction of prior year tax liability	(10,632)	-
	256,322	99,180

(b) Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 14% (2017 - 15%), as follows:

	2018 $	2017 $
Balance - Beginning of period	48,010	46,750
Comprehensive income statement recovery	-	1,260
Balance - End of period	48,010	48,010

Deferred income tax liabilities are attributable to the following items:

	2018 $	2017 $
Deferred income tax assets (liabilities)		
Property and equipment	45,585	48,010
Allowance for impaired loans	2,425	-
	48,010	48,010

12 Pension plan

The Credit Union provides employees with a voluntary defined contribution pension plan in which the Credit Union matches employee contributions to the plan, within specified limits. During the period, the Credit Union expensed $80,974 (2017 - $82,986) in contributions to the plan. This expense is included with staff expenses on the Statement of Comprehensive Income.

13 Related party transactions

The Credit Union provides financial services to members. These members hold the loans and mortgages and member deposits and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

14 Composition of key management

Key management includes the Board of Directors, general manger, operations manager, front office manager, senior financial services officer and compliance officer. Compensation awarded to key management included:

(a) Key management, excluding directors

	2018 $	2017 $
Salaries and short-term employee benefits	546,428	611,233

(b) Directors' remuneration

	2018 $	2017 $
Honorariums	25,800	25,800
Payment for expenses while on credit union business	4,746	4,660

(c) Loans to directors and key management personnel

	2018 $	2017 $
Loans outstanding - Beginning of year	2,280,699	2,503,208
Loans issued during the year	108,294	463,127
Loan repayments during the year	(1,742,541)	(685,636)
Net increase in line of credits	-	-
Loans outstanding - End of year	646,452	2,280,699
Interest income earned	71,508	75,072

The loans issued to directors and key management personnel and close family members during the year of $108,294 (2017 - $463,127) are repayable over 0-7 years and have interest rates ranging from 2.7% - 6.95% (2017 - 2.7% to 4.7%).

15 Risk management

The Credit Union's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market, interest rate and operational risk. Authority for all risk-taking activities rests with the Board of Directors (the "Board"), which approves risk management policies, delegates limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout the Credit Union manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Credit Union's commercial and consumer loans and advances, and loan commitments arising from such lending activities.

Credit risk is the single largest risk for the Credit Union's business; management therefore carefully manages its exposure to credit risk. Oversight for the credit risk management and control is done by management who reports to the Board.

The Credit Union's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is 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 other entities or parties 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, (ii) recourse to business assets such as an assignment of real estate, equipment, inventory and accounts receivable, and (iii) recourse to liquid assets, guarantees and securities. The value of collateral held against individual exposures is generally only assessed at the time of borrowing and when a specific review of that exposure is undertaken in accordance with policy.

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

	2018 $	2017 $
Cash and cash equivalents	11,849,861	8,940,832
Accounts receivable	31,497	54,546
Loans and mortgages	171,716,495	154,715,830
Investments	15,475,998	24,886,147
	199,073,851	188,597,355

Cash and cash equivalents and investments have low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio, the Credit Union's underwriting methodologies and risk modelling is customer based rather than product based. The Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing risk.

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities as they come due. Liquidity risk is inherent in any financial institution and could result from entity level circumstances and/or market events.

The Credit Union's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

Exposure to liquidity risk:

The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to deposits. For this purpose, liquid assets may comprise of the following:

	2018	**2017**
	$	**$**
Cash and cash equivalents	11,849,861	8,940,832

The Credit Union is required to maintain 6% of the prior quarter's assets in liquid investments of which 100% must be held by Atlantic Central. The Credit Union was in compliance with this requirement at December 31, 2018.

Cash flows payable under financial liabilities by remaining contractual maturities are as follows:

	Under 1 year	**Over 1 to 5 years**	**Over 5 years**	**2018 Total**
	$	**$**	**$**	**$**
Member deposits	126,127,817	55,064,213	-	181,192,030
Share accounts	12,208,628	-	-	12,208,628
Accrued interest payable	952,443	-	-	952,443
Other liabilities	412,544	-	-	412,544
	139,701,432	55,064,213	-	194,765,645

	Under 1 year $	Over 1 to 5 years $	Over 5 years $	2017 Total $
Member deposits	126,213,817	46,335,369	-	172,549,186
Share accounts	11,123,403	-	-	11,123,403
Accrued interest payable	861,405	-	-	861,405
Other liabilities	320,955	-	-	320,955
	138,519,580	46,335,369	-	184,854,949

The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

(c) Market risk

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Credit Union as part of its normal trading activities. As the Credit Union does not deal in foreign exchange contracts or commodities, market risk consists solely of interest rate risk. The objective of market rate risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(d) 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. For the Credit Union, mismatches in the balances of assets, liabilities and off-balance sheet financial instruments that mature and reprice in varying reporting periods generate interest rate risk. These mismatches will arise through the ordinary course of business as the Credit Union manages member portfolios of loans and deposits with changing term preferences and through the strategic positioning of the credit union to enhance profitability.

The following table provides the potential before-tax impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income, assuming no further hedging is undertaken. These measures are based on assumptions made by management. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Credit Union's management initiatives.

	Net interest income change 2018 $	Net interest income change 2017 $
Before tax impact of		
1% increase in interest rates	(132,500)	74,300
1% decrease in interest rates	(68,600)	(213,400)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(f) Capital management

The primary objective of the Credit Union's capital management is to ensure that it maintains a healthy financial position in order to support its business. The Credit Union manages its capital structure and makes changes to it in light of changes in economic conditions.

The Credit Union has agreed to maintain an equity level at least equal to 5% of the total assets.

In accordance with the recommendations of the Canadian Chartered Professional Accountants related to the financial statement presentation of financial instruments, the ownership shares are presented in the balance sheet as financial liabilities. At December 31, 2018, the equity level for regulatory purposes is as follows:

	2018	**2017**
	$	**$**
Ownership shares (note 10)	41,080	40,340
Members' equity	7,325,988	6,668,177
Total regulatory equity	7,367,068	6,708,517
Total assets	202,296,785	191,620,519
Equity level	3.64%	3.50%

		2018
	#	**$**
Opening, January 1, 2018	8,068	40,340
Net increase	148	740
Closing, December 31, 2018	8,216	41,080

The Credit Union has not met its equity level of 5%.

16 Interest rate sensitivity

The following table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, notes receivable are shown at contractual maturity but certain notes could prepay earlier.

					2018
	Under 1 year $	**Over 1 to 5 years $**	**Over 5 years $**	**Not interest rate sensitive $**	**Total $**
Assets					
Cash and equivalents	8,733,601	-	-	3,116,260	11,849,861
Effective interest rate	1.57%		-		
Accounts receivable	-	-	-	31,497	31,497
Investments	15,475,998	-	-	-	15,475,998
Effective interest rate	1.49%				
Loans and mortgages	48,998,895	119,706,300	3,011,300	-	171,716,495
Effective interest rate	4.54%	3.74%	4.45%		
Prepaid expenses	-	-	-	475,356	475,356
Asset held for sale	-	-	-	165,336	165,336
Property and equipment	-	-	-	2,582,242	2,582,242
Total assets	73,208,494	119,706,300	3,011,300	6,370,691	202,296,785
Liabilities and surplus					
Member deposits	104,982,316	55,064,213	-	33,354,129	193,400,658
Effective interest rate	0.84%	2.26%			
Accrued interest payable	-	-	-	952,443	952,443
Other liabilities	-	-	-	412,544	412,544
Income taxes payable	-	-	-	157,142	157,142
Deferred income taxes	-	-	-	48,010	48,010
Undistributed earnings	-	-	-	7,325,988	7,325,988
Total liabilities and surplus	104,982,316	55,064,213	-	42,250,256	202,296,785
Interest rate sensitivity gap	(31,773,822)	64,642,087	3,011,300	(35,879,565)	-

					2017
	Under 1 year $	Over 1 to 5 years $	Over 5 years $	Not interest rate sensitive $	Total $
Assets					
Cash and cash equivalents	4,701,002	-	-	4,239,830	8,940,832
Effective interest rate	0.44%				
Accounts receivable	-	-	-	54,546	54,546
Investments	23,886,147	1,000,000	-	-	24,886,147
Effective interest rate	1.06%	1.75%			
Loans and mortgages	64,006,930	84,628,400	6,080,500	-	154,715,830
Effective interest rate	3.97%	3.51%	4.13%		
Prepaid expenses	-	-	-	620,293	620,293
Asset held for sale	-	-	-	163,198	163,198
Property and equipment	-	-	-	2,239,673	2,239,673
Total assets	92,594,079	85,628,400	6,080,500	7,317,540	191,620,519
Liabilities and surplus					
Member deposits	102,606,384	46,335,369	-	34,730,836	183,672,589
Effective interest rate	0.94%	2.00%			
Accrued interest payable	-	-	-	861,405	861,405
Other liabilities	-	-	-	320,955	320,955
Income taxes payable	-	-	-	49,383	49,383
Deferred income taxes	-	-	-	48,010	48,010
Undistributed earnings	-	-	-	6,668,177	6,668,177
Total liabilities and surplus	102,606,384	46,335,369	-	42,678,766	191,620,519
Interest rate sensitivity gap	(10,012,305)	39,293,031	6,080,500	(35,361,226)	-

As at December 31, 2018, the Credit Union's net interest spread was 2.21% (2017 - 2.05%). The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year-end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year-end interest bearing liabilities.

17 Transition to IFRS 9

Set out below is the impact of the adoption of IFRS 9 on the Credit Union. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 3.

i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at January 1, 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	**Carrying amount $**	**Measurement category**	**Carrying amount $**
Financial assets				
Cash and cash equivalents	Amortized cost (loans and receivables)	8,940,832	Amortized cost	8,940,832
Accounts receivable	Amortized cost (loans and receivables)	54,546	Amortized cost	54,546
Loans and mortgages	Amortized cost (loans and receivables)	154,715,830	Amortized cost	154,715,830
Investments	FVTPL (held for trading)	11,581,118	FVTPL	13,721,028
	Amortized cost (held to maturity	11,165,119	Amortized cost	11,165,119
	Amortized cost (available for sale)	2,139,910	Amortized cost	-

There were no changes to the classification and measurement of financial liabilities.

ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9:

The following table reconciles the carrying amounts of financial assets from their previous measurement category in accordance with IAS 39 to their new management categories upon transition to IFRS 9 on January 1, 2018:

	IAS 39 carrying amount December 31, 2017 $	Reclassifications	Remeasurements	IRFS 9 carrying amount January 1, 2018 $
Amortized cost				
Cash and cash equivalents				
Opening balance under IAS 39 and closing balance under IFRS 9	8,940,832	-	-	8,940,832
Accounts receivable				
Opening balance under IAS 39 and closing balance under IFRS 9	54,546	-	-	54,546
Loans and mortgages				
Opening balance under IAS 39	154,715,830			
Remeasurement: ECL allowance	-	-	(201,285)	
Closing balance under IFRS 9				154,514,545
Investments				
Opening balance under IAS 39 and closing balance under IFRS9	13,305,029	-	-	13,305,029
Total financial assets measured at amortized cost	177,016,237	-	(201,285)	176,814,952
Fair value through profit or loss (FVTPL)				
Investments				
Opening balance under IAS 39	11,581,118			
Add: from available for sale (IAS 39)		2,139,910		
Closing balance under IFRS 9	11,581,118	2,139,910	-	13,721,028

Available for sale				
Investments				
Opening balance under IAS 39	2,139,910			
Less: to FVTPL (IRFS 9)		(2,139,910)		
Closing balance under IFRS 9	2,139,910	(2,139,910)	-	-

Notes:

- Total remeasurement of $201,285 was recognized in opening undistributed income at January 1, 2018.

- The Credit Union holds investments in certain shares that are not traded in an open market so originally it has been determined that their fair value could not be reliably measured. Therefore, under IAS 39 these investments were measured at amortized cost. Under IFRS 9, these investments are now measured at FVTPL.

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