

# RAPPORT ANNUEL ANNUAL REPORT

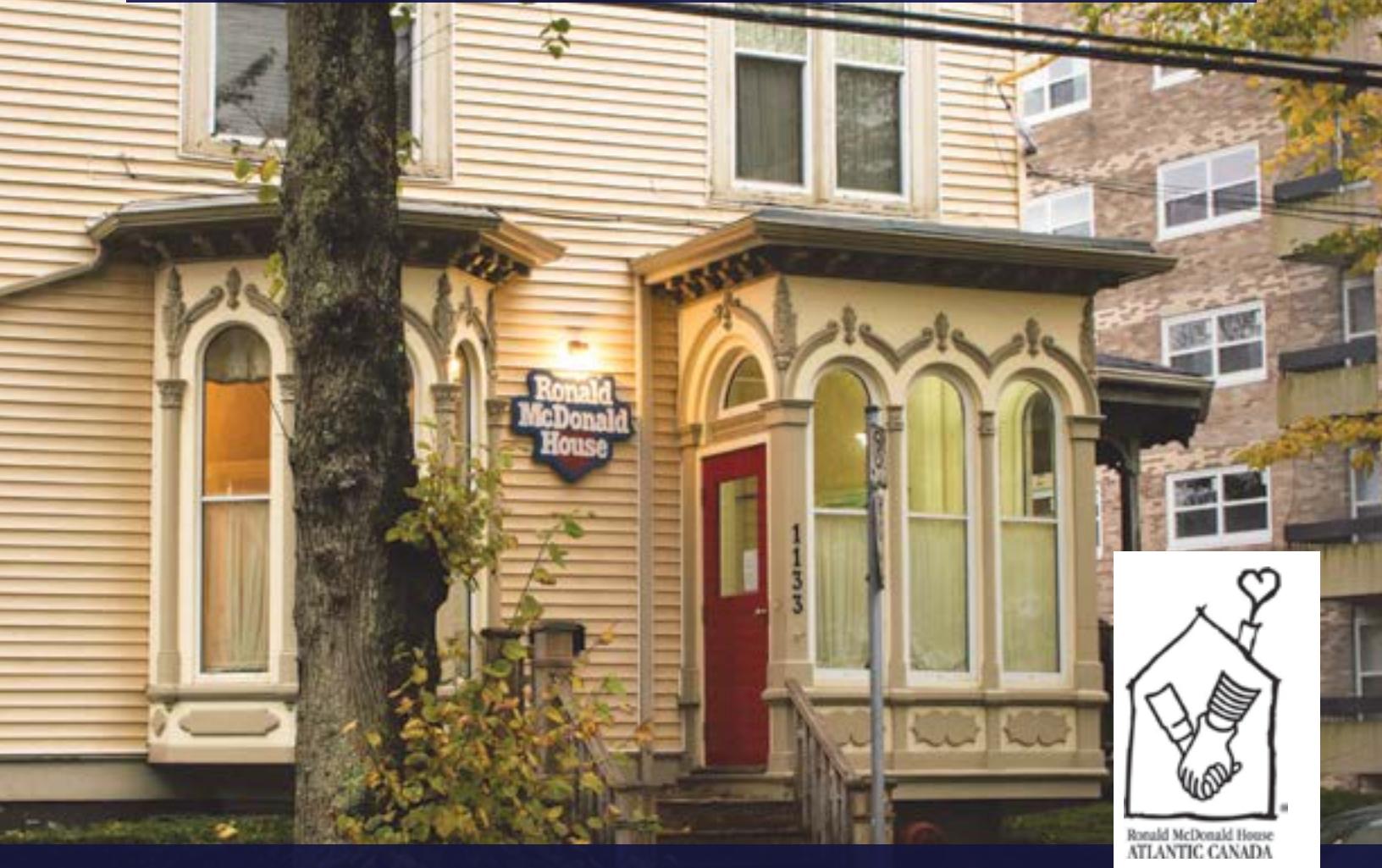
# 2013



**CAISSE POPULAIRE  
CREDIT UNION**

ÉVANGÉLINE-CENTRAL

# We are making miracles happen with the **Adopt-a-Room** sponsorship at Ronald McDonald House® Atlantic Canada.



We are proud to sponsor Ronald McDonald House® Atlantic Canada to help families in need of a place to stay in Halifax while their child receives medical treatment.

The actual operating cost for a bedroom at the Ronald McDonald House ® is over \$85 per night. The Adopt-a-Room program allows the House to maintain a comfortable, healthy, well-kept, environment for families for the nominal fee of \$11 per night.

In addition to the sponsorship program, Credit Unions of PEI are pleased to pay the nightly fee of \$11 for credit union members, and proud to help Ronald McDonald House® give sick children what they need most...their families.

**“Great relief not to have to worry about a place to stay while our daughter was at the IWK”,** says Benjamin Elwood, **“the credit union was a big help”.** The Elwoods needed to stay in Halifax while their daughter, Esther, was receiving treatment at the IWK last year. As a member of a PEI credit union, the Elwoods were able to focus more on their family, and less on paying for a place to stay.

Nous sommes fiers de parrainer le Manoir Ronald McDonald ® du Canada atlantique pour aider les familles qui ont besoin d'hébergement à Halifax lorsque leur enfant reçoit un traitement médical.

Le coût réel d'une chambre au Manoir Ronald McDonald ® est de plus de 85 \$ par nuit. Le programme Parrainer une pièce permet au Manoir d'offrir aux familles un environnement confortable, sain et bien entretenu pour la modique somme de 11 \$ par nuit.

En plus du programme des commandites, les caisses populaires de l'Île sont heureuses de payer le tarif de 11 \$ la nuitée pour les membres des caisses et sont fières d'aider le Manoir Ronald McDonald® à donner aux enfants malades ce dont ils ont le plus besoin... la présence de leur famille.

**«C’était un grand soulagement de ne pas avoir à se soucier d’un endroit où rester pendant que notre fille était au IWK,»** explique Benjamin Elwood. **«La caisse était d’un très grand secours.»** Les Elwood devaient rester à Halifax pendant que leur fille, Esther, recevait des soins à IWK l’année dernière. Parce qu’ils étaient membres d’une caisse populaire à l’Île, les Elwood ont pu se concentrer davantage sur leur famille et moins sur les frais qu’ils devaient payer pour de l’hébergement.



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# Membres du conseil d'administration





# Board of Directors

Absents de la photo/  
Missing from photo:  
**Peter Bulger & Glen Ellis**



# Employés / Staff



## Rapport du président



**Ira Smith**  
président / President

Alors que prend fin notre deuxième année de fonctionnement en tant que Caisse populaire Évangéline-Central, nous nous disons tout à fait satisfaits de notre succès financier malgré les perturbations que la fusion a occasionnées. Grâce à notre personnel, nous avons su assurer une transition en douceur pour nos membres.

Nous reconnaissons toutefois que les membres de notre succursale d'O'Leary ont fait face à un plus grand nombre de défis en raison du changement des numéros de compte et de transit qui a été effectué. Il a fallu bien des efforts afin de faciliter les rajustements aux transactions préautorisées. La décision de procéder à une fusion complète des données qui créerait une plateforme commune pour les trois succursales a été prise au sérieux et nous regrettons sincèrement la perturbation qui en a résulté. Les améliorations d'efficacité et d'économies à long terme sont maintenant très évidentes puisque nous avons seulement un numéro de transit pour tous nos membres.

Nous sommes très heureux d'avoir dépassé nos projections financières établies au moment de la fusion. Notre actif au cours de l'année a augmenté de 5,21 pour cent. La rentabilité demeure élevée, ce qui nous permet d'accroître les capitaux propres qui ont atteint 7,58 pour cent de l'actif. Ces résultats ont été atteints tout en accordant un retour supérieur au taux du marché de 2 pour cent pour l'année sur les parts des membres. Étant donné que les membres de la communauté sont les propriétaires de la Caisse, nous sommes fiers d'avoir pu remettre environ 90 mille dollars à la communauté cette année sous forme de commandites, de dons et de bourses d'études.

Le Conseil d'administration comprend l'importance d'avoir une organisation forte afin de pouvoir traverser des situations imprévues et d'avoir la force de réaliser notre mission. Malgré l'exigence réglementaire de seulement 5 pour cent, nous voulons augmenter les intérêts financiers de l'organisation jusqu'à un minimum de 8 pour cent au cours des prochaines années.

Votre Conseil est demeuré très actif au cours de l'année afin de pouvoir répondre aux exigences établies par la loi sur les caisses populaires, ses statuts et ses règlements. Un exercice stratégique annuel a lieu afin d'établir ou de rajuster les priorités de l'organisation. De plus, le Conseil se réunit mensuellement afin de constater le progrès en matière de direction stratégique, d'examiner les résultats de rendement, de contrôler l'application des règlements et d'aborder les questions qui outrepassent le niveau d'autorité de la direction. Je tiens à féliciter tous les directeurs pour leur engagement à assumer leurs responsabilités en tant que membres du Conseil d'administration.

Pour terminer, je remercie tous les membres pour l'appui constant démontré envers votre organisation. Nous cherchons toujours à offrir des produits de qualité qui sont concurrentiels du point de vue des caractéristiques pour suivre l'évolution rapide du marché et des prix dans un environnement en constante évolution. Je tiens également à féliciter les employés pour la qualité des services qu'ils offrent aux membres de façon quotidienne. J'ai hâte de suivre les progrès de l'organisation dans les années à venir.

**Ira Smith**

## President's Report

At the close of our second year of operation as Évangéline-Central Credit Union, we are quite pleased with the financial success that was achieved despite the disruption that the amalgamation has had on the normal operations. Our staff has been instrumental in making the transition as seamless as possible for our members.

We do recognize that our O'Leary branch members faced additional challenges due to the account and transit number changes that were required. Considerable effort was required to facilitate the adjustments in pre-authorized transactions. The decision to proceed with a full data merge that would create a common platform for the three branches was not taken lightly and we truly regret the disruption that was caused as a result. Significant efficiencies and cost savings over the longer term are quite evident now as a result of having only one transit number for all our members.

We are very pleased to have exceeded our financial projections set at the time of amalgamation. Our assets this past year have increased by 5.21%. Profitability remains strong which has allowed us to continue growing our equity which has reached 7.58% of assets. These results were attained while delivering an above market return on member shares of 2% for the year. Because the Credit Union is owned by the local residents, we are proud to have contributed approximately \$90K, this past year, to our communities in the form of sponsorships, donations and scholarships.

The Board of Directors sees the importance of having a strong organization in order to be in a position to weather potential unforeseen circumstances and provide the strength to be able to continue delivering on our mission. Despite the regulatory requirement of only 5%, we aim to increase the equity position of the organization to a minimum of 8% over the next few years.

Your Board remained very active throughout the year in order to meet all requirements as established by the Credit Union Act, Bylaws and Regulations. An annual strategic exercise is conducted to set and/or adjust the organization's priorities. The Board then meets on a monthly basis to review progress toward the strategic direction, review performance results, monitor compliance with regulations and address issues that are beyond Management level of authority. I would like to commend all fellow Directors for their commitment in fulfilling all responsibilities demanded by their Board of Director position.

In closing, I would like to thank all members for your continued support. We strive to provide quality products that effectively compete from a feature and pricing perspective with the rapidly changing marketplace. To the staff, I commend you for the level of service that you deliver to our members on a daily basis. I look forward to seeing the organization continue its growth in 2014 and beyond.

**Ira Smith**

## Rapport du directeur général



**Alfred Arsenault**  
directeur général / CEO

Cette année s'est écoulée si rapidement qu'il est difficile à croire qu'on termine un autre exercice financier. Les efforts ont principalement porté sur la fusion des opérations de nos deux organisations distinctes afin d'obtenir les gains en efficacité auxquels nous nous attendions du processus de fusion.

Notre but, encore une fois, est d'offrir à nos membres des produits et des services compétitifs et de qualité supérieure. Au printemps dernier, en collaboration avec nos partenaires, y compris le système au complet des caisses populaires en Atlantique, nous avons participé à une campagne régionale hypothécaire très réussie. Elle nous a permis d'être bien concurrentiels au sein de notre marché en offrant un terme hypothécaire sur cinq ans de 2,99 pour cent, un des plus intéressants du marché. En raison de la force de notre système et d'un désir toujours grandissant de collaboration, nous sommes mieux positionnés pour livrer une concurrence vigoureuse afin d'obtenir notre part du marché.

Le marché financier au complet connaît des changements importants en raison de l'augmentation des règlements, des nouvelles technologies et des changements dans les générations. La nouvelle génération de clients, qui est très avisée sur le plan de la technologie, présente des besoins en matière de produits et services qui sont sensiblement les mêmes que ceux des anciennes générations, mais les moyens d'y accéder sont fondamentalement différents. Il est bien clair que la présente structure de succursales pour offrir des produits et services financiers n'intéresse pas tellement nos plus jeunes générations. La nature des produits financiers est bien adaptée aux moyens de prestations mobiles par lesquels on peut obtenir des produits et services financiers selon notre horaire et à l'endroit qui nous convient plutôt que d'être contraint aux heures d'ouverture et aux lieux d'affaires des fournisseurs de services. Nous anticipons faire d'importants investissements en matière de technologie dans le moyen terme afin de conserver notre concurrence alors que nous anticipons la venue d'autres institutions sur le marché qui dépendent strictement de moyens de prestation plus modernes, choisissant de ne pas offrir de services en succursale.

Il y a certainement une forte corrélation entre la qualité des services et le succès de notre organisation. Je suis très fier d'annoncer que, pour la neuvième année consécutive, les Canadiens ont hissé les caisses populaires au premier rang en matière d'excellence en services à la clientèle parmi toutes les institutions financières. Le prix a été décerné aux caisses populaires lors des Ipsos Best Banking Awards. De plus, elles ont remporté la palme dans deux autres catégories et étaient à égalité pour la première place dans quatre catégories. Je tiens à exprimer ma sincère reconnaissance au personnel pour son dévouement continu à la prestation de services de grande qualité aux membres, motivé par la mission suivante : « **Axée sur vous : votre communauté, votre avenir, votre prospérité. Partenaire dans votre succès.** »

**Alfred Arsenault**



## CEO's Report

The past year has come and gone so fast that it is hard to believe that we are once again concluding another fiscal year. This year, the focus was predominantly on merging the operations of our two separate organizations in an effort to generate the level of efficiencies that were expected from the amalgamation.

Again, our aim is to deliver competitive products and services that provide superior value to our members. This past spring, in collaboration with our system partners including the entire Atlantic Credit Union system, we participated in a very successful regional mortgage campaign. This campaign allowed us to compete very effectively within our marketplace by offering a market leading 2.99% 5-year mortgage term. Because of our system's strength and an ever-growing desire for collaboration, we are becoming better positioned to aggressively compete for market share.

The entire financial marketplace is currently going through some significant changes as a result of increasing regulations, new technology and generational shifts. As the new generation of technologically savvy customers is entering the marketplace, the need for products and services may not be all that distinct from the previous generations but the channels to access these are fundamentally different. It is quite clear that today's branch structure of delivering financial products and services does not necessarily appeal to our younger generations. The nature of financial products is very well suited for the mobile delivery channels where you access financial products and services based on your own schedule and location rather than according to the service provider's defined time and place. We foresee significant investment in technology over the midterm to maintain our competitiveness as we see more and more niche entrants into the marketplace that rely strictly on the newer delivery channels opting not to provide any branch servicing.

There is undoubtedly a strong correlation between the quality of service and the success of our organization. I am very proud to announce that, for the ninth consecutive year, Canadians ranked credit unions first in overall customer service excellence among all financial institutions in the 2013 Ipsos Best Banking Awards. In addition, Credit Unions also took sole honors in two other categories and tied for first in four categories. I would like to sincerely thank our staff for their ongoing dedication to the delivery of high quality member service as driven by our mission: "***Focused on you: your community, your future, your prosperity. Partner in your success.***"

**Alfred Arsenault**

## FAITS SAILLANTS DE 2013 HIGHLIGHTS

**Le bénéfice net** de **665 128 \$** pour toute l'année

**122 223 954 \$** total des actifs

**9 267 869 \$** en capitaux propres (7,58% de l'actif)

**93 852 777 \$** en prêts et hypothèques

**93 744 672 \$** en dépôts des membres

**9 446 membres**

**Net income** of **\$665,128** for entire year

**\$122,223,954** total assets

**\$9,267,869** in equity (7.58% of assets)

**\$93,852,777** in loans and mortgages

**\$93,744,672** in member deposits

**9,446 members**

# Engagées envers nos jeunes

Tout comme apprendre à faire du vélo, les enfants peuvent acquérir les compétences nécessaires pour gérer leur argent avec leur propre compte à la Caisse populaire Évangéline-Central. Grâce au programme de la Caisse dépôts étudiants, nous encourageons les étudiants à établir de bonnes habitudes d'épargne en faisant régulièrement des dépôts à leur compte dépôts étudiants à l'école. Nous les encourageons également à comprendre la valeur de l'argent et de les aider à épargner pour les choses qu'ils veulent.

Le programme dépôts étudiants de la caisse aux écoles est actuellement offert aux élèves de la maternelle à la 12e année de l'école Évangéline, de la maternelle à la 6e année aux écoles à Ellerslie, à Bloomfield et à O'Leary. Le compte est constitué d'un compte d'épargne *SmartSave* avec un taux préférentiel. Il n'y a pas de coût associé à ce compte d'épargne étudiant et une carte de débit est disponible pour accéder aux fonds. Des prix sont décernés à certaines occasions tout au long de l'année scolaire.

## Committed to our Youth

Just like learning to ride a bike, children can acquire the skills to manage their money with their own account at Évangéline-Central Credit Union. Through the Credit Union's School Deposit Program, we encourage the students to establish good saving habits by making regular deposits to their school credit union account. We also encourage them to understand the value of money and assist them in saving for the things they want.

The Credit Union School Deposit Program is currently being offered to students from kindergarten to grade 12 in Evangeline, Kindergarten to grade 6 in Ellerslie, Bloomfield and O'Leary schools. The account consists of a SmartSave savings account with a preferred rate. There is no cost associated to this student savings account and a debit card is available to access the funds. Prizes are awarded on occasion throughout the school year.

## RÉCIPIENDAIRES DE BOURSES SCHOLARSHIP RECIPIENTS

En 2013, la Caisse populaire Évangéline-Central a contribué **7 500 \$** en bourses d'études.  
In 2013, Évangéline-Central Credit Union contributed **\$7,500** in scholarships.

Kelsey Arsenault | Alex Bernard | Nicole Corcoran | Alex Cyr  
Josée Gallant | Natalie LeBlanc | Megan McNeill  
Adam Trowsdale | Aaron Sentner

Darlene Corcoran Memorial Scholarship: **Joshua Perry**  
PEI Potato Blossom Festival Ambassador Scholarship: **Kristen Lawless**



Kate Ryan, the Youth Coordinator for the Provincial Marketing Department, stands in front of the Credit Union branded 2014 Mazda CX-5 known as the YuMob. You will see Kate and the YuMob in your community as part of the Youth Engagement Strategy all eight PEI credit unions are a part of.

The Provincial Marketing Department, effective October 1st 2013, is the new approach to marketing for PEI credit unions. The objective of the department is to consolidate all marketing activities into a central department to increase access to resources, increase consistency across the province, and gain better economies of scale for media.

Kate Ryan, coordonnatrice des services à la jeunesse pour le Département provincial de marketing, se tient devant la Mazda CX-5 2014 des caisses populaires surnommée YuMob. Vous verrez Kate et le YuMob dans votre communauté dans le cadre de la stratégie de mobilisation des jeunes dont les huit Caisses populaires de l'Île font partie.

Le Département provincial de marketing, à compter du 1er octobre 2013, fait partie de la nouvelle approche de marketing des caisses populaires de l'Île. Son objectif est de regrouper toutes les activités de marketing dans un service central pour accroître l'accès aux ressources, améliorer l'uniformité dans toute la province et d'obtenir de meilleures économies d'échelle pour les exigences médiatiques.



Shawn MacLean, C.A.  
Everett Roche, C.A.  
Terry Solomon, C.A.  
Michelle Burge, C.A.  
Lloyd Compton, C.A.

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## INDEPENDENT AUDITOR'S REPORT

### To the Members of Évangéline-Central Credit Union Limited

#### Report on Financial Statements

We have audited the accompanying financial statements of Évangéline-Central Credit Union Limited, which comprise the statement of financial position as at September 30, 2013 and the statements of changes in members' equity, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Évangéline-Central Credit Union Limited as at September 30, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*MRSB Chartered Accountants*



MRSB CHARTERED ACCOUNTANTS

Charlottetown, PE

November 6, 2013

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
**Statement of Financial Position**  
**September 30, 2013**

	2013	2012
<b>Assets</b>		
Cash and cash equivalents (Note 4)	\$ 12,325,309	\$ 7,621,700
Investments (Note 5)	11,062,077	10,765,199
Accounts receivable (Note 6)	985,640	1,101,426
Member loans and mortgages (Note 7)	93,852,777	93,040,425
Provision for impaired loans (Note 8)	(2,731,025)	(2,679,896)
Income taxes recoverable	-	28,442
Prepaid expense	118,110	110,762
Future income taxes (Note 9)	13,601	7,463
Real estate held for resale	33,632	111,878
Due from 7730543 Canada Inc. (Note 10)	4,886,819	4,518,809
Investment in Associate (Note 11)	238,770	41,243
Property and equipment (Schedule 1)	1,438,244	1,501,097
	<b>\$122,223,954</b>	<b>\$116,168,548</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 504,227	\$ 510,104
Employee benefits payable	494,268	448,741
Accrued interest payable	797,548	893,798
Income taxes payable	45,243	-
Member deposits (Note 12)	93,744,672	89,650,925
Share deposits	17,370,127	16,061,004
	<b>112,956,085</b>	<b>107,564,572</b>
Contingent liabilities (Note 13)		
Commitments (Note 14)		
<b>Members' Equity</b>		
Members' shares (Statement 4)	47,230	48,465
Undistributed earnings (Statement 4)	9,220,639	8,555,511
	<b>9,267,869</b>	<b>8,603,976</b>
	<b>\$122,223,954</b>	<b>\$116,168,548</b>

ON BEHALF OF THE BOARD

*Dan Smith* *Director*  
*Dan Smith* *Director*

Notes 1 - 22 are an integral part of these financial statements

**M|R|S|B**  
Chartered Accountants

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
**Statement of Changes in Members' Equity**  
**Year Ended September 30, 2013**

	2013 (12 months)	2012 (6 months)
<b>Members' shares</b>		
Balance - beginning of year	\$ 48,465	\$ 28,290
Issuance (redemption) of members' shares, net	(1,235)	20,175
Balance - end of year	<u>47,230</u>	48,465
<b>Undistributed earnings</b>		
Balance - beginning of year	8,555,511	5,717,971
Net comprehensive income (Statement 5)	665,128	316,794
Increase in undistributed earnings from amalgamation	-	2,520,746
Balance - end of year	<u>9,220,639</u>	8,555,511
<b>Members' equity</b>	<u>\$ 9,267,869</u>	\$ 8,603,976

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
**Statement of Comprehensive Income**  
**Year Ended September 30, 2013**

	2013 (12 months)	2012 (6 months)
<b>Income</b>		
Interest and investment	\$ 5,337,227	\$ 2,765,517
Cost of capital and borrowings (Note 16)	<u>1,717,513</u>	932,815
Financial margin	<u>3,619,714</u>	1,832,702
<b>Other</b>		
Commissions	1,479,077	747,055
Income from significant influence investment	<u>266,629</u>	141,305
Miscellaneous	<u>105,767</u>	35,173
	<u>1,851,473</u>	923,533
	<u>5,471,187</u>	2,756,235
<b>Expenses</b>		
Advertising and promotions	174,309	118,245
Amortization of property and equipment	<u>127,721</u>	60,944
Automated teller machines	119,683	63,792
Board honorarium	18,192	12,818
Data processing	202,226	111,141
Dues and memberships	<u>100,922</u>	38,385
Insurance	215,480	106,305
Meetings	22,219	8,936
Miscellaneous	<u>4,521</u>	2,447
Office	238,479	125,944
Premises	<u>188,609</u>	78,459
Professional fees	50,608	69,486
Provision for impaired loans	<u>308,566</u>	145,421
Service fees	825,812	434,359
Telephone	39,244	24,062
Travel	<u>25,717</u>	12,442
Wages and wage levies	<u>2,047,395</u>	1,005,853
	<u>4,709,703</u>	2,419,039
<b>Income before income taxes</b>	<u>761,484</u>	337,196
<b>Income taxes</b>		
Current (Note 17)	102,494	27,865
Future	<u>(6,138)</u>	(7,463)
	<u>96,356</u>	20,402
<b>Net comprehensive income</b>	<b>\$ 665,128</b>	\$ 316,794

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
**Statement of Cash Flows**  
**Year Ended September 30, 2013**

	2013 (12 months)	2012 (6 months)
<b>Cash flows from operating activities</b>		
Net comprehensive income	\$ 665,128	\$ 316,794
Items not affecting cash:		
Amortization of property and equipment	127,721	60,944
Future income taxes	(6,138)	(7,463)
	<u>786,711</u>	<u>370,275</u>
Changes in non-cash working capital:		
Investments	(296,878)	(3,047,396)
Accounts receivable	115,786	(833,643)
Prepaid expense	(7,347)	(67,980)
Income tax	73,685	(129,592)
Accounts payable and accrued liabilities	(5,878)	278,187
Employee benefits payable	45,527	(8,705)
Accrued interest payable	(96,250)	682,377
	<u>(171,355)</u>	<u>(3,126,752)</u>
	<u>615,356</u>	<u>(2,756,477)</u>
<b>Cash flows from investing activities</b>		
Increase in member loans and mortgages	(761,223)	(35,149,575)
(Increase) decrease in real estate held for resale	78,246	(111,878)
Increase in amount due from 7730543 Canada Inc.	(368,010)	(3,698,918)
Increase in investment in Associate	(197,527)	(41,243)
Purchase of property and equipment	(64,868)	(48,640)
Increase in property and equipment from amalgamation	-	(489,741)
	<u>(1,313,382)</u>	<u>(39,539,995)</u>
<b>Cash flows from financing activities</b>		
Increase in member deposits	4,093,747	37,529,153
Increase in share deposits and members' shares	1,307,888	3,663,243
Increase in undistributed earnings from amalgamation	-	2,520,746
	<u>5,401,635</u>	<u>43,713,142</u>
<b>Increase in cash and cash equivalents</b>	<b>4,703,609</b>	<b>1,416,670</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>7,621,700</b>	<b>6,205,030</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 12,325,309</b>	<b>\$ 7,621,700</b>
<b>Cash flows supplementary information</b>		
Interest received	\$ 5,296,740	\$ 2,234,184
Interest paid	1,516,715	279,751
Income taxes paid	28,809	157,457

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
 Notes to Financial Statements  
 Year Ended September 30, 2013

**1. DESCRIPTION OF BUSINESS**

Évangéline-Central Credit Union Limited was incorporated under the Prince Edward Island Companies Act on April 1, 2012 and is governed by the Prince Edward Island Credit Unions Act. Évangéline-Central Credit Union Limited is a member-owned financial institution whose principal business activities include financial and banking services for its members at its branches in Évangéline, Tyné Valley, and O'Leary, Prince Edward Island.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared in accordance with and are in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of the financial statements are set out in Note 3.

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in Note 3. These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

**3. SIGNIFICANT ACCOUNTING POLICIES**

Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand and cash in financial institutions.

Investments

Investments for which there are quoted prices in an active market are carried at fair value by the Credit Union. Unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost, except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Investment in Associate

The Credit Union's investment in 7730543 Canada Inc., of which it owns 40.89% of the outstanding voting shares and over which the Credit Union exercises significant influence, is accounted for by the equity method. Accordingly, the investment is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and dividends received.

Accounts receivable

Accounts receivable arise from miscellaneous rebates and accrued interest on loans and mortgages and investments. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectability of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

(continues)

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
 Notes to Financial Statements  
 Year Ended September 30, 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Loans and mortgages

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

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

Impairment

Loans and mortgages are considered impaired when there has been deterioration in credit quality. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Credit Union makes judgements as to whether there is any observable data indicating an impairment followed by a measurable decrease in the estimated future cash flows from a loan or mortgage. Deterioration of estimated future cash flows is determined considering the financial condition of the borrower, payment history and security pledged.

The Credit Union first assesses whether objective evidence of impairment exists individually for member loans and mortgages. If it is determined that no objective evidence of impairment exists for individual assets, the asset is included in a group of financial assets with similar credit characteristics and that group is assessed collectively for impairment. Assets that are individually assessed for impairment are not included in the collective cash flows for a group of financial assets with similar credit risk characteristics. The expected cash flows are estimated based on historical loss experience, future estimates based on current events and objective evidence of impairment similar to those in the portfolio.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recorded impairment loss is reversed. Any subsequent reversal of impairment loss is recognized in net income.

Member loans and mortgages considered uncollectible are written off.

Interest on an impaired loan or mortgage continues to be recognized in earnings on an accrual basis and is provided for in the provision for impaired loans. At September 30, 2013, interest accrued on impaired loans and mortgages totals \$273,539 (2012 - \$242,894).

Non-financial assets are assessed for impairment at least annually and, where impairment exists, the carrying value is reduced to the recoverable amount.

Real estate held for resale

Real estate held for resale is carried at the market value of the loan or mortgage foreclosed, adjusted for estimates of revenues to be received and costs to be incurred subsequent to foreclosure, and the estimated net proceeds from the sale of the assets.

(continues)

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
 Notes to Financial Statements  
 Year Ended September 30, 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Future income taxes**

Income tax expense comprises current and deferred tax.

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

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

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

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

**Property and equipment**

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives using the following rates and methods:

Buildings	4%, 5% and 10%	declining balance method
Equipment	20%	declining balance method
ATMs	30%	declining balance method
ATMs	20%	straight-line method
Pavement	8%	declining balance method
Computer hardware	30% and 45%	declining balance method
Signs	20%	declining balance method

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal. The useful life and residual value of fixed assets are reviewed at least annually.

(continued)

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
 Notes to Financial Statements  
 Year Ended September 30, 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Finance charges**

The Credit Union periodically purchases mortgages from League Savings and Mortgage. Generally a premium is paid for the mortgages purchased, calculated by reference to the interest rate inherent in the mortgages and the rate of interest in effect at the time of purchase. The premium paid is amortized using the straight-line method over the life of the mortgage purchase plan and netted to the applicable mortgage asset.

Fees related to the purchase of Index-Linked RRSP units are amortized using the straight-line method over the term of the investment and are netted against the cost of the liability.

**Employee future benefits**

The Credit Union records annually the estimated liabilities for pension and other benefit obligations, which are payable to its employees in subsequent years under the Credit Union's policy.

The Credit Union provides post employment benefits through defined contribution plans. Pension expenses for the defined contribution pension plan include the required employer contributions. Contributions to the plan are recognized as an expense in the period that the relevant employee services are rendered. During the year, the contributions by the Credit Union to a defined contribution pension plan totaled \$74,530 (2012 - \$38,259).

Liabilities are recorded for employee benefits including salaries and wages, deductions at source, paid annual or sick leave and bonuses that are expected to be settled within 12 months of the financial statement date. These represent present obligations resulting from employees' services provided to the financial statement date and are calculated at the undiscounted amounts based on the remuneration rate that the Credit Union expects to pay at the financial statement date. The expected cost of bonus payments is recognized as a liability when the Credit Union has present legal or constructive obligation to pay as a result of past events and the obligation can be estimated reliably.

Benefits such as medical care are non-vesting and are expensed by the Credit Union as the benefits are taken by the employees.

Severance benefits are recognized as an expense when the Credit Union is committed, without realistic opportunity for withdrawal, to a formal detailed plan to provide severance benefits under certain circumstances. If material benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

**Member deposits**

Deposits are measured at fair value on recognition, net of transaction costs directly attributable to issuance. Subsequent measurement is at amortized cost using the effective interest method. Chequing accounts, call deposits and term deposits are on a call basis and earn interest at various rates.

Share deposits pay a dividend return at the discretion of the Board of Directors. Privileges of the shares are under the authority of the Board of Directors. The dividend rate declared and paid for 2013 was 2.00% (2012 - 2.00%) and was based on the average of the lowest monthly share balances.

(continued)

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
 Notes to Financial Statements  
 Year Ended September 30, 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Share deposits**

The Credit Union has authorized an unlimited number of voting equity shares, with a value of \$5 per share. The 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 Corporation.

As at the financial statement date, the Credit Union has 9,446 member shares issued and outstanding with a value of \$47,230 (2012 - 9,693 shares with a value of \$48,465).

**Revenue and expense recognition**

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can readily be measured. The principal sources of revenue are interest and fee income. Interest on loans and mortgages is recognized and reported on an accrual basis using the effective interest method.

Operating expenses are recognized upon the utilization of the services or at the date of their origin. Expenses incurred directly in the origination of loans and mortgages are deferred and recognized in the statement of comprehensive income, as a reduction to income over the expected life of the relevant loans and mortgages.

**Foreign currency translation**

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

(continued)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement uncertainty**

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The estimates and underlying assumptions are continually reviewed on an ongoing basis based on historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances, including expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results, and actual results may ultimately differ from these estimates.

Revisions to accounting estimates are recorded in the period in which the estimate is reversed if the revision affects only that period or in the period of revision and in future periods if the revision affects both the current and future periods.

The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include the provision for impaired loans, measurement of employee benefits, and the estimates of useful lives for depreciation of property and equipment.

**Financial instruments**

The Credit Union classifies its financial assets and liabilities according to their characteristics and management's intentions related thereto for the purposes of ongoing measurements. Financial assets and liabilities are initially recognized at fair value regardless of classification choice and are subsequently accounted for based on their classification as described below.

Financial assets must be classified as fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM), or loans and receivables (L&R). Financial liabilities are required to be classified as FVTPL or other financial liabilities (OFL). All financial instruments, including all derivatives, are measured at fair value on the statement of financial position with the exception of loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or the Credit Union transfers the contractual rights to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to a third party and the Credit Union has transferred all of the risks and rewards of ownership of that asset to a third party. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Changes in fair value of financial assets and financial liabilities classified as FVTPL are reported in earnings, while the changes in value of available for sale financial assets are reported within other comprehensive income (OCI) until the financial asset is disposed of, or becomes impaired.

Accumulated OCI is reported on the statement of financial position as a separate component of Members' Equity. It includes, on a net of taxes basis, the net unrealized gains and losses on available for sale financial assets. The Credit Union has classified its equity investments as AFS; however, because there is no active market for these investments and their fair value cannot be estimated reliably, the Credit Union has not recorded any other comprehensive income as a result of these.

(continued)

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
 Notes to Financial Statements  
 Year Ended September 30, 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

The Credit Union has classified its financial instruments as follows:

FVTPL	Cash and cash equivalents
AFS	Investments - shares
HTM	Investments - debentures
L&R	Accounts receivable, member loans and mortgages and amount due from 7730543 Canada Inc.
OFL	Accounts payable and accrued liabilities, employee benefits payable, accrued interest payable and member and share deposits

The Credit Union utilizes settlement date accounting for all purchases and sales of financial assets in its investment portfolio. Transaction costs other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred, are added to the fair value of the financial asset or liability on initial recognition and amortized using the effective interest method.

**Changes in accounting standards**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2013 and have not been adopted by the Credit Union in preparing these financial statements. Other than the introduction of IFRS 9, these changes are not expected to have a material impact on the financial statements.

**IFRS 9 - Financial Instruments**

In 2009 and 2010, the IASB issued IFRS 9 - Financial Instruments which contains new requirements for accounting for financial assets and liabilities, and will contain new requirements for impairment and hedge accounting, replacing the corresponding requirements in IAS 39. It will lead to significant changes in the way the Credit Union accounts for financial instruments. The key changes issued and proposed relate to:

- Financial assets - financial assets will be held at either fair value or amortized cost, except for equity investments not held for trading and certain eligible debt instruments, which may be held at fair value through other comprehensive income;
- Financial liabilities - gains and losses on fair value changes arising on non-derivative financial liabilities designated at fair value through profit or loss will be taken to other comprehensive income;
- Impairment - credit losses expected (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss will be reflected in impairment allowances; and
- Hedge accounting - hedge accounting will be more closely aligned with financial risk management.

(continues)

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
 Notes to Financial Statements  
 Year Ended September 30, 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Changes in accounting standards (continued)**

IFRS 9 (2009 and 2010) are effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The impact of IFRS 9 on the Credit Union has not yet been determined.

IFRS 13 - Fair Value Measurement has been issued but is not yet effective and is not expected to have a material impact. This standard sets out a single standard framework for fair value measurements when other IFRSs require or permit them.

The Credit Union is currently assessing the impact of the new and amended standards.

**4. CASH AND CASH EQUIVALENTS**

	2013	2012
\$ 10,814,301	\$ 5,859,307	
<u>1,511,008</u>	<u>1,762,393</u>	
<b>\$ 12,325,309</b>	<b>\$ 7,621,700</b>	

**5. INVESTMENTS**

	2013	2012
Shares		
Atlantic Central Credit Union Limited - common shares	\$ 1,168,381	\$ 1,129,640
Atlantic Central Credit Union Limited - Class B preferred shares	350,300	350,300
League Savings and Mortgage - Class A preference shares	95,033	95,844
League Data Limited - 6,493 Class B preferred shares	64,930	64,930
Wellington Cooperative Association Limited shares	3,101	2,291
Atlantic Central Credit Union Limited - Class PEI shares	2,100	2,100
	<b>1,683,845</b>	<b>1,645,105</b>

**Debentures**

Atlantic Central Credit Union Limited liquidity deposits - 1.08%	7,378,232	7,120,094
Atlantic Central Credit Union Limited term deposit - 2.5%;		
matures February 24, 2014	1,000,000	1,000,000
Atlantic Central Credit Union Limited term deposit - 1.95%;		
matures February 25, 2015	1,000,000	1,000,000

<b>9,378,232</b>	<b>9,120,094</b>
<b>\$ 11,062,077</b>	<b>\$ 10,765,199</b>

(continues)

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
Notes to Financial Statements  
Year Ended September 30, 2013

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
Notes to Financial Statements  
Year Ended September 30, 2013

**5. INVESTMENTS (continued)**

Long term investments in shares in the Credit Union System and others have been classified as available for sale and are required to be measured at fair value with any changes in fair value recorded in other comprehensive income. The Credit Union has determined that the fair value of these investments cannot be measured reliably and therefore measures these investments at cost with no adjustment to other comprehensive income. The Credit Union's investments in system debentures have been classified as held-to-maturity and are required to be measured at amortized cost.

Liquidity deposits are investments placed with Atlantic Central Credit Union Limited to provide protection against cash flow demands. National standards have been established requiring 6% of Évangéline-Central Credit Union Limited assets to be held on deposit.

**6. ACCOUNTS RECEIVABLE**

	2013	2012
Accrued interest - loans and mortgages	\$ 711,582	\$ 719,911
Other receivables	187,007	303,877
Accrued interest - investments	87,051	77,638
	<b>\$ 985,640</b>	<b>\$ 1,101,426</b>

**7. MEMBER LOANS AND MORTGAGES**

	Total loans	Specific allowance	Net loans
Commercial	\$ 14,052,811	\$ (1,692,172)	\$ 12,360,639
Farming & Fishing Mortgages	13,384,381	(718,367)	12,666,014
Personal	25,157,922	(18,754)	25,139,168
Lines of credit and overdrafts	18,020,639	(79,716)	17,940,923
League Savings & Mortgage	13,980,536	(222,016)	13,758,520
Syndicated Farming & Fishing	5,284,201	-	5,284,201
	<b>3,972,287</b>	<b>-</b>	<b>3,972,287</b>
	<b>\$ 93,852,777</b>	<b>\$ (2,731,025)</b>	<b>\$ 91,121,752</b>

**2012**

	Total loans	Specific allowance	Net loans
Commercial	\$ 23,365,476	\$ (2,219,360)	\$ 21,146,116
Farming & Fishing Mortgages	8,157,470	-	8,157,470
Personal	23,015,846	(16,498)	22,999,348
Lines of credit and overdrafts	16,789,367	(98,365)	16,691,002
League Savings & Mortgage	16,005,354	(345,673)	15,659,681
Syndicated Farming & Fishing	5,529,233	-	5,529,233
	<b>177,679</b>	<b>-</b>	<b>177,679</b>
	<b>\$ 93,040,425</b>	<b>\$ (2,679,896)</b>	<b>\$ 90,360,529</b>

**8. PROVISION FOR IMPAIRED LOANS**

	2013	2012
<b>Provision for impaired loans - beginning of year</b>	<b>\$ 2,679,896</b>	<b>\$ 1,752,012</b>
Provision for impaired loans - current year	308,566	145,421
Recovery of loans written off	9,389	971
Loans written off - current year	(26,826)	(26,445)
Amalgamation from Central Credit Union Limited	-	807,937
	<b>\$ 2,731,025</b>	<b>\$ 2,679,896</b>

**9. FUTURE INCOME TAXES**

	2013	2012
Property and equipment	\$ 2,346	\$ 500
Retirement allowance	11,255	6,963

**10. DUE FROM 7730543 CANADA INC.**

Évangéline-Central Credit Union Limited owns Class A and B common shares of 7730543 Canada Inc.. The amount due from 7730543 Canada Inc. bears interest at 1% and there are no set terms of repayment. Interest earned on the investment during the year is \$34,182.

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
 Notes to Financial Statements  
**Year Ended September 30, 2013**

**11. INVESTMENT IN ASSOCIATE**

Évangéline-Central Credit Union Limited and 7730543 Canada Inc. are associates as the Credit Union owns 40.89% of the voting, common shares of 7730543 Canada Inc. and exerts significant influence over the investee.

	<b>2013</b>
Due from 7730543 Canada Inc. - beginning of year	\$ 4,518,809
Funds advanced to Associate	1,880,940
Reimbursements received from Associate	(1,512,930)
<b>Due from 7730543 Canada Inc. - end of year</b>	<b>\$ 4,886,819</b>

The following is a summary of the financial information of 7730543 Canada Inc. as at September 30, 2013:

Total assets	\$ 12,749,665
Total liabilities	12,165,684
Total capital stock	200
Total retained earnings	583,781
Total revenues for reporting period	841,964
Net income for reporting period	632,065

Investment in Associate - beginning of year	\$ 41,243
Redemption of Class A common shares	(2,101)
Proportionate share of net income	266,629
Dividend received	(67,001)
<b>Investment in Associate - end of year</b>	<b>\$ 238,770</b>

The above related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The reporting period for the Associate ends December 31 which differs from the Credit Union's reporting period which ends September 30. Audited financial statements are prepared for the Associate's year end. The financial information of 7730543 Canada Inc. for the period from October 1 to September 30 is used in accounting for and disclosing transactions with 7730543 Canada Inc. in the Credit Union's audited financial statements.

**12. MEMBER DEPOSITS**

	<b>2013</b>	<b>2012</b>
Registered Retirement Savings Plan (RRSP) deposits	\$ 26,975,875	\$ 27,269,360
Chequing accounts	22,855,163	20,967,369
Term deposits	20,047,918	21,830,323
Call deposits	14,219,709	11,647,756
Registered Retirement Income Fund (RRIF) deposits	5,615,007	5,248,366
Tax Free Savings Account (TFSA) deposits	4,031,000	2,687,751
<b>Total</b>	<b>\$ 93,744,672</b>	<b>\$ 89,650,925</b>

**13. CONTINGENT LIABILITIES**

Évangéline-Central Credit Union Limited has provided letters of credit on behalf of members in the amount of \$40,000. As of the audit report date, Évangéline-Central Credit Union Limited is involved in a legal action with a member who has filed a counterclaim against the Credit Union. However, the amount of loss, if any, is not determinable at this time.

**14. COMMITMENTS**

	Equipment	Donations
2014	\$ 6,559	\$ 35,000
2015	6,559	5,000
2016	6,559	-
2017	4,030	-

**15. LINE OF CREDIT AVAILABILITY**

Évangéline-Central Credit Union Limited has an approved line of credit with Atlantic Central Credit Union Limited of \$6,000,000 which expires on May 31, 2014 and was not utilized at the year end. The line of credit bears an interest rate of 3% and is secured by general security agreement.

**16. COST OF CAPITAL AND BORROWINGS**

	<b>2013</b>	<b>2012</b>
Interest and service charges	\$ 1,412,034	\$ 765,387
Share dividends	305,479	167,428
<b>Total</b>	<b>\$ 1,717,513</b>	<b>\$ 932,815</b>

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
 Notes to Financial Statements  
**Year Ended September 30, 2013**

**17. INCOME TAXES**

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 30.80% (2012 - 29.00%) to the income for the year and is reconciled as follows:

	<b>2013</b>	<b>2012</b>
Income before income taxes	<b>\$ 761,484</b>	\$ 337,196
Income tax expense at the combined basic federal and provincial tax rate	\$ 234,537	\$ 97,787
Increase (decrease) resulting from:		
Small business deduction	(85,000)	(40,664)
Capital cost allowance claimed in excess of amortization	3,953	1,544
Net non-deductible expenses (non-taxable revenues)	(52,571)	(40,602)
Tax reserves	(14,174)	(24,144)
Provision for loan loss reserve	95,046	42,172
Recovery of loans previously written off	2,892	282
Loans written off in current year	(82,189)	(7,670)
Adjustment to prior year	-	(840)
Effective tax expense	<b>\$ 102,494</b>	<b>\$ 27,865</b>

The effective income tax rate is 13.46% (2012 - 8.26%).

**18. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Évangeline-Central Credit Union Limited has evaluated the fair value of its financial instruments based on the current interest rate environment, market values, and the actual prices of financial instruments with similar terms. Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price, if one exists. Quoted market prices are not available for a significant portion of the Credit Union's financial instruments.

The carrying value of cash and cash equivalents approximate their fair value as they are short-term in nature or are receivable on demand.

The differences between the book and fair values of the Credit Union's loans and mortgages and deposits are primarily due to changes in interest rates. The carrying value of the Credit Union's financial instruments are not adjusted to reflect increases or decreases in fair value as a result of interest rate changes, as it is the Credit Union's intention to realize their value over time by holding them to maturity.

The carrying value of all financial instruments is considered to approximate fair value.

**20. RISK MANAGEMENT**

The Credit Union manages significant risks through a comprehensive infrastructure of policies, procedures, methods, oversight, and independent review designed to reduce the significant risks and to manage those risks within an appropriate threshold. The Board of Directors is provided with timely, relevant, accurate, and complete reports on the management of significant risks. Significant risks managed by the Credit Union include credit, liquidity, currency and interest rate risks.

**Credit risk**

Credit risk is the risk that a member will fail to meet their obligation to the Credit Union. Providing credit facilities to qualified members is one of the Credit Union's primary sources of earnings and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the member's ability to repay principal and interest over the term of the facility, which is determined by following Board approved policies and procedures, which includes assessing the member's credit history, character, collateral and debt servicing capacity. In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with Credit Union lending policies and procedures. Also, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

(continues)

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**Year Ended September 30, 2013**

**ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**Year Ended September 30, 2013**

**20. RISK MANAGEMENT (continued)**

Credit risk (*continued*)

Overdue loan accounts, or lending delinquency, is closely monitored and frequently reported to senior management to ensure all allowances for potential loan losses are adequately provided for and written-off when collection efforts have been exhausted. Credit risk is mitigated primarily by the nature and quality of the underlying security as described by approved lending agreements.

The Credit Union's loan portfolio is focused in two main areas: consumer loans and mortgages and commercial loans and mortgages, the latter of which are to mainly small and mid-sized companies. A syndication process is available with other Credit Unions for larger commercial loans, when considered necessary, to appropriately mitigate the Credit Union's credit risk. Consumer mortgages are made available on a conventional basis up to 80% of the lesser of cost or appraised value of single family housing, up to 75% on other residential properties, up to 65% of the lesser of cost or appraised value on commercial properties having general purpose usage, and up to 50% of the lesser of cost or appraised value on commercial properties designed for specific use. Other credit facilities provided include personal overdrafts that have no recourse to the Credit Union.

The Credit Union maintains both specific and collective allowances for credit losses. Specific allowances are established on an account basis using management's knowledge of the account and prevailing conditions. In addition, accounts delinquent greater than ninety days are included in the specific allowance. Collective allowances are maintained to cover any impairment in the loan portfolio that cannot yet be associated with specific loans and includes factors such as market conditions, concentration of credit risk for member accounts and the general state of the economy. Senior management regularly monitors credit risk and reports to the Board of Directors on a monthly basis.

The Credit Union's maximum exposure to credit risk at the reporting date in relation to each class of recognized financial asset 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 parties fail to perform their obligations. The principal collateral and other credit enhancements holds as security for loans include a) insurance and mortgages over properties, b) recourse to sell assets such as real estate, equipment, inventory and accounts receivable and c) recourse to liquid assets, guarantees and securities.

Cash and 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 reviews the member's capacity to repay the loan rather than relying exclusively on collateral.

Liquidity risk

Liquidity risk is the risk of being unable to meet financial commitments without having to raise funds at unreasonable prices or sell assets on a forced basis. The Credit Union has established policies to ensure the Credit Union is able to generate sufficient funds to meet all of its financial commitments in a timely and cost effective manner. The Credit Union's liquidity management practices include ensuring the quality of investment acquired for liquidity purposes meet very high standards, matching maturities of assets and liabilities and monitoring cash flow on a regular basis. Management monitors the Credit Union's liquidity position and reports to the Board on a regular basis.

(*continues*)

**20. RISK MANAGEMENT (continued)**

Liquidity risk (*continued*)

The Credit Union is required to maintain 6% of prior quarter's assets in liquid investments in which 100% must be held by Atlantic Central Credit Union Limited and the Credit Union was in compliance with this requirement at year end. Cash flows payable under financial liabilities by remaining contractual maturities are disclosed in Schedule 2. The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Credit Union is exposed to currency risk through its cash accounts and member deposits. The Credit Union maintains deposits in foreign currencies to service its member accounts.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate materially due to changes in market interest rates. The Credit Union is exposed to interest rate risk through its loans and mortgages, providing lending services to its members for a rate based on the Bank of Canada base rate plus a risk premium determined at the loan inception. The Credit Union manages and controls interest rate risk primarily by managing asset and liability maturities. Interest rate risk is measured on a quarterly basis and the results are reported to the Board of Directors.

**21. CAPITAL MANAGEMENT**

Évangéline-Central Credit Union Limited provides lending services to its members in the form of loans, lines of credit and mortgages. The Credit Union's objective in the lending process is to remain within the lending guidelines set for the institution and to provide an adequate return to its members through adjusting risk premiums with the level of assessed risk on an individual basis. These services are provided to members at the discretion of the General Manager and lending personnel within the established parameters. Total lending activities managed by the Credit Union during the September 30, 2013 fiscal year amounted to \$93,852,777.

Consistent with other Prince Edward Island Credit Unions, Évangéline-Central Credit Union Limited is required by the Credit Union Deposit Insurance Corporation to maintain an equity level of 5% of the Credit Union's total assets. This ratio is calculated by adding the undistributed earnings at the end of the previous year plus the operating surplus in the current period, divided by the total assets of the Credit Union.

	2013	2012
Undistributed earnings	\$ 9,220,639	\$ 8,555,511
Members' shares	<u>47,230</u>	<u>48,465</u>
Total regulatory equity	<u>9,267,869</u>	<u>8,603,976</u>
Total assets	<u>122,223,954</u>	<u>116,168,548</u>
	7.58 %	7.41 %

(*continues*)

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Schedule to Financial Statements

(Schedule 1)

Statement of Property and Equipment

Year Ended September 30, 2013

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Amort beginning of year	Amort in year	Amort Disposals	Amort end of year	NBV 2013	NBV 2012
Land	\$ 107,321	\$ -	\$ -	\$ 107,321	\$ -	\$ -	\$ -	\$ -	\$ 107,321	\$ 107,321
Buildings	2,215,547	-	-	2,215,547	1,135,288	48,263	-	1,183,551	1,031,996	1,080,259
Equipment	781,545	39,614	-	821,159	614,076	37,454	-	651,530	169,629	167,470
ATMs	194,043	-	-	194,043	148,706	20,851	-	169,557	24,486	45,337
Pavement	123,595	-	-	123,595	71,265	4,187	-	75,452	48,143	52,330
Computer hardware	559,949	25,254	-	585,203	532,679	12,743	-	545,422	39,781	27,270
Signs	22,221	-	-	22,221	1,111	4,222	-	5,333	16,888	21,110
	<b>\$4,004,221</b>	<b>\$ 64,868</b>	<b>\$ -</b>	<b>\$4,069,089</b>	<b>\$2,503,125</b>	<b>\$ 127,720</b>	<b>\$ -</b>	<b>\$2,630,845</b>	<b>\$1,438,244</b>	<b>\$1,501,097</b>

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED  
Notes to Financial Statements  
Year Ended September 30, 2013

**21. CAPITAL MANAGEMENT (continued)**

Credit Union bylaws require Évangéline-Central Credit Union Limited to maintain sufficient liquid assets and a line of credit to meet its normal cash flow requirements. Overall, a minimum liquid asset level of 10% of total assets must be maintained to ensure ongoing cash flow requirements are met.

	2013	2012
Total assets	\$122,223,954	\$116,168,548
Liquid assets	<u>24,373,026</u>	<u>19,529,567</u>
	<b>19.94 %</b>	<b>16.81 %</b>

**22. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

## ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

## Schedule to Financial Statements

## (Schedule 2)

## Interest Rate Sensitivity

For the Year Ended September 30, 2013

	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 11,634,604	\$ -	\$ -	\$ 690,705	\$ 12,325,309
Effective interest rate	0.90 %	- %	- %	- %	- %
Investments	9,706,576	1,000,000	-	355,501	11,062,077
Effective interest rate	1.40 %	1.95 %	- %	- %	- %
Accounts receivable	-	-	-	985,640	985,640
Mortgages	7,842,760	17,296,408	-	-	25,139,168
Effective interest rate	4.03 %	4.59 %	- %	- %	- %
Personal	2,066,418	15,874,505	-	-	17,940,923
Effective interest rate	6.27 %	6.49 %	- %	- %	- %
Lines of credit and overdrafts	13,758,520	-	-	-	13,758,520
Effective interest rate	5.78 %	- %	- %	- %	- %
Farming and fishing	3,350,921	9,315,092	-	-	12,666,013
Effective interest rate	4.85 %	5.75 %	- %	- %	- %
Commercial	3,608,500	8,752,140	-	-	12,360,640
Effective interest rate	4.27 %	5.66 %	- %	- %	- %
League Savings & Mortgage	431,973	4,852,228	-	-	5,284,201
Effective interest rate	4.00 %	4.30 %	- %	- %	- %
Syndicated farming and fishing	149,253	3,823,034	-	-	3,972,287
Effective interest rate	5.50 %	4.50 %	- %	- %	- %
Prepaid expense	-	-	-	118,110	118,110
Future income taxes	-	-	-	13,601	13,601
Real estate held for resale	-	-	-	33,632	33,632
Due from 7730543 Canada Inc.	-	-	4,886,819	-	4,886,819
Effective interest rate	- %	- %	1.00 %	- %	- %
Investment in Associate	-	-	-	238,770	238,770
Property and equipment	-	-	-	1,438,244	1,438,244
	<b>\$ 52,549,525</b>	<b>\$ 60,913,407</b>	<b>\$ 4,886,819</b>	<b>\$ 3,874,203</b>	<b>\$122,223,954</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 504,227	\$ 504,227
Employee benefits payable	-	-	-	494,268	494,268
Accrued interest payable	-	-	-	797,548	797,548
Income taxes payable	-	-	-	45,243	45,243
Member deposits	43,895,329	29,894,577	-	19,954,766	93,744,672
Effective interest rate	1.32 %	2.60 %	- %	- %	- %
Share deposits	17,370,127	-	-	-	17,370,127
Effective interest rate	2.00 %	- %	- %	- %	- %
Members' shares	47,230	-	-	-	47,230
Effective interest rate	2.00 %	- %	- %	- %	- %
Undistributed earnings	-	-	-	9,220,639	9,220,639
	<b>\$ 61,312,686</b>	<b>\$ 29,894,577</b>	<b>\$ -</b>	<b>\$ 31,016,691</b>	<b>\$122,223,954</b>

The above table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the Credit Union'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.

As at September 30, 2013, Évangéline-Central Credit Union Limited's net interest spread was 2.94%. 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.

## Prix bénévole de l'année

La récipiendaire du prix bénévole de l'année pour cette année à contribué énormément à la communauté Évangéline et au niveau provincial pendant la dernière décennie et plus.

Elle a siégé au sein de nombreux comités à tous les niveaux pendant plus de 15 ans. Parmi ceux-ci, on retrouvait le Centre préscolaire Évangéline, le Foyer-école Évangéline, la Commission scolaire Évangéline, l'Association des troubles d'apprentissage de la région Évangéline, La Fédération des parents, Learning Disability Association of PEI et Learning Disability Association of Canada.

Elle considère que son plus grand accomplissement fut la mise sur pied du Club de tutorat de l'école Évangéline qui continue toujours de fonctionner.

Elle a aussi siégé au Conseil d'administration de la Coopérative d'Artisanat d'Abram-Village, au Conseil d'administration de la coopérative La Maisonnée, sur le comité qui a vu bâtir le premier aréna, au conseil de la Coopérative de Wellington pendant sept ans, trois de ceux-ci à titre de présidente et elle a même travaillé à la Caisse populaire Évangéline.

Elle préside actuellement le Conseil d'administration de la Société de développement de la Baie acadienne et est conseillère du RDÉE Île-du-Prince-Édouard. Elle est présidente du Conseil de développement coopératif (CDC) de l'I.-P.-É. depuis une douzaine d'années; elle représente actuellement la Coopérative de Wellington au sein de ce conseil. Elle représente le CDC au Conseil canadien de la coopération et de la mutualité.

Elle travaille dans la comptabilité depuis plus de 30 ans. Elle est comptable à la Coopérative de Wellington depuis 2004. De plus, elle gère sa propre petite entreprise de scrapbooking et fait des cartes à la main.

Non seulement est-elle connue dans sa communauté en tant que bénévole, mais aussi comme une épouse aimante à Yvon, une mère consacrée à ses enfants adultes, Chris, Jonathan, Ryan et Kathleen et une merveilleuse grand-mère.

S'il vous plaît joignez-vous à moi pour féliciter notre récipiendaire du prix bénévole 2012, Angèle Arsenault.

## Volunteer of the Year Award

The recipient of this year's Volunteer of the Year award has greatly contributed to the Evangeline community and on a provincial level during the last decade and more.

She has served on numerous committees at all levels for over 15 years. Among them, there was Evangeline pre-school Centre, Evangeline Home and School, Evangeline School Board, Learning Disabilities Association of Evangeline, Federation for Parents, Learning Disability Association of PEI and Learning Disability Association of Canada.

She considers her greatest achievement the establishment of the Tutoring club at Evangeline School which continues to operate.

She also served on the Board of Directors of the Handy-craft Co-operative in Abram-Village, Board of Directors of the co-operative La Maisonnée, member of the committee that built the very first Evangeline rink, Board member of Wellington Co-operative for seven years, three of them as president and has even worked at Evangeline Credit Union.

She currently chairs the Board of Directors of the Société de développement de la Baie Acadienne and is a consultant for RDÉE Île-du-Prince-Édouard. For the past dozen years, she has held the president's position of the Conseil de développement coopératif (CDC) de l'I.-P.-É. She currently represents the Wellington Co-op on this board and she also represents the CDC at the Conseil canadien de la coopération et de la mutualité.

She has worked in accounting for over 30 years. Since 2004, she has been the bookkeeper at the Wellington Co-op. In addition, she runs her own small scrapbooking business and makes handmade cards.

Not only is she known in her community as a volunteer, but as a loving wife to Yvon, a mother devoted to her adult children, Chris, Jonathan, Ryan and Kathleen and a wonderful grandmother.

Please join me in congratulating our 2012 Volunteer Award recipient, Angèle Arsenault.



Directrice **Giselle Bernard** (gauche) et **Angèle Arsenault**  
Director **Giselle Bernard** (left) and **Angèle Arsenault**

## Stratégies Financières Credential

L'année qui vient de s'écouler a été l'une des plus réussies depuis les débuts de Credential. Cela étant dit, nous savons que nous sommes devenus plus occupés parce que les membres de la Caisse populaire Évangéline-Central, comme vous, sont de plus en plus connaissants au sujet des services qui vous sont offerts sans frais.



**Rod MacInnis, CGA CFP**  
Financial Planner

**Sharon Gallant**  
Representative

### Services offerts, entre autres :

Planification successorale	Planification de la retraite
Assurance-vie	Régime d'épargne-études
Fonds communs de placement	Régime d'épargne-invalidité
Planification des investissements	Régime d'épargne-retraite
REER de groupe pour entreprises	
Régime de santé de groupe pour entreprises	

Ce ne sont que quelques-uns des services que nous offrons. Quels que soient vos besoins financiers, nous pouvons vous aider. Si vous souhaitez discuter de ces produits de planification ou de gestion financière, veuillez communiquer avec Pam Bernard au 902-888-5530 ou avec Raeanne Gallant au 902-853-6020 pour fixer un rendez-vous sans frais ni obligation.

## Credential Financial Strategies

This past year has been one of the most successful years we have ever had at Credential. That being said, we know we have become busier because Évangéline-Central Credit Union members, like yourself, are becoming more aware of the services that are available to you at no cost.

### Services provided include:

Estate Planning	Retirement Planning
Life Insurance	Education Savings Plan
Mutual Funds	Disability Savings Plan
Investment Planning	Retirement Savings Plan
Group RRSP's for Businesses	Group Health Plans for Businesses

These are just a few of the services that we offer. Whatever your financial needs are, we can help. Should you want to discuss any of these financial planning or money management products, please contact Pam Bernard at 902-888-5530 or Raeanne Gallant at 902-853-6020 for a no cost, no obligation appointment.

# The DROP



New for 2013 was the Relay For Life Dream Team, where a team of 9 notable citizens from all across the Island came together to inspire and encourage other teams to achieve new fundraising heights. Each team member had a goal of \$5,000. Alfred Arsenault, CEO of Évangéline-Central Credit Union, represented PEI Credit Unions on the Dream Team and through The Drop, was able to raise over \$8,500 towards the fight against cancer.

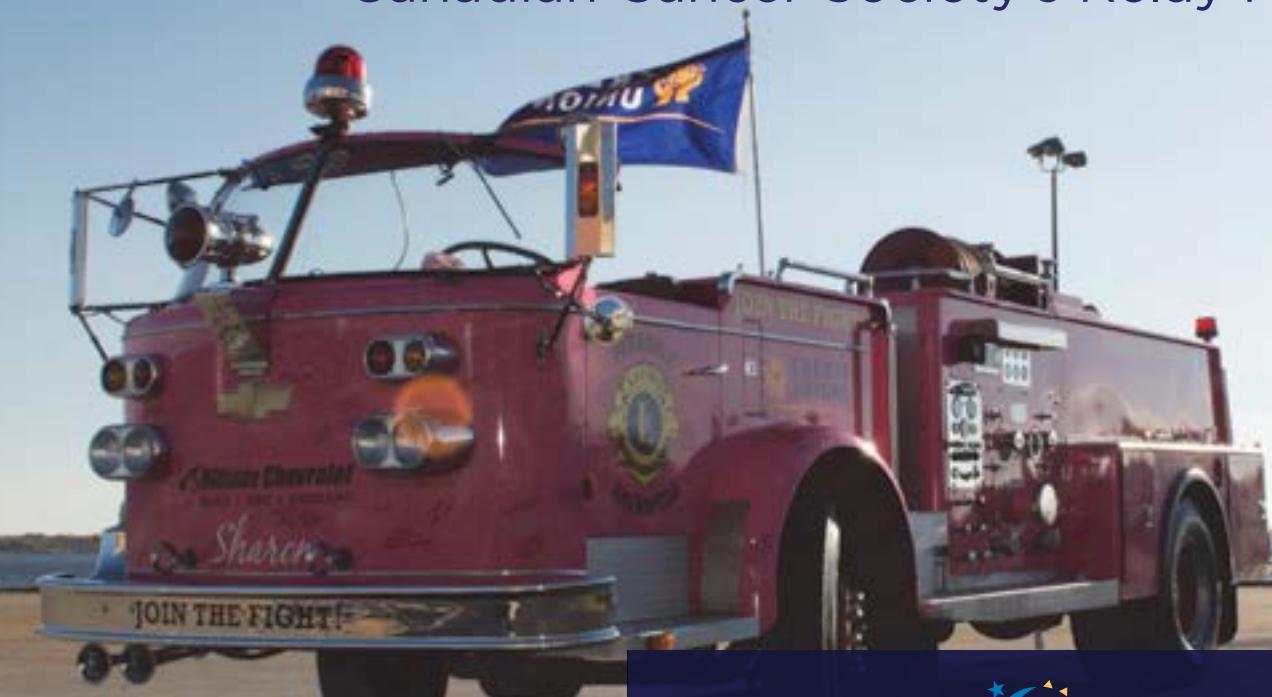
Pictured left: Alfred Arsenault presents Lori Barker, Executive Director of the Canadian Cancer Society - PEI Division, with a cheque for \$8,538.20 as a result of The Drop fundraiser.

Une nouveauté en 2013 était la création d'une Dream Team en vue du Relais pour la vie. Une équipe de neuf citoyens bien connus de la province se sont unis pour inspirer et encourager les autres équipes à atteindre de nouveaux sommets de collecte de fonds. L'objectif de chaque membre de l'équipe était de recueillir 5 000 \$. Alfred Arsenault, directeur général de la Caisse populaire Évangéline-Central, a représenté les caisses de l'Île sur l'équipe Dream Team et par l'entremise de l'événement The Drop, a réussi à ramasser plus de 8 500 \$ pour la lutte contre le cancer.

*Photo de gauche :*  
Alfred Arsenault présente un chèque de 8 538,20 \$ à Lori Barker, directrice générale de la Société canadienne du cancer - division I.-P.-É., à la suite de la collecte de fonds The Drop.

**Depuis 2007,** les Caisses populaires de l'Île sont les fiers commanditaires provinciaux de l'événement Relais pour la vie de la Société canadienne du cancer.

**Since 2007,** credit unions on PEI have been the proud provincial event sponsor for the  
Canadian Cancer Society's Relay For Life.



Provincial Event sponsor  RELAIS POUR LA VIE Canadian Cancer Society Société canadienne du cancer Commanditaire provincial



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