# 2015

# Annual Report

# Rapport annuel



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Mission Statement

Énoncé de mission

Focused on you: your community, your future, your prosperity. Partner in your success

Axée sur vous : votre communauté, votre avenir, votre prospérité. Partenaire dans votre succès

Values

Valeurs

Honest Honnêteté

Passionate Passion

Holistic Holistique

Spiritual Spiritualité

Evolutionary Évolution

Simplistic Simplicité

Inclusive Inclusivité



# Board of Directors Conseil d'administration



Becky Chaisson, President / Présidente



Ira Smith, Vice-President / Vice président



Imelda Arsenault, Secretary / Secrétaire



Marsha Arsenault



Jamie Shaw



Jamie Colwill



Eric Phillips



Giselle Bernard

Staff Personnel



## President's Report



It has truly been a privilege and honor for me to represent our members on the Board of Directors and to serve as President during this past fiscal year.

The Board's role is to represent the interests of members and incorporate those interests into the strategic governance process of the Credit Union. The Board has accountability for leadership, oversight, stewardship and reporting. Regular monthly meetings were held throughout the year where everyone's opinions were truly valued as we make every effort to be as progressive of an organization as possible. We have worked, and continue to work, with various system partners, including Atlantic Central, to keep up with regulation changes and maintain and even enhance our competitiveness within the everchanging financial services landscape.

When speaking of Credit Union successes, one must first recognize the critical importance of member support, as without such, none of our successes would even be possible. In 2015, the Credit Union focused on the retention and growth of the youth (ages 19-25) portfolio. We are seeing some positive results in this

segment of our membership and we are constantly improving our services to better meet the needs of this technologically advanced generation. This leads me to praise the Credit Union system for its technological advancements during the past year with the Android and Apple versions of the mobile banking applications. These applications provide 24/7 access to numerous banking functions including the recently released Deposit Anywhere.

Every year presents some challenges, and this year has been no exception. With the advancement and success we have had in terms of our mobile connectivity, we are focused on increasing our members overall usage of these innovative services. We are confident that the functionality and convenience that these mobile services offer, which can truly simplify everyday financial transactions, will result in a significant uptake over the next year.

Building on the success of 2015, we look to further expand our relationship with youth. We recognize that youth are our future, therefore we have dedicated a

considerable amount of resources to the development of products, services, and programs that are extremely relevant to today's generation. We want the Credit Union to be their first choice, knowing that we have the best products and services for their needs.

We are committed to an aggressive strategy to continuously enhance our competitiveness within our financial marketplace. Product features, accessibility and rates are key components of our offerings that we are focused on and striving to continuously enhance for the benefit of our members. A 0.75% interest dividend rate was declared and paid on shares for the fiscal year of January 1 through December 31, 2015.

On behalf of the Board of Directors, I would like to thank management and staff of our Credit Union for their wise advice, focused approach and professional service as well as for their commitment to enhancing our community.

Becky Chaisson President

### Rapport de la présidente

Pouvoir représenter nos membres au Conseil d'administration et assumer le rôle de présidente au cours de cette année financière a été un véritable honneur et un privilège.

Le rôle du Conseil est de veiller aux intérêts des membres et incorporer ces intérêts dans le processus de gouvernance stratégique de la caisse populaire. Le Conseil est responsable de la direction, de la surveillance, de la gouvernance et de la reddition de compte. Pendant l'année, nous avons tenu des réunions mensuelles ordinaires au cours desquelles les opinions de tous sont valorisées alors que nous nous efforçons d'être une organisation aussi progressive que possible. Nous poursuivons notre travail avec divers partenaires du réseau, y compris Atlantic Central, pour nous tenir au courant des changements aux règlements et maintenir et même améliorer notre compétitivité au niveau des services financiers qui ne cessent de changer.

Pour ce qui est du succès de la caisse populaire, il faut tout d'abord reconnaître l'importance critique de l'appui des membres, sans quoi aucun de ces succès n'aurait été possible. En 2015, la caisse populaire s'est concentrée sur la rétention et la croissance du portfolio jeunesse (de 19 à 25 ans). Il y a des résultats positifs dans cette catégorie de membres et nous améliorons constamment nos services afin de mieux répondre aux besoins de cette génération très avisée sur le plan technologique. Je voudrais donc féliciter le réseau des caisses populaires pour ses progrès technologiques au cours de la dernière année, s'étant approprié les versions Android et Apple des applications de services bancaires mobiles. Ces applications donnent accès à de nombreuses fonctions bancaires, y compris la toute nouvelle Dépôt Sans Déplacement.

Chaque année apporte avec elle son lot de défis et cette année n'a pas fait exception.

Avec les progrès et les succès que nous avons connus en matière de connectivité mobile, nous nous attardons à encourager nos membres à utiliser ces services innovateurs. Nous sommes convaincus que la fonctionnalité et la commodité de ces services mobiles, qui peuvent véritablement simplifier les transactions financières quotidiennes, gagneront en popularité au cours de la prochaine année.

Misant sur les succès de 2015, nous tentons de développer davantage nos relations avec les jeunes. Nous reconnaissons qu'ils sont notre avenir; donc, nous avons consacré une quantité importante de ressources au développement de produits, de services et de programmes qui sont extrêmement pertinents pour la génération d'aujourd'hui. Nous voulons que la caisse populaire soit leur premier choix, sachant que nous avons les meilleurs produits et services pour répondre à leurs besoins.

Nous nous engageons à exécuter une stratégie dynamique afin de continuer à améliorer notre

compétitivité sur le marché financier. Les particularités, l'accessibilité et les taux de nos programmes sont les composantes clés des produits que nous offrons et que nous tentons continuellement d'améliorer au profit de nos membres. Un taux d'intérêt de dividende de ,75 % a été déclaré et payé sur les parts pour l'année financière du 1er janvier au 31 décembre 2015.

Au nom du Conseil d'administration, je tiens à exprimer ma reconnaissance à la direction et au personnel de la caisse populaire pour leurs conseils judicieux, leur approche ciblée, leur service professionnel ainsi que leur engagement à améliorer notre communauté.

Becky Chaisson présidente

## CEO's Report



As CEO, it is my pleasure to report on the operations of our Credit Union for the past fiscal year. I am extremely pleased with the solid financial results that have been achieved as well as the level of growth that we continue to experience.

This year, we have seen continued progress in our mobile services and in our ability to be the most convenient banking choice. With help from Atlantic Central, our fellow PEI Credit Unions and like-minded credit unions of the Atlantic region, we continuously seek collaborative opportunities to further enhance our competitive position within our marketplace. Working with system partners has allowed us to keep up with consumer demands and to deliver many new technologies such as Deposit Anywhere and our mobile banking application for both Apple and Android devices. As we continue to aggressively compete with other financial institutions within our marketplace, our ability to adapt to newer technologies allows us to further enhance our efficiency, which in turn affords our staff more time to focus on our individual members specific needs.

Looking at this past year's financials, I am very pleased with our financial growth despite the uncertain economy. Please take note that the statement of comprehensive income provided for the period ending December 31, 2015, is for a 15-month period rather than the normal 12-month period as a result of the change to our fiscal year-end from September 30 to December 31. As of December 31, 2015, our assets have surpassed the \$138 million mark, which is a growth of over \$11M or 8.76% (15 months). Our loans have increased significantly by \$8.7 million or 8.3% (15 months) and make up 82% of our current assets. Alongside that gain in our loan portfolio, we have also experienced an increase of over \$10M or 8.8% (15 months) in member deposits, which provides the needed liquidity to fund our growing lending demand. Undistributed earnings have increased by \$1,085,576, which is the profit remaining after all expenses for the year are covered including dividend interest and taxes. This has translated into a modest percentage increase in equity, which now stands at 7.93% of assets, up from 7.78% in September 2014. These numbers speak loudly to the overall success of our credit union, which is largely attributable to the high quality level of service that is provided by our staff.

With the acquisition of our new mobile features, we will be placing significant focus this year on creating greater member awareness of the benefits and ease of use of these newest technology-based products. Such advancements are likely to be ongoing as technology continues to play a greater role in the financial industry as well as all industries worldwide. We are also looking to continue to grow our youth portfolio. Understanding that our youth are the pillars of our future, we're striving to meet their needs and to become top of mind when considering a financial institution.

Much of our ongoing success is, without question, attributable to our members, as without them, we wouldn't exist. Much like our members, we are also heavily reliant on our staff and they continue to provide exceptional service as we focus on our role to be partners in the success of our members, rather than simply product providers. We are very fortunate to be able to count on the experience and expertise of our board members as they willingly volunteer their time for the betterment of our community financial institution.

Thank you to all who have played a part in our success.



## Rapport du directeur général

À titre de directeur général, j'ai le plaisir de faire le point sur les opérations de notre caisse populaire au cours de la dernière année financière. Je suis très heureux des bons résultats financiers que nous avons obtenus ainsi que du niveau de croissance que nous continuons à atteindre.

Cette année, nous avons réalisé des progrès continus dans les services mobiles et dans notre capacité d'être le plus pratique des choix bancaires. Avec l'aide d'Atlantic Central, des autres caisses populaires de l'Île et de caisses semblables de la région atlantique, nous sommes constamment à la recherche de possibilités de collaboration afin d'améliorer notre position concurrentielle au sein de notre marché. En travaillant avec nos partenaires du réseau, nous avons pu répondre à la demande des consommateurs et offrir de nombreuses nouvelles technologies telles que Dépôt sans déplacement et notre application bancaire mobile pour les appareils

Apple et Android. Alors que nous continuons de livrer une concurrence dynamique aux autres institutions financières au sein de notre marché, notre capacité à nous adapter à de plus nouvelles technologies nous permet d'améliorer davantage notre efficacité qui, en retour, permet à notre personnel de se concentrer sur les besoins précis de nos membres.

En examinant les chiffres de l'année qui vient de s'écouler, je suis très heureux de notre croissance financière malgré l'incertitude économique. Sachez que l'énoncé de revenu global fourni pour la période se terminant le 31 décembre 2015 porte sur une période de 15 mois plutôt que 12 mois comme à l'habitude, étant donné que notre fin d'année financière est passée du 30 septembre au 31 décembre. À compter du 31 décembre 2015, notre actif a dépassé les 138 millions de dollars, ce qui représente une croissance de plus de 11 millions de dollars ou 8,76 % (15 mois). Nos prêts ont augmenté de façon importante, soit de 8,7 millions de dollars ou 8,3 % (15 mois) et constituent 82 % de notre actif courant. En plus de ce gain dans notre portfolio de prêts, nous avons aussi connu une augmentation de plus de 10 millions de dollars ou 8,8 %

(15 mois) en dépôts des membres, ce qui nous donne la liquidité nécessaire pour financer la demande grandissante de prêts. Les bénéfices non répartis ont augmenté de 1085 576 \$. Il s'agit des profits qui restent après que toutes les dépenses pour l'année ont été payées, y compris les intérêts de dividende et les taxes, se traduisant par une modeste augmentation de pourcentage en capitaux, qui s'élève à 7,93 % de l'actif, comparativement à 7,78 % en septembre 2014. Ces chiffres sont représentatifs du succès global de notre caisse populaire, qui est en grande partie attribuable au service de grande qualité offert par notre personnel.

À la suite de l'acquisition de nos nouvelles fonctionnalités mobiles, nous allons nous attarder à sensibiliser davantage nos membres aux avantages et à la facilité d'utilisation de ces nouveaux produits technologiques. De tels avancements se poursuivront sans doute puisque la technologie continue de jouer un plus grand rôle dans l'industrie financière ainsi que dans toutes les autres industries autour de la planète. Nous désirons aussi continuer à développer notre portfolio jeunesse. Nos jeunes sont les piliers de l'avenir et nous désirons répondre à leurs besoins et devenir leur premier choix d'institution financière.

Une grande partie de notre succès continu est manifestement attribuable à nos membres, sans qui on n'existerait pas. À leur image, nous dépendons beaucoup de nos membres du personnel et ils continuent à fournir des services exceptionnels. Nous nous concentrons sur notre rôle de partenaires dans le succès de nos membres plutôt que sur celui de simple fournisseur de produits. Nous sommes très chanceux de pouvoir compter sur l'expérience et l'expertise de nos membres du conseil qui donnent bénévolement de leur temps pour le mieux-être de notre institution financière communautaire.

Merci à tous ceux et celles qui ont contribué à notre succès.

Alfred Arsenault Directeur général

## In our Community

Giving back to our members and to the communities has always been very important to Credit Unions. We pride ourselves in our commitment to social responsibility, and each year we strive to serve our communities more than the year before. Donations and sponsorships are two of the most significant ways in which we better our communities.

This year, donations in the amount of \$82,894 were made on behalf of the Credit Union, benefitting not only community groups but also numerous families. We are confident that this year we created a noteworthy impact on our communities through our numerous donations. While we are a financial co-operative striving to help our members reach their financial goals, we also put great emphasis on the goals of the communities we serve.



#### Dans notre communauté

Redonner à nos membres et à nos communautés a toujours été très important pour nos caisses populaires. Nous sommes fiers de notre engagement envers la responsabilité sociale, et chaque année nous voulons en faire davantage afin de mieux desservir nos communautés. Parmi les moyens les plus importants que nous utilisons pour améliorer la communauté, mentionnons les dons et les commanditaires.

Cette année, un total de 82 894 \$ en dons a été offert au nom de la caisse populaire, profitant non seulement aux groupes communautaires, mais aussi à de nombreuses familles. Nous sommes convaincus que cette année nous avons eu un important impact sur nos communautés grâce à nos nombreux dons. Bien que nous soyons une coopérative financière qui tente d'aider ses membres à atteindre leurs objectifs financiers, nous mettons aussi beaucoup d'importance sur les objectifs des communautés que nous desservons.

#### Scholarships Bourses d'études

We are pleased to announce 7 Évangéline-Central Credit Union Scholarship Recipients for 2015. The Darlene Frances Corcoran Memorial Scholarship, in honor of Darlene's love for her community, was awarded to a student for her participation and contribution to the community. This scholarship is valued at \$2,500. In total, Évangéline-Central Credit Union distributed \$8,500. We wish everyone all the best in their studies and future endeavors.

Nous sommes heureux d'annoncer qu'il y a eu 7 récipiendaires de bourses de la Caisse populaire Évangéline-Central en 2015. La bourse Darlene Frances Corcoran Memorial Scholarship, pour souligner l'amour de Darlene pour sa communauté, a été décernée à une élève pour sa participation et sa contribution à la communauté. Cette bourse d'une valeur de 2 500 \$ ainsi que six autres bourses totalisant 8 500 \$ ont été remises à nos jeunes. Nous leur souhaitons bonne chance dans leurs études et dans leurs projets d'avenir.



Darlene Frances Corcoran Memorial Scholarship

Emma Avery

Nathan Campbell

Laura Hardy

Alyx Ellis

Not Pictured/Absents des photos: Ryan Arsenault, Myriam Cyr

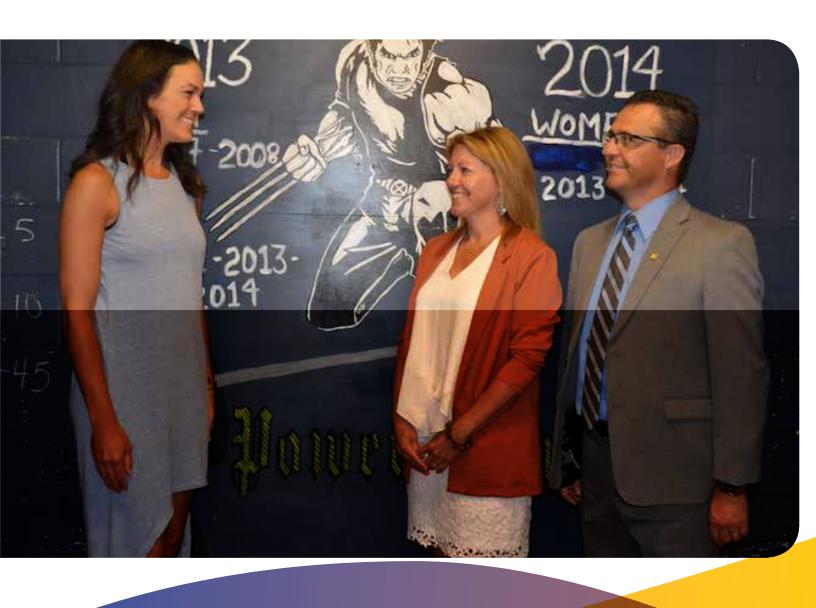
#### Wellness Centre

Salle de conditionnement physique

## Westisle Composite High School Wellness Centre receives \$50,000 from Évangéline-Central Credit Union and Tignish Credit Union

A fitness facility at Westisle Composite High was made possible with the credit union's support. Évangéline-Central Credit Union along with Tignish Credit Union contributed to the school's project with a substantial \$50,000 donation. The Credit Union's corporate support shows the value they place on the importance of maintaining a balanced healthy lifestyle and taking care of your health. This donation has allowed the school to purchase fitness equipment, enhance existing programs and to generally enrich the quality of life of the students who utilize the space

Grâce à l'appui de la caisse populaire, l'école Westisle Composite High a maintenant sa salle de conditionnement physique. Ensemble, la Caisse populaire Évangéline-Central et Tignish Credit Union ont versé la belle somme de 50 000 \$ envers ce projet scolaire. Les commandites des caisses populaires démontrent l'importance qu'accordent les caisses au maintien d'un style de vie équilibré et d'un mode de vie sain. Ce don a permis à l'école d'acheter de l'équipement de conditionnement physique et d'améliorer les programmes existants ainsi que la qualité de vie des élèves qui se servent des installations.



Relay For Life Relais pour la vie Over the last ten years as Provincial Sponsor, PEI Credit Unions have contributed **over \$463,000** to the Canadian Cancer Society, more impressively, over \$283,000 of the total was raised by staff themselves.

While each credit union on PEI are individually committed to local initiatives, on occasion all credit unions will work together to sponsor larger scale events that affect all of PEI. For the last 10 years we have been the Provincial Sponsor for the Canadian Cancer Society's Relay For Life. Along with the sponsorship of the events themselves, our staff have been willfully involved in fundraising for the event as well as donating their time with numerous collected volunteer hours.

Jusqu'à présent, nous avons contribué plus de 463 000 \$ à la Société canadienne du cancer et ce qui est plus impressionnant, c'est qu'au-delà de 283 000 \$ de ce montant a été recueilli par les membres du personnel euxmêmes.

Bien que chaque caisse populaire de l'Î.-P.-É. s'engage individuellement dans des initiatives locales, il arrive parfois que toutes les caisses populaires collaborent pour parrainer de plus gros événements qui ont un impact sur toute la province. Depuis les 10 dernières années, nous sommes le principal commanditaire du Relais pour la vie de la Société canadienne du cancer. En plus des événements que la caisse commandite, le personnel participe à des campagnes de financement pour l'événement, y consacrant temps et effort.



# iCare Program Programme iCare

Everytime you use your Credit Union MasterCard® credit card to make purchases, a portion of what you spend goes back to Island healthcare through our iCare program. In 2015, your Credit Union contributed to four health care facilities on the Island for a total of \$9,000

- PCH Foundation Lights for Life \$3,750
- QEH Foundation Cancer Treatment Centre \$3250
- O'Leary Community Health Foundation \$1,000
- Stewart Memorial Home \$1,000

Chaque fois que vous utilisez votre carte de crédit Credit Union MasterCard® pour faire des achats, une partie du montant que vous dépensez est utilisée dans le domaine de la santé dans le cadre de notre programme iCare. En 2015, grâce à nos membres, nous avons pu faire des dons totalisant 9 000 \$ aux quatre établissements de soins de santé de l'Île suivants :

- Lumières de vie de la Fondation de l'hôpital du comté de Prince 3 750 \$
- Centre de traitement du cancer de la Fondation de l'hôpital Queen Elizabeth 3 250 \$
- O'Leary Community Health Foundation 1 000 \$
- Foyer Stewart Memorial 1 000 \$









## Focused on Youth Axé sur les jeunes

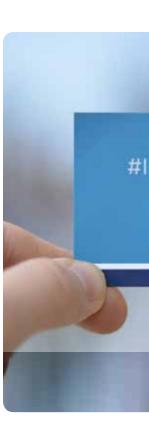
Appealing to the youth market has been of high priority to the credit union over the past year. While tailoring new Spending Accounts to their needs and greatly expanding our mobile and online availability, 2015 marked new territory for engaging our younger members.

The Cash Dash was created out of wanting a more creative way to attain and attract new youth members. Partnering with local radio station Hot 105.5, we created an amazing-race styled event that took place over the better part of the Island. Four teams of two raced across our different services areas completing tasks and different challenges. The prize? \$5,000. We had an overwhelming response to the contest both in interest and online through our social pages.



Investing In People Investir dans les gens As a cooperative financial institution, credit unions truly believe in empowering the community even in the smallest of actions. This past year marked the inception of Investing In People, a primarily social media based campaign. Investing In People aims to do exactly as you may assume – invest in the local community and more specifically, those who live there and support their own local economy.

Investing In People has been running since early 2015 and already over forty-five individuals and community groups have benefitted from our small purchase gestures. Whether we are surprising a family by purchasing their child a bike or covering the bill for a group of friends at lunch, Investing In People has shown many across the Island that credit unions understand the value of a dollar and realize even the smallest of gestures can mean the most.





Au cours de la dernière année, une des grandes priorités de la caisse a été d'attirer l'intérêt des jeunes. En adaptant les nouveaux comptes de dépenses à leurs besoins et en augmentant notre accessibilité mobile et en ligne, nous avons offert en 2015 des nouveautés pour attirer la participation de nos plus jeunes membres.

L'événement Cash Dash a été créé en vue d'offrir un moyen plus créatif d'atteindre et d'attirer de nouveaux jeunes membres. En partenariat avec la station de radio Hot 105.5, nous avons créé un événement du genre Amazing Race qui s'est déroulé presque d'une pointe à l'autre de l'Île. Quatre équipes de deux se sont déplacées à la course dans nos régions de service réalisant des tâches et relevant divers défis. Le prix? **5 000 \$** Ce concours a généré beaucoup d'intérêt, y compris sur nos pages sociales.



En tant qu'institution financière coopérative, les caisses populaires croient véritablement à habiliter la communauté en termes d'actions, aussi petites soient-elles. Cette année, nous avons inauguré *Investing in People*, une campagne qui s'active surtout autour des médias sociaux. Cette campagne vise à faire exactement ce que vous présumez, c'està-dire investir dans la communauté et plus précisément, dans ses membres qui appuient leur propre économie locale.

Investing in People est en marche depuis le début de l'année 2015 et déjà, plus de 45 personnes et groupes communautaires en ont profité. Qu'il s'agisse de surprendre une famille en achetant un vélo pour un des enfants ou de payer la facture d'un groupe d'amis réunis pour le dîner, Investing in People a démontré à bien des Insulaires que les caisses populaires comprennent la valeur de l'argent et réalisent que même le plus petit des gestes peut faire un grand bien

Financial Statements États financiers



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#### INDEPENDENT AUDITOR'S REPORT

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of Évangéline-Central Credit Union Limited, which comprise the statement of financial position as at December 31, 2015 and the statements of changes in members' equity, comprehensive income and cash flow for the 15 months 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 Canadian generally accepted auditing standards. 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 December 31, 2015 and its financial performance and its cash flow for the 15 months then ended in accordance with International Financial Reporting Standards.

MRSB Charlesed accountants

MRSB CHARTERED ACCOUNTANTS

Charlottetown, PE

#### **ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED Statement of Financial Position December 31, 2015**

	December 31 2015	September 30 2014
Assets		
Cash and cash equivalents (Note 4)	\$ 7,002,274	\$ 4,447,879
Investments (Note 5)	14,464,488	12,241,425
Accounts receivable (Note 6)	1,387,456	2,167,925
Income taxes recoverable	231,973	25,883
Member loans and mortgages (Note 7)	113,562,836	104,868,284
Provision for impaired loans (Note 8)	(3,224,235)	(2,945,900)
Prepaid expense	100,978	116,785
Due from CU PEI Investment Corp. (Note 10)	2,412,974	4,580,144
Deferred income taxes (Note 11) Property and equipment (Schedule 1)	20,528 2,665,668	20,148 1,754, <b>5</b> 91
Investment in associate (Note 12)	2,003,000	185,918
	<b>\$138,625,028</b>	\$127,463,082
Liabilities		
Accounts payable and accrued liabilities	\$ 658,317	\$ 661,572
Employee benefits payable	306,737	428,340
Accrued interest payable	691,613	694,210
Member deposits (Note 13)	104,113,189	97,090,736
Share deposits	21,858,885	18,676,253
	127,628,741	117,551,111
Contingent liabilities (Note 14)		
Commitments (Note 15)		
Members' equity		
Members' shares (Statement 4)	45,165	46,425
Undistributed earnings (Statement 4)	10,951,122	9,865,546
	10,996,287	9,911,971
	\$138,625,028	\$127,463,082

ON BEHALF OF THE BOARD

Director Director

Notes 1 to 24 are an integral part of these financial statements

#### **ÉVAN**GÉLINE-CENTRAL CREDIT UNION LIMITED Statement of Changes in Members' Equity 15 Months Ended December 31, 2015

	December 3 <sup>2</sup> 2019	•
Members' shares (Note 16)		
Balance - beginning of period	\$ 46,425	\$ 47,230
Redemption of members' shares, net of issuance	(1,260	) (805)
Balance - end of period	45,165	46,425
Undistributed earnings		
Balance - beginning of period	9,865,546	9,220,639
Net comprehensive income (Statement 5)	1,085,576	644,907
Balance - end of period	10,951,122	9,865,546
Members' equity	\$ 10,996,287	\$ 9,911,971

#### **ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**

#### **Statement of Comprehensive Income** 15 Months Ended December 31, 2015

	December 31 2015	September 30 2014 (12 months)
Income Interest and investment	\$ 6,691,227	\$ 5,360,152
Cost of capital and borrowings (Note 17)	1,792,717	1,586,507
Financial margin	4,898,510	3,773,645
Other Commissions Miscellaneous Gain on disposal of property and equipment	1,656,900 128,940 19,114	1,359, <b>672</b> 102,711 -
	1,804,954	1,462,383
	6,703,464	5,236,028
Expenses Advertising and promotions Amortization of property and equipment Automated teller machines Board honorarium Data processing Dues and memberships Insurance Meetings Miscellaneous Office Premises Professional fees Provision for impaired loans Service fees Telephone Travel Wages and wage levies	245,909 194,288 136,980 29,204 271,191 192,509 262,821 24,464 4,971 226,165 272,887 40,098 548,040 1,155,055 57,354 43,628 2,497,194	188,701 126,203 108,387 22,074 192,389 115,181 231,070 18,638 4,735 226,512 178,839 35,464 305,772 909,216 41,404 28,725 2,021,125
Income from operations	500,706	481,593
Other income Income from significant influence investment	647,080	233,378
Income before income taxes	1,147,786	714,971
Income taxes (recovery) Current (Note 18) Deferred	62,590 (380) 62,210	76,611 (6,547) 70,064
Net comprehensive income	\$ 1,085,576	\$ 644,907

### ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

#### **Statement of Cash Flow**

#### 15 Months Ended December 31, 2015

	D	ecember 31 2015	September 30 2014 (12 months)
Cash flows from operating activities  Net comprehensive income  Items not affecting cash:     Amortization of property and equipment     Gain on disposal of property and equipment     Deferred income taxes	\$	1,085,576 194,288 (19,114) (380) 1,260,370	\$ 644,907 126,203 - (6,547) 764,563
Changes in non-cash working capital: Investments Accounts receivable Income taxes recoverable Prepaid expense Accounts payable and accrued liabilities Employee benefits payable Accrued interest payable		(2,223,063) 780,469 (206,090) 15,807 (3,255) (121,603) (2,597)	(1,179,348) (1,182,285) (71,126) 1,324 157,347 (65,928) (103,338)
	_	(1,760,332) (499,962)	(2,443,354) (1,678,791)
Cash flows from investing activities Increase in member loans and mortgages, net of provision (Increase) decrease in amount due from CU PEI Investment Corp. Purchase of property and equipment Decrease in investment in associate Proceeds on disposal of property and equipment Decrease in real estate held for resale	_	(8,416,217) 2,167,170 (1,105,365) 185,830 19,114	(10,800,632) 306,675 (442,551) 52,852 - 33,632
Cash flows from financing activities Increase in member deposits Increase in share deposits and members' shares	_	7,022,453 3,181,372	(10,850,024) 3,346,064 1,305,321
increase in share deposits and members, shares	_	10,203,825	4,651,385
Net change in cash and cash equivalents		2,554,395	(7,877,430)
Cash and cash equivalents - beginning of period	_	4,447,879	12,325,309
Cash and cash equivalents - end of period	\$	7,002,274	\$ 4,447,879
Cash flow supplementary information Interest and dividends received Interest paid Income taxes paid	\$	9,317,330 1,526,327 320,446	\$ 5,568,029 1,378,401 147,737

Notes to the Financial Statements

Notes afférentes aux états financiers

#### 1. DESCRIPTION OF BUSINESS

Évangéline-Central Credit Union Limited was incorporated under the Companies Act of Prince Edward Island 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, Tyne Valley, and O'Leary, Prince Edward Island.

These financial statements were authorized for issue by the Board of Directors on February 18, 2016.

All Credit Unions on Prince Edward Island have changed their year end date from September 30 to December 31, to coincide with most other Credit Unions in the Atlantic Canada region. Évangéline-Central Credit Union Limited's financial statements for the period ending December 31, 2015 comprise 15 months compared to 12 months for the year ending September 30, 2014. As a result, the amounts presented in the financial statements are not entirely comparable.

#### 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 comprehensive 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 comprehensive net income.

#### Investment in associate

The Credit Union's investment in CU PEI Investment Corp., of which it owns 25% 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.

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

#### Accounts receivable

Accounts receivable arise from miscellaneous rebates, accrued interest on loans and mortgages and investments, and other receivables. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility 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.

#### 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 assessment. The expected cash flows for a group of financial assets with similar credit risk characteristics 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 comprehensive 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 December 31, 2015, interest accrued on impaired loans and mortgages totals \$369,254 (2014 - \$320,577).

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

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

#### Deferred 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 period 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 period 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 substantively enacted by the period end date and are expected to apply when the liabilities/assets are settled/recovered.

#### Property and equipment

Property and equipment is stated at cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at 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.

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

#### Finance charges

The Credit Union periodically purchases mortgages from Concentra Financial. 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 is included with 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 for some employees and through matching RRSP contributions for other employees. 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 period, the contributions by the Credit Union to a defined contribution pension plan totaled \$29,188 (2014 - \$26,762).

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.

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

#### 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 2015 was 0.75% (2014 - 1.25%) and was based on the average of the lowest monthly share balances.

#### 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 members 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 9,033 member shares issued and oustanding with a value of \$45,165 (2014 - 9,285 shares with a value of \$46,425).

#### 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.

Dividend revenue is recognized when the shareholder's right to receive payment is established. For dividends declared and paid on investments accounted for using the equity method, the dividend is credited to the investment account when the shareholder's right to receive payment is established.

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 period 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 period, 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.

#### 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 financial 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 subsequently 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.

#### 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

CU PEI Investment Corp.

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 period ended December 31, 2015 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.

# ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED Notes to Financial Statements

### 15 Months Ended December 31, 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting standards (continued)

In 2014, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Credit Union has not yet been determined.

Other standards and amendments have been issued but are not yet effective and are not expected to have a material impact.

#### 4. CASH AND CASH EQUIVALENTS

	<u></u>	2015	5	2014
Cash in financial institutions Cash on hand	\$	4,601,369 2,400,905	\$	2,616,601 1,831,278
	\$	7,002,274	\$	4,447,879

#### 5. INVESTMENTS

	D	ecember 31 2015	Se	eptember 30 2014
Shares	•	4 474 400	•	4 470 070
Atlantic Central Credit Union Limited - common shares Concentra Financial Services Association - 20,000 Class D	\$	1,171,400	\$	1,178,270
Series 1 preferred shares		500,000		-
Atlantic Central Credit Union Limited - Class B preferred				
shares		350,300		350,300
League Savings and Mortgage - Class A preference shares		95,033		95,033
League Data Limited - 6,493 Class B preferred shares		64,930		64,930
Wellington Cooperative Association Limited shares		3,101		3,101
Atlantic Central Credit Union Limited - Class PEI shares		2,100		2,100
		2,186,864		1,693,734

# Notes to Financial Statements 15 Months Ended December 31, 2015

5.	INVESTMENTS (continued)	December 31 2015	September 30 2014
	Debentures		
	Atlantic Central Credit Union Limited liquidity deposits - 0.67% Atlantic Central Credit Union Limited term deposit - 1.60%;	8,277,624	7,547,691
	matures October 25, 2017  Atlantic Central Credit Union Limited term deposit - 1.45%;	2,000,000	2,000,000
	matures April 14, 2016	2,000,000	-
	Atlantic Central Credit Union Limited term deposit - 1.95%; matured February 25, 2015	<u> </u>	1,000,000
		12,277,624	10,547,691

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.

\$ 14,464,488

\$ 12,241,425

### 6. ACCOUNTS RECEIVABLE

	D 	December 31 2015		September 30 2014	
Accrued interest - loans and mortgages Other receivables Accrued interest - investments	\$	850,742 492,916 43,798	\$	790,113 1,306,003 71,809	
	\$	1,387,456	\$	2,167,925	

#### 7. MEMBER LOANS AND MORTGAGES

December 31, 2015	Total loans	Specific allowance	Net loans
Mortgages Commercial Personal Farming & fishing Lines of credit and overdrafts League Savings & Mortgage reverse mortgages Concentra mortgages	\$ 31,439,374 22,107,868 17,123,868 15,385,783 12,463,658 6,634,985 8,407,300	\$ (91,641) (2,111,940) (154,345) (781,611) (84,698) - - (3,224,235)	31,347,733 19,995,928 16,969,523 14,604,172 12,378,960 6,634,985 8,407,300

## Notes to Financial Statements 15 Months Ended December 31, 2015

#### 7. MEMBER LOANS AND MORTGAGES (continued)

September 30, 2014	Total loans	Specific allowance	Net loans
Mortgages Commercial Personal Farming & fishing Lines of credit and overdrafts League Savings & Mortgage reverse mortgages Concentra mortgages	\$ 27,116,895 20,622,284 18,566,236 14,844,567 12,624,898 6,926,960 4,166,444	\$ (151,588) (1,823,000) (107,940) (742,142) (121,230)	18,799,284 18,458,296 14,102,425 12,503,668 6,926,960 4,166,444
	\$104,868,284	\$ (2,945,900)	\$101,922,384

#### 8. PROVISION FOR IMPAIRED LOANS

	D:	ecember 31 2015	Se	eptember 30 2014
Provision for impaired loans - beginning of period	\$	2,945,900	\$	2,731,025
Provision for impaired loans - current period Recovery of loans written off Loans written off - current period		548,040 12,815 (282,520)		305,772 7,385 (98,282)
Provision for impaired loans - end of period	\$	3,224,235	\$	2,945,900

Members loans can have either variable or fixed rate of interest. The rates offered to members are determined by the type of security offered, the member's credit worthiness, competition from other lenders, and the current prime rate.

#### 9. LOANS IN ARREARS

The following is an analysis of loans in arrears based on the age of repayments outstanding:

	December 31 2015	September 30 2014
31 to 60 days 61 to 90 days 91 to 180 days Over 180 days	\$ 196,037 429,758 348,919 	\$ 326,405 376,677 99,157 2,967,172
	\$ 4,450,926	\$ 3,769,411

#### 10. DUE FROM CU PEI INVESTMENT CORP.

Évangéline-Central Credit Union Limited owns Class A and B common shares and Class A preferred shares of CU PEI Investment Corp. The amount due from CU PEI Investment Corp. bears interest at 1% and there are no set terms of repayment. Interest earned on the investment during the period was \$39,837 (2014 - \$41,896).

#### 11. DEFERRED INCOME TAXES

Deferred income taxes reflect the tax consequences of 'temporary differences' between the statement of financial position carrying amounts and the tax bases of assets and liabilities. These deferred income taxes are calculated using the income tax rates and tax laws that are expected to apply when these temporary differences are reflected in taxable income.

Temporary differences which give rise to deferred income tax assets are as follows:

	Dec	cember 31 2015	Se	ptember 30 2014
Property and equipment Retirement allowance	\$	3,137 17,391	\$	4,250 15,898
	\$	20,528	\$	20,148

#### 12. INVESTMENT IN ASSOCIATE

Évangéline-Central Credit Union Limited and CU PEI Investment Corp. are associates as the Credit Union owns 25% of the participating common shares of CU PEI Investment Corp. and exerts significant influence over the investee.

	D 	ecember 31 2015
Due from CU PEI Investment Corp beginning of period Funds advanced to associate Reimbursements received from associate	\$	4,580,144 1,512,930 (3,680,100)
Due from CU PEI Investment Corp end of period	\$	2,412,974
Investment in associate - beginning of period Issuance of Class A preferred shares Proportionate share of net comprehensive income Dividend received	\$	185,918 25 647,080 (832,935)
Investment in associate - end of period	\$	88

# Notes to Financial Statements 15 Months Ended December 31, 2015

12.	INVESTMENT II	I ASSOCIATE	(continued)
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	De	ecember 31 2015
The following is a summary of the financial information of CU PEI Investment Corp. as at, and for the year ended, December 31, 2015: Total assets Cash and cash equivalents Total liabilities Financial liabilities due within 1 year Total capital stock Total revenues Net income Interest income Interest expense	\$	6,280,367 2,394,519 6,280,067 382,118 300 516,061 1,582,490 407,601 97,369

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.

#### 13. MEMBER DEPOSITS

	December 31 2015	September 30 2014
Chequing accounts Registered Retirement Savings Plan (RRSP) deposits Term deposits Call deposits Registered Retirement Income Fund (RRIF) deposits Tax Free Savings Account (TFSA) deposits	\$ 31,252,253 26,195,274 17,832,294 16,104,897 6,524,217 6,204,254	\$ 25,339,518 27,232,553 18,617,495 15,494,759 5,532,260 4,874,151
	\$104,113,189	\$ 97,090,736

#### 14. CONTINGENT LIABILITIES

Évangéline-Central Credit Union Limited has provided letters of credit on behalf of members in the amount of \$17,500.

#### 15. COMMITMENTS

The Credit Union has entered into leases agreement for office equipment. Future minimum payments as at December 31, 2015, are as follows:

2016	\$ 6,559
2017	5.193

# Notes to Financial Statements 15 Months Ended December 31, 2015

#### 16. MEMBERS' SHARES

	Number of shares	December 31 2015	Number of shares	September 30 2014
Balance - beginning of period Shares redeemed, net of	9,285	\$ 46,425	9,446	\$ 47,230
issuance	(252)	(1,260)	(161)	(805)
Balance - end of period	9,033	\$ 45,165	9,285	\$ 46,425

#### 17. COST OF CAPITAL AND BORROWINGS

	_	2015	 2014
Interest and service charges Share dividends	\$	1,597,134 195,583	\$ 1,372,353 214,154
	\$	1,792,717	\$ 1,586,507

#### 18. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 32.50% (2014 - 32.50%) to the income for the period and is reconciled as follows:

	D	ecember 31 2015	Se	eptember 30 2014
Income before income taxes	\$	1,147,786	\$	714,971
Income tax expense at the combined basic federal and provincial tax rate	\$	373,030	\$	232,366
Increase (decrease) resulting from: October - December 2014 earnings Small business deduction Taxable capital gain in excess of financial statement gain Capital cost allowance claimed in excess of amortization		(102,604) (35,665) (6,212) 954		- (84,025) - 3,387
Dividends Net non-deductible expenses Tax reserves		(270,704) 65,417 (74,728)		(114,800) 32,700 (62,851)
Provision for loan loss reserve Recovery of loans previously written off Loans written off in the current period Actual taxes October - December 2014		167,063 4,165 (88,198) 30,072		99,376 2,400 (31,942)
Effective tax expense	\$	62,590	\$	76,611

The effective income tax rate is 5.45% (2014 - 10.72%).

## Notes to Financial Statements 15 Months Ended December 31, 2015

#### 19. LINE OF CREDIT AVAILABILITY

Évangéline-Central Credit Union Limited has an approved line of credit with Atlantic Central Credit Union Limited of \$2,900,000 which is due for renewal on December 31, 2020 and was not utilized at the period end. The line of credit bears an interest rate of 2.2% and is secured by a general security agreement.

#### 20. RELATED PARTY TRANSACTIONS

Évangéline-Central Credit Union Limited provides financial services to members. These members hold the loans, deposits and share deposits, and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

As at the period end, some members of the Board of Directors, Credit Committee, management, and employees had deposits and loans and mortgages from Évangéline-Central Credit Union Limited. All full time and permanent part time employees are eligible for special interest rates on loans, mortgages, lines of credit, and RRSP term deposits based on years of service. All repayment terms and collateral will be according to normal lending practices of the Credit Union.

Key management personnel include the CEO and other senior officers of the Credit Union. The components of total compensation received by key management personnel, and balances due to and from key management personnel are as follows:

	De	2015	Se	2014
Short-term employee benefits Contributions to a retirement pension plan or RRSP Mortgages, loan balances, and lines of credit due from key	\$	668,055 18,877	\$	438,112 11,454
management Deposit balances due to key management		712,343 620,216		742,135 605,742

Short-term employee benefits include salaries, variable compensation, and other benefits. The mortgage and deposit transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

During the year, the Credit Union received interest and dividends in the amount of \$39,837 (2014 - \$41,896) and \$832,935 (2014 - \$286,230) respectively from CU PEI Investment Corp. The Credit Union also recognized its share of CU PEI Investment Corp.'s net earnings in the investment account which was \$647,080 for 2015. These 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.

#### 21. 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.

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 by 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.

#### 21. RISK MANAGEMENT (continued)

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.

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 period 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.

#### 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Évangéline-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.

A three-tier hierarchy is used as a framework for disclosing fair values based on inputs used to value the Credit Union's financial instruments recorded at fair value. Valuation methods used in this framework are categorized under the following fair value hierarchy:

Level 1 - Quoted prices for active markets for identical financial instruments that the entity can assess at the measurement date.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

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

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.

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.

#### 23. 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 2015 fiscal period amounted to \$113,562,836 (2014 - \$104,868,284).

## Notes to Financial Statements 15 Months Ended December 31, 2015

#### 23. CAPITAL MANAGEMENT (continued)

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 period plus the operating surplus in the current period and members' shares, divided by the total assets of the Credit Union.

	December 31	September 30 2014
Undistributed earnings Members' shares	\$ 10,951,122 45,165	\$ 9,865,546 46,425
Total regulatory equity Total assets	10,996,287 138,625,028	9,911,971 127,463,082
	7.93 %	7.78 %

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.

	December 31 2015	September 30 2014
Total assets Liquid assets	\$138,625,028 	\$127,463,082 18,857,229
	16.49 %	14.79 %

#### 24. COMPARATIVE FIGURES

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

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED Schedules to Financial Statements Statement of Property and Equipment

15 Months Ended December 31, 2015

(Schedule 1)

	Cost beginning of period /	Cost Dis eginning an of period Additions	Disposals and write downs	Cost end of period	۱	Amort eginning Amort of period in period Disposals	isposals	Amort end of period	NBV 2015	NBV 2014
Land	\$ 200,769 \$	ا	ا چ	\$ 200,769 \$	ا <del>ده</del>	· ·	ا ۵	ا ج	\$ 200,769	200,769 \$ 200,769
Buildings	2,524,437	794,903		3,319,340	1,235,779	89,936		1,325,715	1,993,625	1,288,658
Equipment	857,966	123,324		981,290	689,141	57,620		746,761	234,529	168,825
ATMs	194,043	36,309		230,352	185,486	13,190		198,676	31,676	8,557
Pavement	123,595	113,263		236,858	79,303	10,092		89,395	147,463	44,292
Computer hardware	588,610	22,508	•	611,118	558,630	18,190		576,820	34,298	29,980
Signs	22,221	15,058		37,279	8,711	5,260		13,971	23,308	13,510
	\$4,511,641 \$1,105,365 \$	1,105,365	ا <del>د</del>	\$5,617,006	\$5,617,006 \$2,757,050 \$194,288	\$ 194,288	ا <b>4</b>	\$2,951,338	<b>\$2,951,338 \$2,665,668</b> \$1,754,591	\$1,754,591

Notes 1 to 24 are an integral part of these financial statements

# Schedules to Financial Statements Interest Rate Sensitivity

15 Months Ended December 31, 2015

(Schedule 2)

	Under 1 year			Over 5 years	Not interest rate sensitive	Total
ASSETS						
Cash and cash equivalents	\$ 3,334,272	\$ -	\$		\$ 3,668,002	\$ 7,002,274
Effective interest rate	0.43 %		φ	- %	\$ 3,000,002 - %	\$ 1,002,214
Investments	10,277,623	2,000,000		500,000	1,686,865	14,464,488
Effective interest rate	0.82 %			4.60 %	- %	14,404,400
Accounts receivable	0.02 /	1.00 /0		4.00 /0	1,387,456	1,387,456
Income taxes recoverable	_	_		_	231,973	231,973
Mortgages	10,040,325	21,307,407		_	231,973	31,347,732
Effective interest rate	3.55 %	, ,		- %	- %	31,347,732
Personal	1,656,995	15,312,527		- 70	- 70	16,969,522
	, ,			- %	- %	10,909,522
Effective interest rate	5.78 %	5.57 %		- 70	- 70	12 270 060
Lines of credit and overdrafts	12,378,960	- 0/		- 0/	- 0/	12,378,960
Effective interest rate	5.30 %			- %	- %	44.004.470
Farming and fishing	3,324,541	11,279,631		-	-	14,604,172
Effective interest rate	4.58 %			- %	- %	40.00=.000
Commercial	4,447,067	15,548,862		-	-	19,995,929
Effective interest rate	4.45 %			- %	- %	
League Savings & Mortgage	1,704,786	4,930,199		-	-	6,634,985
Effective interest rate	4.39 %			- %	- %	
Concentra Financial mortgage				-	-	8,407,301
Effective interest rate	3.86 %	3.49 %		- %	- %	
Prepaid expense	-	-		-	100,978	100,978
Due from CU PEI Investment (		-		2,412,974	-	2,412,974
Effective interest rate	- %	- %		1.00 %	- %	
Deferred income taxes	-	-		-	20,528	20,528
Property and equipment	-	_		-	2,665,668	2,665,668
Investment in associate		-		-	88	88
	\$ 51,147,578	\$ 74,802,918	\$	2,912,974	\$ 9,761,558	\$138,625,028
LIABILITIES AND MEMBE Accounts payable and						
accrued liabilities	\$ -	\$ -	\$	-	\$ 658,317	\$ 658,317
Employee benefits payable	-	-		-	306,737	306,737
Accrued interest payable	-	-		-	691,613	691,613
Member deposits	47,761,489	29,452,344		-	26,899,356	104,113,189
Effective interest rate	0.89 %	2.22 %		- %	- %	
Share deposits	21,858,885	_		-	-	21,858,885
Effective interest rate	0.75 %	- %		- %	- %	
Members' shares	45,165	-		-	-	45,165
Effective interest rate	0.75 %	- %		- %	- %	,
Undistributed earnings	-	-		-	10,951,122	10,951,122

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 December 31, 2015, Évangéline-Central Credit Union Limited's net interest spread was 3.52%. 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 period end interest bearing liabilities.



Credential Financial Strategies Stratégies financières Credential





Évangéline-Central Credit Union is constantly seeking ways to provide quality products, services and convenience to members. Your credit union has, for many years, offered insurance, investment and financial planning services to its Members through Credential Financial Strategies Inc.

Credential Financial Strategies Inc. representatives Sharon Gallant and Rod MacInnis have extensive experience in financial services and are available to assist members of Évangéline-Central Credit Union in the following areas:

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

Should you wish to discuss any of these financial products or services, please contact Rod's assistant, Pam Bernard, at 902 888 5530 (Tyne Valley and Wellington members) OR Sharon's assistant, Raeanne Gallant, at 902 853 6020 (O'Leary members) for a no cost, no obligation appointment in your community.

La Caisse populaire Évangéline-Central est constamment à la recherche à fournir des produits de qualité, des services et de la commodité aux membres. Votre caisse a, depuis de nombreuses années, offerte de l'assurance, des investissements et des services de planification financière à ses membres par l'entremise des Stratégies financières Credential

Les représentants Stratégies financières Credential Sharon Gallant et Rod MacInnis ont une vaste expérience dans les services financiers et sont disponibles pour aider les membres de la Caisse populaire Évangéline-Central dans les domaines suivants:

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

Si vous désirez discuter de ces produits ou services financiers, veuillez contacter l'adjointe de Rod, Pam Bernard, au 902 888 5530 (membres de Tyne Valley et Wellington) OU l'adjointe à Sharon, Raeanne Gallant, au 902 853 6020 (membres d'O'Leary) pour fixer un rendez-vous dans votre communauté, sans frais, ni obligation.



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