

2016

**Annual
Report**

**Rapport
annuel**



**CAISSE POPULAIRE
CREDIT UNION**

ÉVANGÉLINE-CENTRAL

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2016 Highlights | Points saillants

+5.5%

**Assets
Actif**

\$152k

**Back to Members
Redistribué aux membres**

9k

**Membership
Adhésion**

+5.9%

**Deposits
Dépôts**

\$53k

**Back to Communities
Redistribué aux communautés**

244

**New Members
Nouveaux membres**

+5.6%

**Loans
Prêts**

4k

**Members Banking Online
Membres qui utilisent le
service bancaire en ligne**

+5.3%

**Avg. Members Savings
Moyenne des épargnes des
membres**

2

**New Ways to Bank
Nouvelles méthodes
d'effectuer des opérations
bancaires**



Credit unions are built on fairness, trust, equality and independence.

We provide honest banking and make a local impact in our communities.

Your money stays and works here.

Les caisses populaires sont fondées sur l'équité, la confiance, l'égalité et l'indépendance.

Nous offrons des services bancaires honnêtes et nous exerçons un impact local dans nos communautés.

Votre argent demeure ici et aide à développer notre communauté.



Mission | 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



Marsha Arsenault
President / présidente



Ira Smith
Vice-President / vice président



Imelda Arsenault
Secretary / secrétaire



Billy MacKendrick



Giselle Bernard



Jim Cook



Peter Bulger



Jamie Colwill



Jamie Shaw



Staff Personnel



President's Report

It has truly been a privilege and an honor for me to serve as President of the Credit Union and to represent our members on the Board of Directors.

The Board's role is to be responsible for representing the interests of members and incorporating those interests into the strategic governance of the Credit Union. In addition to our annual exercise, we have been committed to monthly meetings. During the meetings, everyone's opinions are valued, and we strive to be as progressive as possible and to ensure that we are benefitting our fellow members in the best way possible. We continue working with our key partner, Atlantic Central, to keep up with the constant changes to regulation happening in the financial environment. We also maintain a close eye on the marketplace and adapt to changes in order to continuously enhance our competitiveness in the best interest of our members.

When speaking of the successes of the Credit Union, we must attribute this year's success to our members. Without their support, input and dedication, our achievements would be nearly impossible. In 2016, the Credit Union focused on retaining and growing its youth (ages 19-25) portfolio. We have seen continued growth in this segment of the population and we are constantly improving our services to better meet the needs of this technologically advanced generation. This leads me to praise the advancement that the Credit Union has seen this year with our online and mobile payment technology. Our debit cards are now Interac Flash enabled, allowing members to tap and pay. This truly is the fastest and most convenient way to use your spending account. We also launched Interac Online Payments, which allows members to pay for their online purchases directly from their account through Member Direct Online banking. No credit

card required anymore. These small conveniences are what our members expect from their financial institution. They are no longer nice to have features, they are necessary as we are committed to placing our members' needs first.

Every year brings some extent of challenges and this year was no exception. With the advancement and success we have had in terms of our mobile connectedness, we are now faced with the task of moving these mobile services to the forefront. We hope for significant advancements in 2017 with more members accessing the mobile services and finding them simple to navigate. We have also made great strides in transitioning our members to the new slate of transactional accounts and expect to complete this process in 2017.

Building on the success of 2016, we look to expand our relationship with our youth. We recognize that youth are our future. 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.

In conclusion, I am happy to share that with the growth achieved this year, we have declared a 0.75% dividend for the fiscal year ended on December 31, 2016.

On behalf of the Board of Directors I would like to thank the Credit Union staff for their friendly and professional service and for their commitment to bettering our community.

Marsha Arsenault

President



Rapport de la présidente

Ce fut un privilège et un honneur pour moi d'occuper la présidence de la Caisse populaire et d'agir au nom des membres au sein du Conseil d'administration.

Le rôle du Conseil est de représenter les intérêts des membres et d'intégrer ces intérêts dans la gouvernance stratégique de la caisse populaire. En plus de participer à notre exercice annuel, nous nous sommes engagés à prendre part aux réunions mensuelles. Lors de ces rencontres, l'opinion de tous est respectée et nous essayons d'être le plus progressif possible et d'assurer que nous agissions pour le mieux-être de nos membres. Nous continuons à travailler avec notre partenaire clé, Atlantic Central, pour nous adapter aux changements constants à la réglementation qui se produisent dans l'environnement financier. Nous gardons un œil vigilant sur le marché et nous évoluons afin de continuer à être plus concurrentiels, et ce, au profit de nos membres.

Pour ce qui est des succès de la Caisse populaire, on doit l'attribuer à nos membres cette année. Sans leur appui, leurs opinions et leur dévouement, nos réalisations auraient été presque impossibles. En 2016, un des objectifs de la Caisse populaire était le maintien et le développement des jeunes (âgés de 19 à 25 ans). Nous avons constaté une croissance continue dans cette catégorie de membres et nous améliorons constamment nos services afin de mieux répondre aux besoins de cette génération technologiquement avancée. Je tiens donc à souligner l'avancement qu'a connu la Caisse populaire cette année en matière de technologie de paiement en ligne et mobile. Nos cartes-débit sont maintenant munies de la fonction Flash Interac, permettant aux membres de simplement toucher le lecteur avec leur carte et payer. Il s'agit du moyen le plus rapide et pratique d'utiliser votre compte de dépenses. Nous avons aussi lancé la fonction des paiements en ligne d'Interac qui permet aux membres de payer leurs achats en ligne directement à partir de leur compte par l'entremise de services bancaires en ligne de Member Direct. Nul besoin d'avoir une carte de crédit. Ce sont ces petits services pratiques auxquels nos membres s'attendent

de leur institution financière. Il ne s'agit plus de fonctions que nous aimons pouvoir offrir, mais bien de fonctions nécessaires puisque nous veillons à faire des besoins de nos membres une priorité.

Chaque année amène son lot de défis et celle-ci n'a pas fait exception. En raison de l'avancement et du succès que nous avons connus en matière de connectivité mobile, il faut maintenant rendre ces services mobiles plus accessibles. Nous espérons franchir d'importantes étapes en 2017, permettant à plus de membres de profiter des services mobiles et de les utiliser avec aisance. Nous avons aussi redoublé d'efforts dans la transition de nos membres vers la nouvelle gamme de comptes transactionnels. Nous nous attendons à terminer ce processus en 2017.

Inspirés par le succès de 2016, nous voulons développer nos liens avec les jeunes. Nous reconnaissons que nos jeunes représentent notre avenir. Nous avons consacré d'importantes ressources au développement de produits, de services et de programmes très pertinents pour la génération d'aujourd'hui. Nous voulons que la Caisse populaire soit son premier choix, sachant que nous offrons les meilleurs produits et services pour répondre à ses besoins.

Pour terminer, je suis heureux d'annoncer qu'en raison de la croissance que nous avons connue cette année, nous déclarons un dividende de 0,75 % pour l'année financière se terminant le 31 décembre 2016.

Au nom du Conseil d'administration, je tiens à remercier le personnel de la Caisse populaire pour son professionnalisme et ses manières amicales ainsi que pour son engagement au développement communautaire.

Marsha Arsenault

Présidente



CEO's Report

As the CEO of the Credit Union, it is my pleasure to speak to this past fiscal year and the upward trend of success the credit union has seen.

This year has been one of significant growth for our mobile services and our ability to be the most convenient banking choice. With help from Atlantic Central and other Credit Unions in the Atlantic region, we have been able to remain competitive in a broader marketplace. Working with other Credit Unions has allowed us to keep up with consumer demands and to deliver many new technologies such as Interac Flash, Interac Online Payment and, of course, our mobile banking app for both Apple and Android. As we continue to compete with banks, our ability to adapt to newer technologies has allowed us to remain user-friendly and has also provided our members with the level of service and features they have come to expect from their financial institution.

Looking at the last year, financially, I must say I am very pleased with our continued growth. As of December 31, 2016, our assets have reached \$146.2 million, which is a growth of \$7.6 million or 5.5%. Our loans have increased significantly by \$6.4 million and make up 80.18% of our current assets. Alongside our growth in loans, we have also experienced an increase of \$6.1 million in member deposits. This growth in our member deposits translates into more liquidity for the Credit Union. Undistributed income has also increased by \$547,523 which is the income remaining after dividends and taxes for the year. These numbers speak loudly to the overall success of the Credit Union and the staff, which propels us forward.

We have identified several ambitious goals for the upcoming year. Carrying over from last year, one goal for this year is to make our

members aware and also comfortable with our online and mobile banking platforms. We want to ensure our members get the best possible experience when banking with us, and going forward, a lot of the new conveniences will be launched first on mobile, such as Deposit Anywhere last year. By building that comfort level with our mobile services now will help increase adoption of new functionality later on, ultimately saving our members time and money. 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. As a result of continued pressure on our financial margins created by this ongoing low interest environment and the ever-increasing competition that we face, we will be focusing quite strongly on enhancing the organization's operational efficiency.

Much of the success of the past year can be attributed to our members. Without their constant support and input, we would not be able to easily achieve our goals for the year. Much like our members, we are heavily reliant on our staff and they have been nothing short of exceptional. The work of the staff has been influential on the credit union, from their positive attitudes to their adaptability to change in this continuously evolving market. We are very fortunate to also have the expertise of our board members. Their willingness to volunteer their time has been essential to our success as a financial institution.

Alfred Arsenault
CEO

Rapport du directeur général

À titre de directeur général de la Caisse populaire, c'est avec plaisir que je vous donne un aperçu des activités de la dernière année financière et des succès continus observés.

Cette année en a été une de croissance importante pour ce qui est des services mobiles ainsi que de notre capacité de devenir le plus pratique des choix bancaires. Grâce au soutien d'Atlantic Central et d'autres caisses populaires de la région atlantique, nous avons su demeurer concurrentiels dans un marché encore plus vaste. Travailler avec d'autres caisses populaires nous permet de répondre aux besoins des consommateurs et d'offrir beaucoup de nouvelles technologies, telles Flash Interac, Interac en ligne, et bien sûr, notre application de services mobiles bancaires pour les produits Apple et Android. Alors que nous continuons à rivaliser avec les banques, notre capacité à nous adapter à de plus nouvelles technologies nous permet de demeurer conviviaux et de fournir à nos membres le niveau de services et de fonctionnalités dont ils attendent de leur institution financière.

Pour ce qui est de l'an dernier, du point de vue financier, je dois dire que je suis content de notre croissance continue. Au 31 décembre 2016, notre actif s'élevait à 146,2 millions de dollars, représentant une croissance de 7,6 millions de dollars ou 5,5 %. Nos prêts ont augmenté de façon significative, soit de 6,4 millions de dollars, et représentent 80,18 % de notre actif actuel. En plus d'une augmentation des prêts, nous avons également connu une hausse de 6,1 millions de dollars en dépôts des membres. Cette croissance se traduit par plus de liquidité pour la Caisse populaire. Le revenu non distribué a également augmenté de 547,523 \$, soit le montant qui reste après que les dividendes et les taxes de l'année ont été versés. Les chiffres en disent long au sujet du succès de la Caisse populaire et de son personnel, ce qui nous incite à vouloir en faire plus.

Nous avons identifié plusieurs objectifs ambitieux pour la prochaine année. Nous poursuivons dans la lancée de l'an dernier, tentant de mettre nos membres plus à l'aise dans l'utilisation des services bancaires en ligne et mobiles. Nous voulons nous assurer que nos membres aient la meilleure expérience possible lorsqu'ils font affaire avec nous et, à l'avenir, un grand nombre des services seront lancés d'abord en service mobile, tel que nous l'avons fait avec Dépôts sans déplacements l'an dernier. L'établissement d'un niveau de confort aujourd'hui pour ce qui est des services mobiles permettra d'augmenter l'adoption de nouvelles fonctionnalités plus tard. De plus, les membres économiseront temps et argent. Nous tentons aussi de continuer à élargir notre portfolio jeunesse. Reconnaissant que nos jeunes sont les piliers de notre avenir, nous nous engageons à répondre à leurs besoins et à être l'institution financière de premier choix lorsque viendra le temps de sélectionner leur institution financière. Étant donné la pression continue exercée sur nos marges financières en raison de la faiblesse des taux d'intérêt et de la concurrence toujours croissante à laquelle nous faisons face, nous allons nous concentrer davantage à améliorer l'efficacité opérationnelle de l'organisation.

Une grande partie du succès de l'année qui vient de s'écouler peut être attribuée à nos membres. Sans leur appui et leur rétroaction continus, il ne serait pas facile d'atteindre nos objectifs de l'année. Comme nos membres, nous dépendons grandement de notre personnel qui n'est rien de moins qu'exceptionnel. Leur travail influe sur le succès de la caisse, qu'il s'agisse de leur attitude positive ou de leur adaptabilité aux changements dans ce marché en constante évolution. De plus, nous sommes très chanceux de pouvoir compter sur l'expertise de nos membres du Conseil. Leur désir de donner de leur temps est essentiel au succès de notre institution financière.

Alfred Arsenault
Directeur général

Building a Community Together

Being supportive and involved with our members along with the community is, as always, of great importance to credit unions. Our high standard for social responsibility means that we strive to serve our community as best as possible. One of the most significant ways in which we support the community is through donations, sponsorships and volunteering.

This year, we invested over \$54,000 in donations and sponsorships benefiting not only community groups but also numerous local families alike.

As a financial co-operative, our motive is to always assist our members with their financial goals, while also positively impacting our community.

Construire une communauté ensemble

Pour les caisses populaires, il est très important d'appuyer ses membres et de contribuer à la communauté. Nos normes élevées en matière de responsabilité sociale signifient que nous nous appliquons à mieux servir notre communauté d'année en année. Les dons et les commandites comptent parmi les plus importants moyens d'appuyer la communauté.

Cette année, la Caisse populaire a fait don de près de 54 000 \$ à des groupes communautaires ainsi qu'à de nombreuses familles. Nous sommes entièrement convaincus que cette année nous avons eu un impact remarquable sur notre communauté grâce à nos nombreux dons.

À titre de coopérative financière, notre objectif est d'aider nos membres à atteindre leurs objectifs financiers, tout en ayant un impact positif sur notre communauté.



Scholarships Bourses d'études

We are pleased to announce 6 Évangéline-Central Credit Union Scholarship Recipients for 2016. The Darlene Frances Corcoran Memorial Scholarship, in honor of Darlene's love for her community, was awarded to Sarah Corcoran for her participation and contribution to the community. This scholarship is valued at \$2,500. In total, Évangéline-Central Credit Union distributed \$7,500.

Not Pictured: Keelyn Broome

We wish all students the best in their studies and future endeavors.

Nous sommes heureux d'annoncer qu'il y a eu 6 récipiendaires de bourses de la Caisse populaire Évangéline-Central en 2016. La bourse Darlene Frances Corcoran Memorial Scholarship, pour souligner l'amour de Darlene pour sa communauté, a été décernée à Sarah Corcoran pour sa participation et sa contribution à la communauté. Cette bourse d'une valeur de 2 500 \$ ainsi que cinq autres bourses totalisant 7 500 \$ ont été remises à nos jeunes.

Absents des photos: Keelyn Broome

Nous leur souhaitons bonne chance dans leurs études et dans leurs projets d'avenir.



Sarah Corcoran
Darlene Frances Corcoran
Memorial Scholarship



Jenna Arsenault



Sarah Woodside



Sydney Strongman



Sydney Trowsdale



A decade of Relay For Life

2016 marked our tenth and final year as the proud provincial event sponsor for the Canadian Cancer Society's Relay For Life. Since 2006, PEI credit unions have together contributed over \$500,000 towards cancer research – with an impressive 60% being staff raised. Through this partnership, we have increased staff's involvement with the Society, educated our stakeholders about cancer prevention and raised significant funds to assist in the delivery of the Society's programs on PEI.

In June we were honored to be recognized as Outstanding Sponsorship Partner at the 30th Annual Maritime Philanthropy Awards thanks to a nomination by the Canadian Cancer Society. We would like to extend our gratitude to the Society for allowing us to be an active part of this amazing initiative over the past 10 years.

Une décennie de Relais pour la vie

2016 a marqué notre dixième et dernière année en tant que commanditaire provincial du Relais pour la vie de la Société canadienne du cancer. Depuis 2006, les caisses populaires de l'Île-du-Prince-Édouard ont contribué ensemble plus de 500 000 \$ vers les recherches pour combattre le cancer. Grâce à ce partenariat, nous avons augmenté la participation de notre personnel aux activités de la Société, informé nos intervenants sur la prévention du cancer et recueilli des sommes considérables pour aider à la prestation des programmes de la Société à l'Î.-P.-É.

En juin, nous avons eu l'honneur d'être reconnus comme partenaire de commandite exceptionnel lors de la 30e édition des Prix maritimes de philanthropie, suite à une nomination de la Société canadienne du cancer. Nous tenons à remercier la Société de nous avoir permis de participer activement à cette incroyable initiative au cours des 10 dernières années.



Investing In People

Investing in People, our primarily social media based campaign, aims to make a small positive financial impact for individuals during their day to day lives. From paying for car services, to helping furnish a student's new apartment, we have helped Islanders from tip to tip. Since its inception in 2015, over one hundred individuals have benefited, which we hope to grow in the upcoming year.

For 2016, we tried to change things up for the holiday season by launching Investing in Cheer. Three individuals were each given \$500 to spread some much needed Christmas cheer to deserving groups.

These groups included the QEH pediatrics unit, Boys and Girls Club Charlottetown, and two families in need in the Kinkora area.

Investing in People, notre campagne qui est principalement axée sur les médias sociaux, vise à exercer un petit impact financier positif pour des individus au cours de leur vie quotidienne. Qu'il s'agisse de payer un service de transport ou d'aider à meubler un nouvel appartement étudiant, nous avons aidé des insulaires d'un bout à l'autre de la province. Depuis la création de cette initiative en 2015, plus d'une centaine d'individus en ont bénéficié et nous espérons voir grandir ce nombre au cours de la prochaine année.

Pour 2016, nous avons essayé de brasser un peu les affaires pour la saison des fêtes en lançant *Investing in Cheer*. Trois individus ont chacun reçu 500 \$ pour créer un peu de gaieté au sein de groupes méritants à Noël. Ces groupes comprenaient l'unité de pédiatrie à l'hôpital Queen Elizabeth, le Club garçons et filles de Charlottetown et deux familles dans le besoin de la région de Kinkora.

Inspire Learning Centre

Credit unions on PEI were proud to partner with the new and innovative Inspire Learning Centre in 2016. Located in Summerside the state-of-the-art regional learning centre is a bustling hub for job seekers, entrepreneurs, study groups and people of all ages!

The Inspire Learning Centre, dubbed the “library of tomorrow” offers state of the art facilities including semi-private reading pods, collaborative workstations and borrowable media in every category! Credit unions look forward to the year ahead with the Inspire Learning Centre and the impact it will make on the community and surrounding areas.

En 2016, les Caisses populaires de l'Île-du-Prince-Édouard étaient fières de s'associer au nouveau centre d'apprentissage innovant Inspire Learning Centre. Situé à Summerside, ce centre d'apprentissage ultramoderne régional est un centre animé pour les chercheurs d'emplois, les entrepreneurs, les groupes d'étude et les gens de tous âges!

Le centre d'apprentissage Inspire Learning Centre, que l'on a baptisé la « bibliothèque de demain », offre des installations des plus modernes, incluant des espaces de lecture semiprivés, des postes de travail collaboratifs et des médias empruntables de toutes catégories! Les caisses populaires ont bien hâte aux activités de la prochaine année et de constater l'impact que ce centre de formation aura sur cette communauté et les régions avoisinantes.



Credential Financial Strategies

Your money is important to you, and it's important to us too. That's why we've partnered with Credential®, a leader in the area of wealth management and the investment and insurance provider of choice for Canadian credit unions and their members.

Credential® offers a wide range of registered and non-registered investment options as well as insurance, trust and tax services giving you the power to choose the products that best meet your needs.

Our Credential Financial Strategies Representatives, Sharon Gallant, in the O'Leary area and Krista Ahern, newly hired to the team for Tyne Valley and Evangeline members, are available to assist with all of your financial planning needs. With over 20 years of experience in the financial planning industry, they specialize in:

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

Contact your Credential Financial Strategies Representative in your area for a no cost, no obligation appointment.

O'Leary
Sharon Gallant
902-853-6020
sgallant@credential.com

Stratégies financières Credential

Vous attachez de l'importance à votre argent, et nous aussi d'ailleurs. C'est la raison pour laquelle nous collaborons avec Credential®, chef de file en gestion de patrimoine et fournisseur de services de placement et d'assurance de choix des caisses populaires canadiennes et de leurs membres.

Credential® offre toute une gamme d'options de placement enregistrées et non enregistrées ainsi que de l'assurance, des services de fiducie et des services d'impôt, vous permettant de choisir les produits qui répondent le mieux à vos besoins.

Nos représentantes de Stratégies financières Credential Sharon Gallant dans la région d'O'Leary et Krista Ahern, embauchée tout récemment pour travailler avec les membres de Tyne Valley et d'Évangéline, sauront répondre à vos besoins en matière de planification financière. Possédant chacune plus de 20 ans d'expérience, elles se spécialisent 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

Communiquez avec la représentante de Stratégies financières Credential de votre région pour fixer un rendez-vous, sans frais ni obligation.

Tyne Valley & Evangeline
Krista Ahern
902-888-5530
kahern@ccupe.ca



iCare Program

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 2016, your Credit Union contributed to five health care facilities on the Island for a total of \$9,700

- PCH Foundation Lights for Life
- QEH Foundation Cancer Treatment Centre
- O'Leary Community Health Foundation
- Stewart Memorial Home
- PEI Reach Foundation

Programme iCare

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 2016, grâce à nos membres, nous avons pu faire des dons totalisant 9 700 \$ aux cinq établissements de soins de santé de l'Île suivants :

- Lumières de vie de la Fondation de l'hôpital du comté de Prince
- Centre de traitement du cancer de la Fondation de l'hôpital Queen Elizabeth
- O'Leary Community Health Foundation
- Foyer Stewart Memorial
- PEI Reach Foundation



Financial Statements

États financiers

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, 2016 and the statements of changes in members' equity, comprehensive income and cash flow 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 Canadian generally accepted auditing standards. 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 December 31, 2016 and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

MRSB Chartered Professional Accountants

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS

Charlottetown, PE

February 27, 2017


ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED


Statement of Financial Position

December 31, 2016

	2016	2015
Assets		
Cash and cash equivalents (Note 4)	\$ 5,794,824	\$ 7,002,274
Investments (Note 5)	15,221,307	14,464,488
Accounts receivable (Note 6)	2,718,592	1,387,456
Income taxes recoverable	-	231,973
Member loans and mortgages (Note 7)	119,970,751	113,562,836
Provision for impaired loans (Note 8)	(2,647,158)	(3,224,235)
Prepaid expense	100,019	100,978
Due from CU PEI Investment Corp. (Note 10)	2,000,732	2,412,974
Deferred income tax asset (Note 11)	24,851	20,528
Property and equipment (Schedule 1)	2,598,844	2,665,668
Real estate held for resale	453,209	-
Investment in associate (Note 12)	20,895	88
	<u>\$146,256,866</u>	<u>\$138,625,028</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 729,521	\$ 658,317
Employee benefits payable	323,845	306,737
Income taxes payable	69,981	-
Accrued interest payable	640,855	691,613
Member deposits (Note 13)	110,276,301	104,113,189
Share deposits	22,673,433	21,858,885
	<u>134,713,936</u>	<u>127,628,741</u>
Contingent liabilities (Note 14)		
Commitments (Note 15)		
Members' equity		
Members' shares (Statement 4)	44,285	45,165
Undistributed earnings (Statement 4)	11,498,645	10,951,122
	<u>11,542,930</u>	<u>10,996,287</u>
	<u>\$146,256,866</u>	<u>\$138,625,028</u>

ON BEHALF OF THE BOARD

 *Isabelle Arsenault* Director

 *Marsha Arsenault* Director

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Statement of Changes in Members' Equity

Year Ended December 31, 2016

	2016	2015
		(15 months)
Members' shares (Note 16)		
Balance - beginning of year	\$ 45,165	\$ 46,425
Redemption of members' shares, net of issuance	<u>(880)</u>	<u>(1,260)</u>
Balance - end of year	<u>44,285</u>	<u>45,165</u>
Undistributed earnings		
Balance - beginning of year	10,951,122	9,865,546
Net comprehensive income (Statement 5)	<u>547,523</u>	<u>1,085,576</u>
Balance - end of year	<u>11,498,645</u>	<u>10,951,122</u>
Members' equity	<u>\$ 11,542,930</u>	<u>\$ 10,996,287</u>

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Statement of Comprehensive Income

Year Ended December 31, 2016

	2016	2015
		(15 months)
Income		
Interest and investment	\$ 5,268,680	\$ 6,691,227
Cost of capital and borrowings (Note 17)	<u>1,359,892</u>	<u>1,792,717</u>
Financial margin	<u>3,908,788</u>	<u>4,898,510</u>
Other		
Commissions	<u>1,442,708</u>	<u>1,656,900</u>
Miscellaneous	<u>117,104</u>	<u>129,455</u>
Gain on disposal of property and equipment	<u>-</u>	<u>19,114</u>
	<u>1,559,812</u>	<u>1,805,469</u>
	<u>5,468,600</u>	<u>6,703,979</u>
Expenses		
Advertising and promotions	<u>176,580</u>	<u>245,909</u>
Amortization of property and equipment	<u>175,793</u>	<u>194,288</u>
Automated teller machines	<u>115,889</u>	<u>136,980</u>
Board honorarium	<u>24,445</u>	<u>29,204</u>
Data processing	<u>219,852</u>	<u>271,191</u>
Dues and memberships	<u>133,218</u>	<u>192,509</u>
Insurance	<u>229,762</u>	<u>262,821</u>
Meetings	<u>20,330</u>	<u>24,464</u>
Miscellaneous	<u>5,952</u>	<u>4,971</u>
Office	<u>162,263</u>	<u>226,165</u>
Premises	<u>218,579</u>	<u>272,887</u>
Professional fees	<u>53,159</u>	<u>40,098</u>
Provision for impaired loans	<u>199,535</u>	<u>548,040</u>
Service fees	<u>992,791</u>	<u>1,155,570</u>
Telephone	<u>40,689</u>	<u>57,354</u>
Travel	<u>28,903</u>	<u>43,628</u>
Wages and wage levies	<u>2,007,163</u>	<u>2,497,194</u>
	<u>4,804,903</u>	<u>6,203,273</u>
Income from operations	<u>663,697</u>	<u>500,706</u>
Other income		
Income from significant influence investment	<u>20,808</u>	<u>647,080</u>
Income before income taxes	<u>684,505</u>	<u>1,147,786</u>
Income taxes (recovery)		
Current (Note 18)	<u>141,305</u>	<u>62,590</u>
Deferred	<u>(4,323)</u>	<u>(380)</u>
	<u>136,982</u>	<u>62,210</u>
Net comprehensive income	<u>\$ 547,523</u>	<u>\$ 1,085,576</u>

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

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Statement of Cash Flow

Year Ended December 31, 2016

	2016	2015
		(15 months)
Cash flows from operating activities		
Net comprehensive income	\$ 547,523	\$ 1,085,576
Items not affecting cash:		
Amortization of property and equipment	175,793	194,288
Gain on disposal of property and equipment	-	(19,114)
Deferred income taxes	(4,323)	(380)
	<u>718,993</u>	<u>1,260,370</u>
Changes in non-cash working capital:		
Investments	(756,819)	(2,223,063)
Accounts receivable	(1,331,136)	780,469
Prepaid expense	959	15,807
Accounts payable and accrued liabilities	71,203	(3,255)
Employee benefits payable	17,108	(121,603)
Income taxes payable	301,954	(206,090)
Accrued interest payable	(50,758)	(2,597)
	<u>(1,747,489)</u>	<u>(1,760,332)</u>
	<u>(1,028,496)</u>	<u>(499,962)</u>
Cash flows from investing activities		
Increase in member loans and mortgages, net of provision	(6,984,992)	(8,416,217)
Decrease in amount due from CU PEI Investment Corp.	412,242	2,167,170
Purchase of property and equipment	(108,968)	(1,105,365)
(Increase) decrease in investment in associate	(20,807)	185,830
Increase in real estate held for resale	(453,209)	-
Proceeds on disposal of property and equipment	-	19,114
	<u>(7,155,734)</u>	<u>(7,149,468)</u>
Cash flows from financing activities		
Increase in member deposits	6,163,112	7,022,453
Increase in share deposits and members' shares	813,668	3,181,372
	<u>6,976,780</u>	<u>10,203,825</u>
Net change in cash and cash equivalents during the year	<u>(1,207,450)</u>	<u>2,554,395</u>
Cash and cash equivalents - beginning of year	<u>7,002,274</u>	<u>4,447,879</u>
Cash and cash equivalents - end of year	<u>\$ 5,794,824</u>	<u>\$ 7,002,274</u>
Cash flow supplementary information		
Interest received	\$ 5,506,580	\$ 9,317,330
Interest paid	1,270,450	1,526,327
Income taxes paid	97,207	320,446

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

Notes to the Financial Statements

Notes afférentes aux états financiers

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

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 27, 2017.

During 2015, all Credit Unions on Prince Edward Island 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 year ending December 31, 2016 comprise 12 months compared to 15 months for the period ending December 31, 2015. 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.

(continues)

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

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, 2016, interest accrued on impaired loans and mortgages totals \$283,537 (2015 - \$369,254).

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

(continues)

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

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.

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.

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ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 \$30,695 (2015 - \$29,188).

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 2016 was 0.75% (2015 - 0.75%) 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 8,857 member shares issued and outstanding with a value of \$44,285 (2015 - 9,033 shares with a value of \$45,165).

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ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

(continues)

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016 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.

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.

The IASB has issued two new standards, *IFRS 16 Leases* and *IFRS 15 Revenue from Contracts with Customers* which are effective for annual periods beginning on or after January 1, 2019 and January 1, 2018, respectively. The Credit Union is currently assessing the impact of these standards.

4. CASH AND CASH EQUIVALENTS

	2016	2015
Cash in financial institutions	\$ 3,893,607	\$ 4,601,369
Cash on hand	1,901,217	2,400,905
	<u>\$ 5,794,824</u>	<u>\$ 7,002,274</u>

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

5. INVESTMENTS

	2016	2015
Shares		
Atlantic Central Credit Union Limited - common shares	\$ 1,307,920	\$ 1,171,400
Concentra Financial Services Association - 20,001 Class D Series 1 preferred shares	500,010	500,000
Atlantic Central Credit Union Limited - Class B preferred shares	350,300	350,300
Atlantic Central Credit Union Limited - Class LSM preferred shares	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
League Savings and Mortgage - Class A preference shares	-	95,033
	2,323,394	2,186,864
Debentures		
Atlantic Central Credit Union Limited liquidity deposits - 0.82%	8,865,913	8,277,624
Atlantic Central Credit Union Limited term deposit - 1.60%; matures October 25, 2017	2,032,000	2,000,000
Concentra Financial Services term deposit - 1.10%; matures on May 12, 2017	2,000,000	-
Atlantic Central Credit Union Limited term deposit - matured during the year	-	2,000,000
	12,897,913	12,277,624
	\$ 15,221,307	\$ 14,464,488

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

	2016	2015
Other receivables	\$ 2,060,070	\$ 492,916
Accrued interest - loans and mortgages	629,280	850,742
Accrued interest - investments	29,242	43,798
	\$ 2,718,592	\$ 1,387,456

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

7. MEMBER LOANS AND MORTGAGES

	Total loans	Specific allowance	Net loans
2016			
Mortgages	\$ 37,575,991	\$ (99,142)	\$ 37,476,849
Commercial	38,541,435	(2,324,410)	36,217,025
Personal	16,699,388	(139,270)	16,560,118
Lines of credit and overdrafts	12,622,102	(84,336)	12,537,766
League Savings & Mortgage reverse mortgages	5,991,609	-	5,991,609
Concentra mortgages	8,540,226	-	8,540,226
	\$119,970,751	\$ (2,647,158)	\$117,323,593
2015			
Mortgages	\$ 31,439,374	\$ (91,641)	\$ 31,347,733
Commercial	37,493,651	(2,893,551)	34,600,100
Personal	17,123,868	(154,345)	16,969,523
Lines of credit and overdrafts	12,463,658	(84,698)	12,378,960
League Savings & Mortgage reverse mortgages	6,634,985	-	6,634,985
Concentra mortgages	8,407,300	-	8,407,300
	\$113,562,836	\$ (3,224,235)	\$110,338,601

8. PROVISION FOR IMPAIRED LOANS

	2016	2015
Provision for impaired loans - beginning of year	\$ 3,224,235	\$ 2,945,900
Provision for impaired loans - current period	199,535	548,040
Recovery of loans written off	112,036	12,815
Loans written off - current period	(888,648)	(282,520)
Provision for impaired loans - end of year	\$ 2,647,158	\$ 3,224,235

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:

	2016	2015
31 to 60 days	\$ 158,268	\$ 196,037
61 to 90 days	113,947	429,758
91 to 180 days	43,277	348,919
Over 180 days	2,747,986	3,476,212
	\$ 3,063,478	\$ 4,450,926

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

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 \$15,777 (2015 - \$39,837).

11. DEFERRED INCOME TAX ASSET

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:

	2016	2015
Property and equipment	\$ 2,702	\$ 3,137
Retirement allowance	22,149	17,391
	<u>\$ 24,851</u>	<u>\$ 20,528</u>

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

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.

	<u>2016</u>
Due from CU PEI Investment Corp. - beginning of year	\$ 2,412,974
Funds advanced to associate	2,400,000
Reimbursements received from associate	<u>(2,812,242)</u>
Due from CU PEI Investment Corp. - end of year	<u>\$ 2,000,732</u>
Investment in associate - beginning of year	\$ 88
Proportionate share of net comprehensive income	<u>20,807</u>
Investment in associate - end of year	<u>\$ 20,895</u>

The following is a summary of the financial information of CU PEI Investment Corp. as at, and for the year ended, December 31, 2016:

Total assets	\$ 8,121,769
Cash and cash equivalents	1,997,908
Total liabilities	8,038,240
Financial liabilities due within 1 year	40,292
Total capital stock	300
Total revenues	148,719
Net comprehensive income	83,228
Interest income	137,785
Interest expense	58,023

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

	<u>2016</u>	<u>2015</u>
Chequing accounts	\$ 35,848,133	\$ 31,252,253
Registered Retirement Savings Plan (RRSP) deposits	26,474,585	26,195,274
Term deposits	18,138,027	17,832,294
Call deposits	15,781,687	16,104,897
Tax Free Savings Account (TFSA) deposits	7,810,644	6,204,254
Registered Retirement Income Fund (RRIF) deposits	<u>6,223,225</u>	<u>6,524,217</u>
	<u>\$110,276,301</u>	<u>\$104,113,189</u>

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**Notes to Financial Statements****Year Ended December 31, 2016****14. CONTINGENT LIABILITIES**

Évangéline-Central Credit Union Limited has provided letters of credit on behalf of members in the amount of \$60,000.

15. COMMITMENTS

The Credit Union has entered into lease agreements for office equipment. Future minimum payments as at December 31, 2016, are as follows:

2017	\$	5,193
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16. MEMBERS' SHARES

	Number of shares	December 31 2016	Number of shares	December 31 2015
Balance - beginning of period	9,033	\$ 45,165	9,285	\$ 46,425
Shares redeemed, net of issuance	(176)	(880)	(252)	(1,260)
Balance - end of period	8,857	\$ 44,285	9,033	\$ 45,165

17. COST OF CAPITAL AND BORROWINGS

	2016	2015
Interest and service charges	\$ 1,207,659	\$ 1,597,134
Share dividends	152,233	195,583
	<u>\$ 1,359,892</u>	<u>\$ 1,792,717</u>

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

18. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 31.75% (2015 - 32.50%) to the income for the period and is reconciled as follows:

	2016	2015
Income before income taxes	\$ 684,505	\$ 1,147,786
Income tax expense at the combined basic federal and provincial tax rate	\$ 217,330	\$ 373,030
Increase (decrease) resulting from:		
October - December 2014 earnings	-	(102,604)
Small business deduction	(53,628)	(35,665)
Taxable capital gain in excess of financial statement gain	-	(6,212)
Capital cost allowance claimed in excess of amortization	(890)	954
Dividends	-	(270,704)
Net non-deductible expenses	(3,185)	65,417
Tax reserves	164,901	(74,728)
Provision for loan loss reserve	63,352	167,063
Recovery of loans previously written off	35,571	4,165
Loans written off in the current period	(282,146)	(88,198)
Actual taxes October - December 2014	-	30,072
Effective tax expense	\$ 141,305	\$ 62,590

The effective income tax rate is 20.64% (2015 - 5.45%).

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 year end. The line of credit bears an interest rate of 2.2% and is secured by a general security agreement.

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

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 year 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:

	2016	2015
Short-term employee benefits	\$ 605,210	\$ 668,055
Contributions to a retirement pension plan or RRSP	16,798	18,877
Mortgages, loan balances, and lines of credit due from key management at December 31	665,465	712,343
Deposit balances due to key management at December 31	624,226	620,216

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 \$15,777 (2015 - \$39,837) and \$NIL (2015 - \$832,935) 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 \$20,807 for 2016 (2015 - \$647,080). 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.

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ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

21. RISK MANAGEMENT *(continued)*

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.

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.

(continues)

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

21. RISK MANAGEMENT *(continued)*

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 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.

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

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.

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2016

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 at December 31, 2016 amounted to \$119,970,751 (2015 - \$113,562,836).

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.

	2016	2015
Undistributed earnings	\$ 11,498,645	\$ 10,951,122
Members' shares	44,285	45,165
Total regulatory equity	11,542,930	10,996,287
Total assets	146,256,866	138,625,028
	7.89 %	7.93 %

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.

	2016	2015
Total assets	\$146,256,866	\$138,625,028
Liquid assets	23,734,723	22,854,217
	16.23 %	16.49 %

24. COMPARATIVE FIGURES

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

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED
Schedules to Financial Statements
Statement of Property and Equipment
Year Ended December 31, 2016

(Schedule 1)

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Amort beginning of year	Amort in year	Disposals	Amort end of year	NBV 2016	NBV 2015
Land	\$ 200,769	\$ -	\$ -	\$ 200,769	\$ -	\$ -	\$ -	\$ -	\$ 200,769	\$ 200,769
Buildings	3,319,340	48,683	-	3,368,023	1,325,715	84,912	-	1,410,627	1,957,396	1,993,625
Equipment	981,289	2,463	-	983,753	746,761	47,152	-	793,912	189,841	234,529
ATMs	230,352	30,370	(50,771)	209,951	198,676	12,540	(50,771)	160,445	49,506	31,676
Pavement	236,858	21,090	-	257,948	89,395	12,641	-	102,036	155,912	147,463
Computer hardware	611,118	6,362	-	617,480	576,820	13,887	-	590,707	26,773	34,298
Signs	37,279	-	-	37,279	13,971	4,661	-	18,632	18,647	23,308
	\$5,617,005	\$ 108,968	\$ (50,771)	\$5,675,203	\$2,951,338	\$ 175,793	\$ (50,771)	\$3,076,359	\$2,598,844	\$2,665,668

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

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Schedules to Financial Statements

(Schedule 2)

Interest Rate Sensitivity

Year Ended December 31, 2016

	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
ASSETS					
Cash and cash equivalents	\$ 2,153,798	\$ -	\$ -	\$ 3,641,026	\$ 5,794,824
Effective interest rate	0.44 %	- %	- %	- %	
Investments	12,897,912	-	-	2,323,395	15,221,307
Effective interest rate	0.99 %	- %	- %	- %	
Accounts receivable	-	-	-	2,718,592	2,718,592
Mortgages	24,291,417	79,272,235	1,166,577	55,598	104,785,827
Effective interest rate	4.08 %	4.13 %	4.06 %	- %	
Personal	-	-	-	-	-
Lines of credit and overdrafts	12,537,766	-	-	-	12,537,766
Effective interest rate	5.22 %	- %	- %	- %	
Prepaid expense	-	-	-	100,019	100,019
Due from CU PEI Investment Corp.	2,000,732	-	-	-	2,000,732
Effective interest rate	1.00 %	- %	- %	- %	
Deferred income tax asset	-	-	-	24,851	24,851
Property and equipment	-	-	-	2,598,844	2,598,844
Real estate held for resale	-	-	-	453,209	453,209
Investment in associate	-	-	-	20,895	20,895
	\$ 53,881,625	\$ 79,272,235	\$ 1,166,577	\$ 11,936,429	\$146,256,866
LIABILITIES AND MEMBERS' EQUITY					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 729,521	\$ 729,521
Employee benefits payable	-	-	-	323,845	323,845
Income taxes payable	-	-	-	69,981	69,981
Accrued interest payable	-	-	-	640,855	640,855
Member deposits	48,723,606	25,933,758	-	35,618,937	110,276,301
Effective interest rate	1.29 %	1.88 %	- %	- %	
Share deposits	22,673,433	-	-	-	22,673,433
Effective interest rate	0.75 %	- %	- %	- %	
Members' shares	44,285	-	-	-	44,285
Effective interest rate	0.75 %	- %	- %	- %	
Undistributed earnings	-	-	-	11,498,645	11,498,645
	\$ 71,441,324	\$ 25,933,758	\$ -	\$ 48,881,784	\$146,256,866

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, 2016, Évangéline-Central Credit Union Limited's net interest spread was 2.53%. 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.

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