

2017

Rapport
annuel
Annual
Report



**CAISSE POPULAIRE
CREDIT UNION**

ÉVANGÉLINE-CENTRAL

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Mission

mission

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

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

Values

valeurs

Honest
Passionate
Holistic
Spiritual
Evolutionary
Simplistic
Inclusive

Honnêteté
Passion
Holistique
Spiritualité
Évolution
Simplicité
Inclusivité

2017 Highlights

Points saillants 2017

Assets | Actif: **\$154,266,078**

Deposits | Dépôts: **\$140,066,621**

Loans | Prêts: **\$131,965,666**

Membership | Adhésion: **8,601**

Back to Members
Redistribué aux
membres

\$
110K

Back to Communities
Redistribué aux
communautés

\$
60K

Assets
Actif

5.5%

Deposits
Dépôts

5.4%

Loans
Prêts

10%

Avg. Member Savings
Moyenne des épargnes
des membres

9.9%

New Members
Nouveaux
membres

197

Members Online
Membres qui utilisent le
service bancaire en ligne

4.6K

Board of Directors

Conseil d'administration

Marsha Arsenault
President | présidente



Imelda Arsenault
Vice President | vice présidente



Peter Bulger
Secretary | secrétaire



Jim Cook



Giselle Bernard



Jamie Colwill



Billy MacKendrick



Joel Brennan



Rodney MacDonald



Personnel

Staff




President's Report



As another fiscal year comes to a close, it gives us the opportunity to reflect on our past year's achievements and it is also a good occasion to look at where the industry is going and what we need to focus on in order to continue making a positive difference with our membership and the communities that we serve.

The Board's role is to be responsible for representing the interests of our 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. In these meetings, everyone's opinions are valued and we strive to be as progressive as possible to ensure that we are benefitting our fellow members in the best way feasible. We continue working with our various system partners to further enhance our competitiveness in the marketplace as well as keeping up with regulatory requirements.

From a financial perspective, 2017 was quite positive as we once again achieved good growth while yielding a solid return, which in turn provides the ability to continue investing in our employees, infrastructure and technology. Our clear organizational mandate to provide competitive services, products and access points requires continuous investments in the critical components of the organization. For the fiscal year ending December 31, 2017, the Board declared a dividend interest rate of 0.50% on share deposits.



With technology becoming more predominant in the financial industry in general, the Credit Union system recognizes the industry transformation that is upon us and fully intends to continue making the required investments to move onto a digital platform. Such advancements will bring additional options to the membership to access our products and services at the place and time of their choosing. Our online banking platform, MemberDirect, continues to offer more and more functionality such as viewing account balances, transferring funds, paying bills, blocking debit cards and even depositing cheques.

As we look on to 2018 and beyond, change will undoubtedly continue to be the norm. Development is expected to continue in order to move our system along on our digital path. Within the next 18 months, we expect to be able to make available an online account opening and lending functions both supported by digital signature.

It is my pleasure, on behalf of the Board of Directors, to express our gratitude to the management and staff. You have made us into the organization we are today because of your dedication and professionalism in performing your day-to-day tasks. I would also like to acknowledge the appointed board members

who represent the general membership. I appreciate your willingness to serve and your constructive input. With confidence, I look forward to the next year as we continue to review the performance of the organization, monitor compliance and provide strategic direction to management.

Marsha Arsenault
President



Rapport de la présidente

Alors qu'un autre exercice financier tire à sa fin, nous profitons de l'occasion pour réfléchir aux réalisations de la dernière année et pour examiner la direction de l'industrie et ce que nous devons cibler afin de continuer à faire des changements positifs pour nos membres et les communautés que nous servons.

Le rôle du Conseil est de représenter les intérêts des membres et de tenir compte de ces intérêts dans l'administration stratégique de la caisse populaire. En plus d'organiser notre exercice annuel, nous participons à des réunions mensuelles. Dans le cadre de ces rencontres, les opinions de tous sont valorisées et nous tentons d'être aussi progressifs que possible pour assurer que nous agissons autant que possible dans l'intérêt de nos membres. Nous continuons d'œuvrer avec nos divers partenaires afin d'accroître notre compétitivité sur le marché et de satisfaire les exigences réglementaires.

Du point de vue financier, l'année 2017 a été assez positive puisque nous avons connu une bonne croissance tout en réalisant un rendement solide qui permet de continuer à investir dans nos employés, notre infrastructure et notre technologie. Notre mandat organisationnel clair d'offrir des services, des produits et des points d'accès concurrentiels exige que l'on investisse continuellement dans les composantes

essentielles de l'organisation. À la fin de l'année financière se terminant le 31 décembre 2017, le Conseil a déclaré un taux d'intérêt de dividende de 0,50 % sur les dépôts dans les comptes de parts.

La technologie se faisant plus prédominante dans l'industrie financière en général, le système des caisses populaires reconnaît la transformation de l'industrie actuelle et a pleinement l'intention de continuer de faire les investissements nécessaires pour passer à une plateforme numérique. De tels progrès permettront d'offrir plus d'options aux membres pour qu'ils puissent obtenir nos produits et services aux endroits et aux moments qu'ils choisiront. Notre plateforme de services bancaires en ligne, MemberDirect, continue d'offrir de plus en plus de fonctionnalités telles que le visionnement des soldes, le transfert de fonds, le paiement de factures, le blocage de cartes débit et même le dépôt de chèques.

Alors que nous entamons 2018 et même au-delà, le changement continuera sans doute à être la norme. On s'attend à ce qu'il y ait du développement afin de continuer à faire avancer notre système sur la voie numérique. Au cours des 18 prochains mois, on espère pouvoir offrir un service en ligne pour l'ouverture de comptes et les fonctions de prêts, soutenus par une signature numérique.

C'est avec plaisir, au nom du Conseil d'administration, que j'exprime notre gratitude à la direction et au personnel. Vous avez fait de l'organisation ce qu'elle est aujourd'hui grâce à votre dévouement et à votre professionnalisme dans l'exécution de vos tâches quotidiennes. Je voudrais aussi souligner la contribution des membres du Conseil nommés pour représenter l'ensemble des membres. Je vous remercie de votre volonté de siéger et de votre contribution constructive. J'entrevois la prochaine année avec confiance alors que nous continuerons d'évaluer le rendement de l'organisation, de surveiller la conformité et de conseiller la direction en matière d'orientation stratégique.

Marsha Arsenault
présidente

CEO's Report



It is my pleasure to reflect on the past fiscal year, specifically on the operations of our credit union. On behalf of the staff and myself, I would like to express our appreciation to the members and customers for the ongoing support they provide by choosing the credit union for their financial needs.

Our 2017 fiscal year was quite positive, as we were able to continue strengthening the organization as well as making important strides in our effort to continuously improve efficiency while enhancing our competitive offering within our marketplace for the ultimate benefit of our membership. The assets increased by 5.5%, with member deposits increasing by 5.4% and member loans by 10.0%. Our profitability improved this year in comparison to the previous few years mainly due to the strength of our loans portfolio, the effective management of liquidity and the ability to improve our overall efficiency. This allowed our equity level to increase to 8.03%, which slightly exceeded the established Board objective and is significantly higher than regulatory requirements.

It is quite appropriate that our personnel cost is our largest expense area as our employees are our most significant asset. Despite the technology advancements that the banking sector has experienced over the past decade or so, people continue to play a crucial role in the overall delivery

“Despite the technology advancements that the banking sector has experienced over the past decade or so, people continue to play a crucial role in the overall delivery of services.”

of services. The processing of transactions is gradually transitioning towards self-serve options, whereas financial advice services are becoming a more important aspect of our overall product line.

We are quite proud to have launched Lock'N'Block on both our mobile and online banking platforms. This innovative feature allows members to instantly control their debit card's access, which is especially useful when a debit card has been misplaced. Our mobile banking application has also been enhanced with fingerprint authentication, making it safer and easier to log in to an account. Using fingerprints to verify identity is quickly becoming the new industry standard for personal verification and we are proud to be at the forefront of this trend. These small conveniences are what our members expect from their financial institution. Development is currently underway on our digital path to provide members with online account opening and lending supported by digital signature.

Our key objective moving forward is to remain on a path of continuous improvement as we aim to be the financial institution of

choice within our marketplace. This can be achieved by focusing on the quality of our products and services, enhancing our delivery channels to correspond to the ever-changing needs and requirements of our members and improving our organizational efficiency.

I would like to acknowledge the dedication of the members of the Board of Directors who represent the interests of the general membership. They take on the responsibility of overseeing the general operation by monitoring the financial performance, defining the strategic priorities, setting budgets, determining policies and monitoring general compliance to the various regulations and standards that apply. I would also like to express my appreciation to all our employees for the commitment they have shown in delivering the best possible services to our members.

Alfred Arsenault
CEO

C'est avec plaisir que je fais un retour sur la dernière année financière, surtout sur les opérations de notre caisse populaire. Au nom des employés, et en mon nom personnel, je tiens à exprimer notre reconnaissance aux membres et aux clients pour leur appui en choisissant la caisse populaire pour répondre à leurs besoins financiers.

Notre année financière de 2017 a été assez positive alors que nous avons été en mesure de continuer à renforcer l'organisation ainsi que de faire progresser notre efficacité de façon importante, tout en améliorant notre compétitivité sur le marché au profit de nos membres. Notre actif a augmenté de 5.5%, nos dépôts ayant haussé de 5.4 % et nos prêts, de 10.0 %. Notre rentabilité a amélioré cette année comparativement aux dernières années surtout en raison de l'ampleur de notre portfolio de prêts, de la gestion efficace de nos liquidités et de la capacité d'améliorer notre efficacité globale, ce qui a permis à notre avoir net d'augmenter à 8.03%. Ce pourcentage a légèrement dépassé l'objectif établi par le Conseil et est considérablement plus élevé que les exigences réglementaires.

Il est tout à fait approprié que les coûts relatifs à notre personnel soient notre plus importante dépense puisque nos employés représentent la partie la plus significative de notre actif. Malgré les avancements technologiques que le secteur bancaire a connus au cours de la dernière décennie environ, les gens continuent à jouer un rôle essentiel dans la prestation générale de services. Le traitement des transactions est en train de passer graduellement au libre-service, alors que les services de conseils financiers sont en train de devenir l'aspect le plus important de tous nos produits.

Nous sommes très fiers d'avoir lancé l'application de verrouillage Lock'N'Block sur nos plateformes bancaires mobiles et en ligne. Cette fonctionnalité novatrice permet aux membres de contrôler instantanément l'accès à leur carte de débit, ce qui est particulièrement pratique lorsqu'une carte de

débit a été perdue. Notre application bancaire mobile est enrichie de l'authentification digitale, permettant de vous connecter à votre compte plus facilement et de façon plus sécuritaire. L'utilisation d'empreintes digitales pour vérifier l'identité est rapidement en voie de devenir la nouvelle norme de l'industrie pour ce qui est de la vérification des renseignements personnels et nous sommes fiers d'être au premier plan de cette tendance. Ces petites fonctions pratiques sont ce à quoi nos membres s'attendent. Notre voie numérique est maintenant en développement afin que nos membres puissent ouvrir des comptes et contracter des prêts en ligne, le tout appuyé de signatures numériques.

Notre principal objectif est de poursuivre dans notre élan d'amélioration alors que nous visons à devenir l'institution financière de choix sur le marché. Pour ce faire, il faudra se concentrer sur la qualité de nos produits et services, améliorer nos moyens de prestation afin de répondre aux besoins et exigences changeants de nos membres et améliorer notre efficacité organisationnelle.

Je voudrais souligner le dévouement des membres du Conseil d'administration qui représentent les intérêts de l'ensemble de nos membres. Ils veillent au fonctionnement général en surveillant le rendement financier, en définissant des priorités stratégiques, en établissant des budgets, en déterminant des politiques et en assurant la conformité aux divers règlements et normes qui s'appliquent. Je tiens aussi à exprimer ma reconnaissance à tous les employés pour leur engagement à offrir les meilleurs services possibles à nos membres.

Alfred Arsenault
Directeur général

Scholarships

We are pleased to announce six Évangéline-Central Credit Union Scholarship recipients for 2017 totalling \$7,500. The \$2,500 Darlene Frances Corcoran Memorial Scholarship, in honour of Darlene's love for her community, was awarded to Kristen Birch for her participation and contribution to her community. The other scholarship recipients received \$1,000 towards furthering their education. We wish all students the best in their studies and future endeavours.



Josee Smallman



Kirsten Birch



Haley Ellis



Owen Gallant



Lara Gorill



Shelaine Gallant

Bourses d'études

Nous sommes heureux d'annoncer que six élèves ont reçu des bourses de la Caisse populaire Évangéline-Central en 2017 totalisant 7 500 \$. D'une valeur de 2 500 \$, la bourse Darlene Francis Corcoran Memorial Scholarship, soulignant l'amour de Darlene pour sa communauté, a été décernée à Kristen Birch pour sa participation et sa contribution à sa communauté. Tous les autres récipiendaires ont reçu 1 000 \$ chacun afin de poursuivre leurs études. Nous leur souhaitons bonne chance dans la poursuite de leur éducation et dans leurs projets d'avenir.

Get Active



In 2017, Island credit unions adopted a new social cause – committing to more physically active communities on PEI. This initiative was conceptualized around the 2016 Public Health Officer's report, which indicated that over half of Islanders consider themselves physically inactive. Physical inactivity leads to a staggering decrease in overall health resulting in a higher risk factor for the development of health conditions including stroke, heart disease, obesity and type 2 diabetes. This decrease in health can negatively impact a household's finances, especially in the retirement stages where income is fixed.

En 2017, les caisses populaires de l'Île ont adopté une nouvelle cause sociale, soit l'augmentation de l'activité physique dans les communautés de la province. Cette initiative s'articule autour du rapport 2016 du médecin hygiéniste en chef, selon lequel plus de la moitié des Insulaires se considèrent physiquement inactifs. L'inactivité physique mène à une énorme diminution de la santé globale, entraînant un risque plus élevé de problèmes de santé, y compris les accidents vasculaires cérébraux, les maladies cardiaques, l'obésité et le diabète de type 2. Cette diminution de la santé peut avoir un impact négatif sur les finances d'un ménage, surtout au moment de la retraite où le revenu est fixe.



Gym Rebate Program

Our commitment to this cause has first been demonstrated by our Get Active Gym Program where we offered \$50 cash back to any of our members who paid gym membership fees in 2017. This resulted in close to \$4,000 being rebated to our members who show a dedication to their physical wellbeing.



Programme de remise

Notre engagement envers cette cause a tout d'abord été démontré par l'entremise de notre programme « Soyez actif » au cours duquel nous avons offert une remise de 50 \$ en argent comptant à nos membres qui ont payé des frais d'adhésion à un centre de conditionnement physique en 2017. Près de 4 000 \$ ont été remboursés à nos membres qui font preuve d'engagement envers leur bien-être physique.

Credit Union Place

Since the opening of Credit Union Place in Summerside in 2007, credit unions on the Island have maintained a strong relationship with the multipurpose facility led by Consolidated Credit Union. PEI credit unions entered into a new 10-year agreement in 2017 with Credit Union Place, which has become a fixture in the community of Summerside and on the Island as a whole. The naming rights of the facility have been immeasurable in true value as the facility continues to be a top Atlantic Canadian venue for high-end entertainment and sporting events.

Alongside the naming rights, credit union members receive discounts on services offered by the facility. To date, our membership has saved \$75,000 yearly in user fees. We are thrilled to have signed on for another 10 years and look forward to our future with Credit Union Place.



Depuis l'ouverture de Credit Union Place à Summerside en 2007, les caisses populaires à l'Île entretiennent une relation solide avec l'installation multifonctionnelle dirigée par la Consolidated Credit Union. En 2017, les caisses populaires de l'Île ont conclu une nouvelle entente de 10 ans avec Credit Union Place qui est partie intégrante de la communauté de Summerside et de l'ensemble de l'Île. Les droits de dénomination du centre ont été d'une valeur inestimable, Credit Union Place étant toujours l'un des meilleurs endroits au Canada atlantique pour la présentation d'événements sportifs et de divertissement haut de gamme.

En plus des droits de dénomination, les membres des caisses populaires reçoivent des rabais sur les services offerts par l'établissement. À ce jour, ils ont économisé 75 000 \$ annuellement en frais d'utilisation. Nous sommes ravis d'avoir signé une autre entente de 10 ans et nous anticipons avec plaisir notre avenir avec Credit Union Place.

Amateur Sports Fund

Fonds pour les sports amateurs

For over 10 years, Évangéline-Central Credit Union, in partnership with Tignish Credit Union, has been supporting the Western Region Sport and Recreation Council's mission of assisting the area's high-performance athletes. A sports fund called The Credit Union Amateur Sports Fund was established to recognize that travel, time, training facilities, coaching and expertise are often challenges that athletes pursuing their individual sport goals face.

Depuis plus de 10 ans, la Caisse populaire Évangéline-Central, en partenariat avec Tignish Credit Union, appuie la mission du Conseil des sports et des loisirs de la région de l'Ouest, qui consiste à aider les athlètes de haut niveau de la région. Un fonds pour les sports appelé Credit Union Amateur Sports Fund a été établi pour reconnaître que les déplacements, le temps, les installations d'entraînement, l'encadrement et l'expertise sont souvent des défis auxquels font face les athlètes qui poursuivent leurs objectifs sportifs individuels.



Ellerslie-Bideford Sports Field

Terrain de sport d'Ellerslie-Bideford

Since 2007, Évangéline-Central Credit Union has been the major sponsor of the Veterans' Memorial Fields in the community of Ellerslie-Bideford. We believe physical activity is essential for healthy and optimal development, from childhood through adulthood, and youth sports provide many opportunities to stay physically active. The value of a sports field extends beyond sports. It can play a role in bringing communities together, having a social and cultural impact, developing social capital and reducing crime. With a renewed commitment over the next five years, the multi-sport and recreation field will be able to provide a positive outlet for many kids for years to come.

Depuis 2007, la Caisse populaire Évangéline-Central est le commanditaire principal des Veterans' Memorial Fields dans la communauté d'Ellerslie-Bideford. Nous croyons que l'activité physique est essentielle au développement sain et optimal, à partir de l'enfance jusqu'à l'âge adulte, et les sports pour les jeunes offrent de nombreuses possibilités pour demeurer physiquement actifs. La valeur d'un terrain de sport s'étend au-delà du sport. Il peut jouer un rôle dans le rapprochement des communautés, ayant un impact social et culturel; développer le capital social et réduire la criminalité. Grâce au nouvel engagement au cours des cinq prochaines années, le terrain multisport et récréatif se révélera un endroit très positif pour de nombreux enfants pendant des années à venir.

iCare Program



Programme iCare

Every time 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 2017, your Credit Union contributed to four health care facilities on the Island for a total contribution of \$9,600.

- O'Leary Community Hospital Foundation - Lights for the Future
- Prince County Hospital Foundation - Lights for Life
- Prince County Hospital Oncology Department
- Queen Elizabeth Hospital Foundation – Children's Equipment Fund
- Stewart Memorial Home - Recreational Department

Chaque fois que vous utilisez votre carte de crédit MasterCard de la Caisse populaire pour faire des achats, une partie du montant que vous dépensez est versé au système de santé insulaire dans le cadre de notre programme iCare. En 2017, grâce à nos membres, nous avons fait des dons totalisant 9 600 \$ aux quatre établissements de soins de santé de l'Île suivants :

- Fondation de l'hôpital du comté de Prince - Lumières de vie
- Service d'oncologie de l'hôpital du comté de Prince
- Fondation de l'hôpital Queen Elizabeth - Fonds d'équipements pour enfants
- Foyer Stewart Memorial - Service des loisirs

Terrain de jeu Évangéline

Evangeline Playground

Évangéline-Central Credit Union has contributed to Evangeline School's financial campaign for new playground equipment. The new school playground will have an impact on children's learning and development. Play is the key to the physical, mental, intellectual and social well-being of children. The playground is important to children for their fun and relaxation as well as for their good health and well-being.

La Caisse populaire Évangéline-Central a contribué à la campagne de financement de l'École Évangéline pour l'achat de nouveaux équipements pour le terrain de jeu. La nouvelle cour de récréation aura un impact sur l'apprentissage et le développement des enfants. Le jeu est la clé du bien-être physique, mental, intellectuel et social des enfants. Le terrain de jeu est important pour les enfants, leur offrant plaisir et détente et contribuant à leur santé et à leur mieux-être.



Kraft Hockeyville

Évangéline-Central Credit Union is honoured to be part of the community that won the 2017 Kraft Hockeyville contest. O'Leary was the recipient of the \$100,000 cash prize to be used for arena upgrades. The community was proud to host an NHL game between the Ottawa Senators and the New Jersey Devils. The whole community rallied together to make it happen. Spearheaded by the Fab 5 Committee, which included one of our very own board members, the community organized the contest voting, the pre-announcement festivities, and the grand after party and activities. Your O'Leary branch staff organized and was involved in raising awareness via a mannequin challenge video that created a buzz and assisted the community in gaining popularity in the voting process. Our video went viral!

La Caisse populaire Évangéline-Central est honorée de faire partie de la communauté qui a remporté le concours Kraft Hockeyville 2017. La communauté d'O'Leary a été le fier récipiendaire du prix de 100 000 \$ qui servira à rénover l'aréna. Elle a eu l'honneur d'accueillir un match de la LNH opposant les Sénateurs d'Ottawa aux Devils de New Jersey. Toute la communauté s'est mobilisée pour réaliser cet exploit. Dirigée par le comité Fab 5, qui comprenait un membre de notre conseil d'administration, la communauté a organisé le vote du concours, les festivités de préannonce, et un magnifique party et des activités après l'événement. Le personnel de votre succursale d'O'Leary a participé à l'organisation d'une promotion par le biais d'une vidéo sur le défi de mannequin qui a créé tout un engouement et augmenté la popularité de la communauté dans le processus de vote. Notre vidéo est devenue virale!

Stratégies financières Credential Inc.

Your money is important to you, and it's important to us too. That's why we've partnered with Credential Financial Strategies Inc. and Credential Asset Management Inc., leaders 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.

The Credential Representatives, Sharon Gallant, in the O'Leary area and Krista Ahern who works with our 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

Tyne Valley and Évangéline
Krista Ahern
902-888-5530
kahearn@ccupe.ca

Mutual funds are offered through Credential Asset Management Inc. Credential Financial Strategies Inc. offers financial planning, life insurance and investments to members of credit unions and their communities.

Vous attachez de l'importance à votre argent, et nous aussi d'ailleurs. C'est la raison pour laquelle nous collaborons avec Stratégies financières Credential inc. et Gestion d'actif Credential inc., chefs 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 Credential, Sharon Gallant dans la région d'O'Leary et Krista Ahern, qui travaille avec les membres de Tyne Valley et d'Évangéline, sauront répondre à vos besoins en matière de planification financière. Possédant plus de 20 ans d'expérience dans l'industrie de la planification financière, 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.

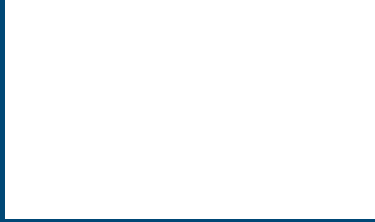
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Financial Statements

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, 2017 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, 2017 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

March 15, 2018

Évangéline-Central Credit Union Limited

Statement of Financial Position

December 31, 2017

	2017	2016
Assets		
Cash and cash equivalents (Note 4)	\$ 3,976,953	\$ 5,794,824
Investments (Note 5)	11,909,421	15,221,307
Accounts receivable (Note 6)	1,845,588	2,718,592
Member loans and mortgages (Note 7)	131,965,666	119,970,751
Provision for impaired loans (Note 8)	(1,427,381)	(2,647,158)
Prepaid expense	94,718	100,019
Due from CU PEI Investment Corp. (Note 10)	2,650,732	2,000,732
Deferred income tax asset (Note 11)	26,919	24,851
Property and equipment (Schedule 1)	2,498,553	2,598,844
Real estate held for resale	570,010	453,209
Investment in associate (Note 12)	154,899	20,895
	\$154,266,078	\$146,256,866
Liabilities		
Accounts payable and accrued liabilities	\$ 836,699	\$ 729,521
Employee benefits payable	377,367	323,845
Income taxes payable	74,506	69,981
Accrued interest payable	526,321	640,855
Member deposits (Note 13)	115,506,912	110,276,301
Share deposits	24,559,709	22,673,433
	141,881,514	134,713,936
Contingent liabilities (Note 14)		
Members' equity		
Members' shares (Statement 4)	43,005	44,285
Undistributed earnings (Statement 4)	12,341,559	11,498,645
	12,384,564	11,542,930
	\$154,266,078	\$146,256,866

ON BEHALF OF THE BOARD

 Director

 Director

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

Évangéline-Central Credit Union Limited

Statement of Changes in Members' Equity

Year Ended December 31, 2017

	2017	2016
Members' shares (Note 15)		
Balance - beginning of year	\$ 44,285	\$ 45,165
Redemption of members' shares, net of issuance	<u>(1,280)</u>	<u>(880)</u>
Balance - end of year	<u>43,005</u>	<u>44,285</u>
Undistributed earnings		
Balance - beginning of year	11,498,645	10,951,122
Net comprehensive income (Statement 5)	<u>842,914</u>	<u>547,523</u>
Balance - end of year	<u>12,341,559</u>	<u>11,498,645</u>
Members' equity	<u>\$ 12,384,564</u>	<u>\$ 11,542,930</u>

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

Évangéline-Central Credit Union Limited

Statement of Comprehensive Income

Year Ended December 31, 2017

	2017	2016
Income		
Interest and investment	\$ 5,344,296	\$ 5,268,680
Cost of capital and borrowings (Note 16)	1,136,120	1,359,892
Financial margin	4,208,176	3,908,788
Other		
Commissions	1,328,038	1,442,708
Miscellaneous	139,230	117,104
	1,467,268	1,559,812
	5,675,444	5,468,600
Expenses		
Advertising and promotions	196,365	176,580
Amortization of property and equipment	165,590	175,793
Automated teller machines	110,781	115,889
Board honorarium	22,157	24,445
Data processing	213,670	219,852
Dues and memberships	122,599	133,218
Insurance	238,661	229,762
Meetings	21,505	20,330
Miscellaneous	4,145	5,952
Office	162,174	162,263
Premises	235,964	218,579
Professional fees	54,384	53,159
Provision for impaired loans	129,028	199,535
Service fees	1,035,276	992,791
Telephone	38,696	40,689
Travel	30,180	28,903
Wages and wage levies	1,990,723	2,007,163
	4,771,898	4,804,903
Income from operations	903,546	663,697
Other income		
Income from significant influence investment	134,979	20,808
Income before income taxes	1,038,525	684,505
Income taxes (recovery)		
Current (Note 17)	197,679	141,305
Deferred	(2,068)	(4,323)
	195,611	136,982
Net comprehensive income	\$ 842,914	\$ 547,523

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

Évangéline-Central Credit Union Limited

Statement of Cash Flow

Year Ended December 31, 2017

	2017	2016
Cash flows from operating activities		
Net comprehensive income	\$ 842,914	\$ 547,523
Items not affecting cash:		
Amortization of property and equipment	165,590	175,793
Deferred income taxes	(2,068)	(4,323)
	<u>1,006,436</u>	<u>718,993</u>
Changes in non-cash working capital:		
Investments	3,311,886	(756,819)
Accounts receivable	873,004	(1,331,136)
Prepaid expense	5,301	959
Accounts payable and accrued liabilities	107,178	71,203
Employee benefits payable	53,522	17,108
Income taxes payable	4,525	301,954
Accrued interest payable	(114,534)	(50,758)
	<u>4,240,882</u>	<u>(1,747,489)</u>
	<u>5,247,318</u>	<u>(1,028,496)</u>
Cash flows from investing activities		
Increase in member loans and mortgages, net of provision	(13,214,692)	(6,984,992)
(Increase) decrease in amount due from CU PEI Investment Corp.	(650,000)	412,242
Purchase of property and equipment	(65,299)	(108,968)
Increase in investment in associate	(134,004)	(20,807)
Increase in real estate held for resale	(116,801)	(453,209)
	<u>(14,180,796)</u>	<u>(7,155,734)</u>
Cash flows from financing activities		
Increase in member deposits	5,230,611	6,163,112
Increase in share deposits and members' shares	1,884,996	813,668
	<u>7,115,607</u>	<u>6,976,780</u>
Net change in cash and cash equivalents during the year	<u>(1,817,871)</u>	<u>(1,207,450)</u>
Cash and cash equivalents - beginning of year	<u>5,794,824</u>	<u>7,002,274</u>
Cash and cash equivalents - end of year	<u>\$ 3,976,953</u>	<u>\$ 5,794,824</u>
Cash flow supplementary information		
Interest received	\$ 5,595,589	\$ 5,506,580
Interest paid	1,098,422	1,270,450
Income taxes paid	193,154	97,207

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

Notes to the Financial Statements

Évangéline-Central Credit Union Limited
Year Ended December 31, 2017

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 March 15, 2018.

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.

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.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loans and mortgages

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

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

Impairment

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

The Credit Union first assesses whether objective evidence of impairment exists individually for member loans and mortgages. If it is determined that no objective evidence of impairment exists for individual assets, the asset is included in a group of financial assets with similar credit characteristics and that group is assessed collectively for impairment. Assets that are individually assessed for impairment are not included in the collective 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, 2017, interest accrued on impaired loans and mortgages totals \$NIL (2016 - \$283,537).

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

(continues)

Notes to the Financial Statements

Évangéline-Central Credit Union Limited
Year Ended December 31, 2017

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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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 \$74,889 (2016 - \$77,824).

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 2017 was 0.50% (2016 - 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 8,601 member shares issued and outstanding with a value of \$43,005 (2016 - 8,857 shares with a value of \$44,285).

(continues)

Notes to the Financial Statements

Évangéline-Central Credit Union Limited
Year Ended December 31, 2017

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)

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.

(continues)

Notes to the Financial Statements

Évangéline-Central Credit Union Limited
Year Ended December 31, 2017

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, 2017 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 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

	2017	2016
Cash in financial institutions	\$ 2,146,911	\$ 3,893,607
Cash on hand	1,830,042	1,901,217
	<u>\$ 3,976,953</u>	<u>\$ 5,794,824</u>

Notes to the Financial Statements

Évangéline-Central Credit Union Limited
Year Ended December 31, 2017

5. INVESTMENTS

	2017	2016
Shares		
Atlantic Central Credit Union Limited - common shares	\$ 1,331,510	\$ 1,307,920
Concentra Financial Services Association - 20,000 Class D Series 1 preferred shares	500,010	500,010
Atlantic Central Credit Union Limited - Class B preferred shares	350,300	350,300
Atlantic Central Credit Union Limited - Class LSM preferred 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
	2,346,984	2,323,394
Debentures		
Atlantic Central Credit Union Limited liquidity deposits - 1.19%	9,562,437	8,865,913
Atlantic Central Credit Union Limited term deposit - 1.60%; matured October 25, 2017	-	2,032,000
Concentra Financial Services term deposit - 1.10%; matured on May 12, 2017	-	2,000,000
	9,562,437	12,897,913
	\$ 11,909,421	\$ 15,221,307

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

	2017	2016
Miscellaneous receivables	\$ 1,441,279	\$ 2,060,070
Accrued interest - loans and mortgages	374,358	629,280
Accrued interest - investments	29,951	29,242
	\$ 1,845,588	\$ 2,718,592

Notes to the Financial Statements

Évangéline-Central Credit Union Limited
Year Ended December 31, 2017

7. MEMBER LOANS AND MORTGAGES

	Total loans	Specific allowance	Net loans
2017			
Mortgages	\$ 43,448,102	\$ (195,270)	\$ 43,252,832
Commercial	46,080,922	(1,032,000)	45,048,922
Personal	14,692,693	(168,698)	14,523,995
Lines of credit and overdrafts	10,600,343	(31,413)	10,568,930
League Savings & Mortgage reverse mortgages	6,355,926	-	6,355,926
Concentra mortgages	10,787,680	-	10,787,680
	\$131,965,666	\$ (1,427,381)	\$130,538,285
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

8. PROVISION FOR IMPAIRED LOANS

	2017	2016
Provision for impaired loans - beginning of year	\$ 2,647,158	\$ 3,224,235
Provision for impaired loans - current year	129,028	199,535
Recovery of loans written off	44,669	112,036
Loans written off - current year	(1,393,474)	(888,648)
Provision for impaired loans - end of year	\$ 1,427,381	\$ 2,647,158

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:

	<u>2017</u>	<u>2016</u>
31 to 60 days	\$ 116,787	\$ 158,268
61 to 90 days	37,831	113,947
91 to 180 days	-	43,277
Over 180 days	<u>182,066</u>	<u>2,747,986</u>
	<u>\$ 336,684</u>	<u>\$ 3,063,478</u>

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 \$23,401 (2016 - \$15,777).

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:

	<u>2017</u>	<u>2016</u>
Property and equipment	\$ 1,864	\$ 2,702
Retirement allowance	<u>25,055</u>	<u>22,149</u>
	<u>\$ 26,919</u>	<u>\$ 24,851</u>

Notes to the Financial Statements

Évangéline-Central Credit Union Limited
Year Ended December 31, 2017

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>2017</u>
Due from CU PEI Investment Corp. - beginning of year	\$ 2,000,732
Funds advanced to associate	3,775,000
Reimbursements received from associate	<u>(3,125,000)</u>
Due from CU PEI Investment Corp. - end of year	<u>\$ 2,650,732</u>
Investment in associate - beginning of year	\$ 20,895
Proportionate share of net comprehensive income	56,179
Share reorganization	<u>77,825</u>
Investment in associate - end of year	<u>\$ 154,899</u>

The following is a summary of the financial information of CU PEI Investment Corp. as at, and for the year ended, December 31, 2017:

Total assets	\$ 11,003,044
Cash and cash equivalents	1,486,467
Total liabilities	10,694,802
Financial liabilities due within 1 year	96,853
Total capital stock	300
Total retained earnings	307,942
Total revenues	324,618
Net comprehensive income	224,873
Interest income	312,430
Interest expense	99,127

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>2017</u>	2016
Chequing accounts	\$ 42,112,579	\$ 35,848,133
Registered Retirement Savings Plan (RRSP) deposits	26,135,846	26,474,585
Term deposits	15,621,757	18,138,027
Call deposits	15,762,657	15,781,687
Tax Free Savings Account (TFSA) deposits	8,809,800	7,810,644
Registered Retirement Income Fund (RRIF) deposits	<u>7,064,273</u>	6,223,225
	<u>\$115,506,912</u>	\$110,276,301

14. CONTINGENT LIABILITIES

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

Évangéline-Central Credit Union Limited has been named as defendant in a legal action seeking damages against the Credit Union. The Credit Union's solicitor is currently reviewing these legal actions, and the likelihood of any liability is not determinable at this time.

15. MEMBERS' SHARES

	Number of shares	December 31 2017	Number of shares	December 31 2016
Balance - beginning of year	8,857	\$ 44,285	9,033	\$ 45,165
Shares redeemed, net of issuance	(256)	(1,280)	(176)	(880)
Balance - end of year	8,601	\$ 43,005	8,857	\$ 44,285

16. COST OF CAPITAL AND BORROWINGS

	2017	2016
Interest and service charges	\$ 1,025,512	\$ 1,207,659
Share dividends	110,608	152,233
	<u>\$ 1,136,120</u>	<u>\$ 1,359,892</u>

Notes to the Financial Statements

Évangéline-Central Credit Union Limited
Year Ended December 31, 2017

17. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 31.56% (2016 - 31.75%) to the income for the period and is reconciled as follows:

	2017	2016
Income before income taxes	<u>\$ 1,038,525</u>	<u>\$ 684,505</u>
Income tax expense at the combined basic federal and provincial tax rate	\$ 327,758	\$ 217,330
Increase (decrease) resulting from:		
Small business deduction	(45,197)	(53,628)
Capital cost allowance claimed in excess of amortization	(1,708)	(890)
Net non-deductible expenses	(44,678)	(3,185)
Tax reserves	346,465	164,901
Provision for loan loss reserve	40,721	63,352
Recovery of loans previously written off	14,098	35,571
Loans written off in the current period	<u>(439,780)</u>	<u>(282,146)</u>
Effective tax expense	<u>\$ 197,679</u>	<u>\$ 141,305</u>

The effective income tax rate is 19.03% (2016 - 20.64%).

18. LINE OF CREDIT AVAILABILITY

Évangéline-Central Credit Union Limited has an approved line of credit with Atlantic Central Credit Union Limited of \$3,650,000 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 2.7% and is secured by a general security agreement.

19. 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:

	2017	2016
Short-term employee benefits	\$ 609,684	\$ 605,210
Contributions to a retirement pension plan or RRSP	34,117	16,798
Mortgages, loan balances, and lines of credit due from key management at December 31	529,169	665,465
Deposit balances due to key management at December 31	601,874	624,226

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 \$23,401 (2016 - \$15,777) and \$77,825 (2016 - \$NIL) 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 \$55,282 for 2017 (2016 - \$20,807). 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.

20. RISK MANAGEMENT

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

(continues)

Notes to the Financial Statements

Évangéline-Central Credit Union Limited
Year Ended December 31, 2017

20. 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)

20. 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.

Notes to the Financial Statements

Évangéline-Central Credit Union Limited
Year Ended December 31, 2017

21. 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.

22. 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, 2017 amounted to \$131,965,666 (2016 - \$119,970,751).

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.

	<u>2017</u>	<u>2016</u>
Undistributed earnings	\$ 12,341,559	\$ 11,498,645
Members' shares	43,005	44,285
Total regulatory equity	12,384,564	11,542,930
Total assets	154,266,078	146,256,866
	8.03 %	7.89 %

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.

	<u>2017</u>	<u>2016</u>
Total assets	\$154,266,078	\$146,256,866
Liquid assets	17,731,962	23,734,723
	11.49 %	16.23 %

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Schedules to Financial Statements

Statement of Property and Equipment

Year Ended December 31, 2017

(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 2017	NBV 2016
Land	\$ 200,769	\$ -	\$ -	\$ 200,769	\$ -	\$ -	\$ -	\$ -	\$ 200,769	\$ 200,769
Buildings	3,368,023	9,336	-	3,377,359	1,410,627	82,446	-	1,493,073	1,884,286	1,957,396
Equipment	983,752	4,111	-	987,864	793,913	38,378	-	832,291	155,573	189,841
ATMs	209,951	37,904	-	247,855	160,445	16,516	-	176,961	70,894	49,506
Pavement	257,948	-	-	257,948	102,036	12,473	-	114,509	143,439	155,912
Computer hardware	617,480	13,949	-	631,429	590,707	12,047	-	602,754	28,675	26,773
Signs	37,279	-	-	37,279	18,632	3,730	-	22,362	14,917	18,647
	\$5,675,202	\$ 65,300	\$ -	\$5,740,503	\$3,076,360	\$ 165,590	\$ -	\$3,241,950	\$2,498,553	\$2,598,844

Notes 1 - 22 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, 2017

	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
ASSETS					
Cash and cash equivalents	\$ 51,248	\$ -	\$ -	\$ 3,925,705	\$ 3,976,953
Effective interest rate	0.86 %	- %	- %	- %	
Investments	9,562,437	-	-	2,346,984	11,909,421
Effective interest rate	1.19 %	- %	- %	- %	
Accounts receivable	-	-	-	1,845,588	1,845,588
Mortgages	30,814,104	88,148,074	870,111	137,066	119,969,355
Effective interest rate	3.82 %	4.00 %	4.27 %	- %	
Lines of credit and overdrafts	10,568,930	-	-	-	10,568,930
Effective interest rate	5.71 %	- %	- %	- %	
Prepaid expense	-	-	-	94,718	94,718
Due from CU PEI Investment Corp.	2,650,732	-	-	-	2,650,732
Effective interest rate	1.00 %	- %	- %	- %	
Deferred income tax asset	-	-	-	26,919	26,919
Property and equipment	-	-	-	2,498,553	2,498,553
Real estate held for resale	-	-	-	570,010	570,010
Investment in associate	-	-	-	154,899	154,899
	\$ 53,647,451	\$ 88,148,074	\$ 870,111	\$ 11,600,442	\$154,266,078
LIABILITIES AND MEMBERS' EQUITY					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 836,699	\$ 836,699
Employee benefits payable	-	-	-	377,367	377,367
Income taxes payable	-	-	-	74,506	74,506
Accrued interest payable	-	-	-	526,321	526,321
Member deposits	47,975,394	25,677,944	-	41,853,574	115,506,912
Effective interest rate	1.00 %	1.72 %	- %	- %	
Share deposits	24,559,709	-	-	-	24,559,709
Effective interest rate	0.50 %	- %	- %	- %	
Members' shares	43,005	-	-	-	43,005
Effective interest rate	0.50 %	- %	- %	- %	
Undistributed earnings	-	-	-	12,341,559	12,341,559
	\$ 72,578,108	\$ 25,677,944	\$ -	\$ 56,010,026	\$154,266,078

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, 2017, Évangéline-Central Credit Union Limited's net interest spread was 2.59%. 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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