CREDIT UNION
ST. JOSEPH'S

2014 Annual REPORT

member and community focused...

LIST OF DIRECTORS AND COMMITTEE MEMBERS

2014-15

Your Board of Directors

David George – Chair (2016)
Brian LeBlanc – Vice-Chair (2017)
Lorena Landry – Secretary (2015)
Leo Patrick Samson – Director (2017)
Nathan Boudreau – Director (2016)
Elizabeth Samson – Director (2015)
Rudolph P Boudreau – Director (2016)
Marion Mury – Director (2017)
Tanya Sampson – Director (2015)

Audit Committee
Brian LeBlanc (Chair)
Leo Patrick Samson
Donald Goyetche

Credit Committee
Nathan Boudreau (Chair)
Alfred Boudreau
Karen Doyle

Policy Committee
Elizabeth Samson (Chair)
David George
Rudolph Boudreau

Personnel Committee
Lorena Landry (Chair)
Karen Doyle
Tanya Sampson

Senior Committee
Rudolph Boudreau
Elizabeth Samson
David George

Youth Committee
Tiffany Kehoe
Holly Landry
Amanda Short

Delegates (1 year)
David George
Michel Boudreau-Alternate

ST. JOSEPH'S CREDIT UNION
78th ANNUAL GENERAL MEETING AGENDA
APRIL 20, 2015

CALL MEETING TO ORDER

OPENING PRAYER
One minute of silence for Deceased members

GREETINGS FROM THE CHAIR

Establishment of a Quorum (Declaration)

Approval of Agenda

Approval of Minutes

PRESENTATION OF REPORTS
Chair's Report
General Manager's Report
Credit Committee Report
Audit & Risk Committee Report
Auditor's Report (Financial Report)

NEW BUSINESS
Appointment of Auditors
Nominations Committee Report

DOOR PRIZES

ADJOURNMENT

LUNCH

St. Joseph's Credit Union
77th Annual General Meeting
April 21, 2014 (Rocky Bay Irish Club)

Chair David George called the meeting to order at 7:08 pm.

BOARD MEMBERS
David George, Brian LeBlanc, Rudolph Boudreau, Tanya Sampson, Elizabeth Samson, Marion Mury, Leo Patrick Samson

OPENING PRAYER
Opening prayer was read by Tiffany Kehoe, followed by a minute of silence for our deceased members.

GREETINGS FROM THE CHAIRPERSON
Chair David George welcomed everyone and introduced the Board of Directors and Committee Members. He then introduced Gina Green, Consultant for credit union services, Atlantic Central and Michele Stone, Financial Planner, Credential Financial Strategies.

ESTABLISHMENT OF A QUORUM
Judy Kehoe gave a report regarding the quorum indicating that there were 79 members and 6 guests present and that a quorum had been established.

APPROVAL OF AGENDA
It was moved by Joan Clannon, seconded by Glenn Marchand, that the agenda be approved as presented. Motion Carried.

APPROVAL OF MINUTES: APRIL 22, 2013
It was moved by Diana Samson, seconded by Michelle Hearn, that the minutes of April 22, 2013 be approved as circulated. Motion Carried.

BUSINESS ARISING FROM THE MINUTES
There was no business arising from the minutes

PRESENTATION OF REPORTS

1. **CHAIRPERSON'S REPORT** – This report was presented by Chair David George (copy attached).
It was moved by Donald Goyetche, seconded by Donald Kehoe, that the Chairperson's report for 2013 be accepted as presented. Motion Carried.

2. **GENERAL MANAGER'S REPORT** – This report was presented by GM Michael Boudreau (copy attached).
Mrs. Diana Samson asked the GM why he noted that member loyalty had decreased. Mr. Boudreau explained that the older generations realized the overall importance of a credit union in the community but that the newer generations tend to be very rate sensitive and will usually go with the best rate available in the market. He went on to say that we have a youth committee that is doing things to educate our youth and put the credit union top of mind such as going into the schools, holding a local youth forum every year, keeping an active Facebook page with prize giveaways and having staff attend Atlantic Central's youth forum.

It was moved by Vincent Landry, seconded by Karen Doyle, that the General Manager's Report for 2013 be accepted as presented. Motion Carried.

3. **CREDIT COMMITTEE REPORT** – This report was presented by David George (copy attached). It was moved by Donald Goyetche, seconded by Claire Maltby, that the Credit Committee Report for 2013 be accepted as presented. Motion Carried.

4. **AUDIT & RISK COMMITTEE REPORT** – This reported was presented by Brian LeBlanc (copy attached).
It was moved by Rodney LeBlanc, seconded by Michelle Hearn, that the Audit & Risk Committee Report for 2013 be accepted as presented. (Motion Carried)

5. **AUDITOR'S REPORT** (Financial Report) – Mr. Bruce Spicer of MGM & Associates presented the Independent Auditors Report. He advised that in their opinion, the financial statements presented fairly, in all material respects, the financial position of St. Joseph's Credit Union as at December 31, 2013. He also advised that the statements being presented were an 8 page summary of the financial statements but that the full 35 page statements were available upon request at the credit union. He briefly reviewed the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Members' Equity, Statement of Cash Flows and Schedule of Expenses.

- He noted that we had grown our assets by 5.3% and that all the growth was in loans, which have increased by 12.9%, a significant improvement to the 2012 loan growth of 2.20%.
- We are in a low interest rate environment and although we managed to increase our loan by $4.7mm, the interest we are receiving on loans only increased by 4.6%, which indicates an on-going reduction to our Financial Margin (spread) as a percentage of total assets.
- We have seen a 6% increase in income from 2012.
- We are seeing a decrease in our cash but we are in a very good equity position (12.2% of assets, minimum requirement is 5%)
- From a financial perspective, we had another successful year.
- He thanked Michel Boudreau and his staff and the Audit & Risk Committee for their cooperation during the audit process.

Mr. Theophile Samson asked about the $75k that was left in the CED Fund. The Chairperson explained that every year 10% of our net income is added to this fund. St. Joseph's Credit Union was one of the first credit unions to do this and it was started with the collapse of the ground fisheries. Some other credit union has adopted this but it varies from credit union to credit union. Mr. Samson noted that he was proud of everything St. Joseph's does for the community.

It was moved by Anthony Thibeau, seconded by Anne Marie Stewart, that the 2013 Auditor's Report be accepted as presented. Motion Carried.

ELECTION OF OFFICERS

Report from the nominating committee: This report was presented by David George, who reported that the outgoing members were as follows:

- Brian LeBlanc
- Marion Mury
- Leo Patrick Samson

Mr. George noted that the Nomination Committee wished to submit the following 3 names for election to 3 positions on the Board for a 3-year term:

- Brian LeBlanc
- Marion Mury
- Leo Patrick Samson

It was moved by Vincent Landry, seconded by Lena Samson, that the Nomination Committee Report be accepted as presented. Motion Carried.

NEW BUSINESS

<u>APPOINTMENT OF AUDITORS</u>
Mr. LeBlanc read the recommendation by the board.

It was moved by Theophile Samson, seconded by Alfred Boudreau, that St. Joseph's Credit Union accept the board's recommendation and retain the auditing services of MGM & Associates for the fiscal year ending December 31, 2014. Motion Carried.

<u>DOOR PRIZES</u>
<u>Cash door prize winners</u>

1. $100 – Gina Green
2. $50 – Claire Maltby
3. $50 – Laurier Samson
4. $50 – Amelia Samson
5. $50 – Donna Richard
6. $50 – Michelle Hearn
7. $50 – Linda Boudreau
8. $50 – Brenda Samson
9. $50 – Amanda Short
10. $50 – Celeste Samson
11. $50 – Rodney LeBlanc
12. $50 – Rudolph Boudreau
13. $50 – Leo Patrick Samson

1. Donald Goyetche
2. Clarence Landry

It was moved by Greg Landry that meeting be adjourned at 7:50 pm.

____
Brenda Samson, Acting Secretary

____
David George, Board Chair

Report *from the* *Chair*

I stand here this evening with great pride as once again we celebrate another profitable year at St. Joseph's Credit Union. Your General Manager, Michel will speak on the financial results and I will deliver what I regard as significant successes within the communities that we serve. Your continued support has enabled us to give back and it is with great pleasure that I share some of these highlights:

- Member Rewards Program – $135,000 rebate to members in December of 2014 making the total distributed to our membership in excess of $2.3 million since 1995.
- REACH/CED community funding exceeded $91,000 with donations going to the Cape Breton Regional Hospital Foundation, Isle Madame Historical Society, Richmond County Literacy Network, Relay for Life, Les Jeux de L'Acadie, Telile, IWK Pig Roast…Last year's commitment of $50,000 has been disbursed to the Société Vitalité de l'Ile Madame (IFit Wellness Centre).
- Staff and Board volunteer hours totaled 1024.
- Collection of 683.75 pounds of food and a total of $1,050.86 in monetary and gift card donations for the Isle Madame Food Bank.
- Annual member appreciation breakfast with 500 members in attendance.
- Annual member barbecue with over 100 served.
- Youth initiatives totaling $3500 with activities including Community Easter Egg Hunt, FatCat School program, Bike Rodeo, Eastern Counties Regional Libraries reading programs, "Spend, Save & Give" school program, etc…Thank you to the youth committee – Tiffany, Holly & Amanda Short.

As a board member, the level of time and commitment required to fulfill their mandated duties continues to remain challenging. Some responsibilities include providing strategic direction, approving policies and overseeing risk management programs. At this time, I would challenge YOU, the membership to consider the possibility of serving the credit union in the capacity of committee or board member. This is your credit union – let your voice be heard!

It should be noted that the total amount expensed for board and committee remuneration in 2014 was $10,400 and a break-down of board meeting attendance is provided below:

Name	Board Meetings	Annual Meeting	Strategic Planning Session
David George	9/9	1	1
Brian LeBlanc	9/9	1	-
Lorena Landry	6/9	-	1
Nathan Boudreau	6/9	-	1
Marion Mury	8/9	1	1
Leo Patrick Samson	7/9	1	-
Elizabeth Samson	7/9	1	1
Rudolph Boudreau	7/9	1	-
Tanya Sampson	7/9	1	1

I would like to thank the board of directors, the management team and the staff of St. Joseph's Credit Union for their continued commitment and dedication to our success as we gain momentum and work toward a new vision full of possibilities and opportunities. As we move forward in this direction, the Board of Directors will be there to support the management team in ensuring that we work in the best interest of our membership.

In closing, I want to offer my sincere gratitude to YOU, the membership. It is your support that enables us to be financially successful and to support the great work that is being done within our community and surrounding areas. Je tiens à offrir mes sincères remerciements à vous, les membres. C'est votre soutien qui nous permet de réussir financièrement et d'appuyer l'excellent travail qui se fait au milieu de nos communautés.

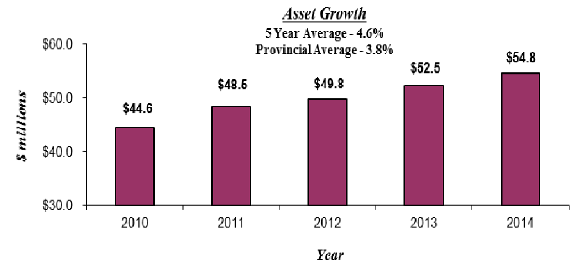
David George
Chairperson

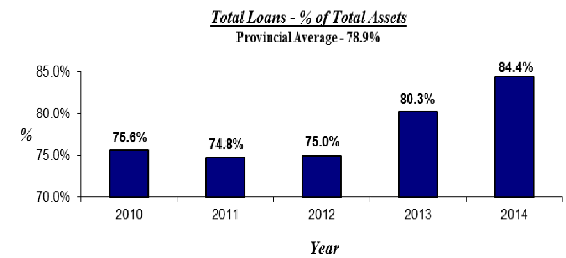
Report from the General Manager

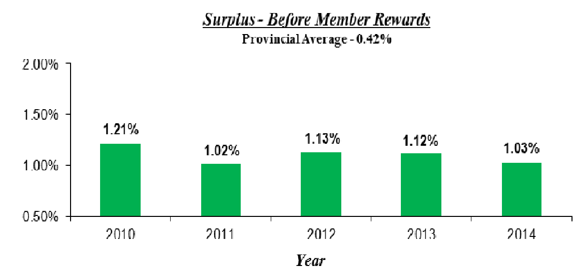
Since 1936, the members of St. Joseph's Credit Union have undoubtedly witnessed momentous changes in many respects. However, as we meet to conduct our 78th Annual General Meeting, I doubt that this institution has ever witnessed the rapidity of the changes that are taking place in the financial services industry at this time. Our industry is being challenged by new competitors. We are faced with increased regulatory burdens and member expectations rise almost daily.

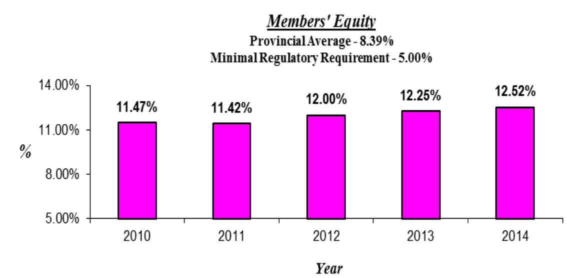
Despite these changes and challenges, it gives me great pleasure to report that 2014 was yet another very successful year for your credit union. Some of our most notable results include asset growth of 4.5%, resulting in a 5 year average growth rate of 4.6%. We experienced very significant loan growth of $4mm, bringing our loans as a percentage of assets up to 84%. We posted a very respectable surplus of $430k or about 1.03% of total assets. We managed to increase your members' equity to 12.52% of assets. Finally, and most importantly, our membership continued to grow and stood at 2825 at year-end.

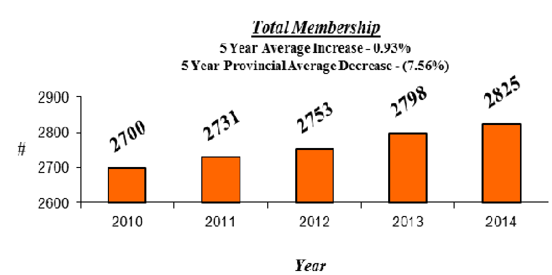
In spite of our on-going success, we will undoubtedly need to change as a system in order to achieve our common goals. Credit unions are faced with aging and shrinking population bases, decreasing member loyalty, increasing regulatory demands, intense competition and evolving technological requirements. Member expectations are growing and nowhere are we seeing the potential for change more than in the area of payments. Our members will eventually demand new and mobile payment technologies. These innovations will require considerable effort and investment. Only through remarkable











and unprecedented cooperation can we ensure that we remain focused on your needs and that we have the means to invest in the new products, services and technologies that you demand and deserve.

In June 2014, St. Joseph's Credit Union voluntarily and pro-actively requested the services of a company that specializes in conducting computing infrastructure security assessments. In a nutshell, we hired a company to try and hack into the credit union's computers. The results of the assessment prompted us to initiate minor changes to our protocols that would address the weaknesses identified during the examination. This evaluation was requested at the credit union's sole discretion and we did so in order to ensure that your credit union and your personal information are as secure as can be and because we are always focused on your best interests.

In July 2014, we conducted our first ever Employee Engagement Survey. Employee engagement is the extent to which employees feel passionate about their jobs, are committed to the organization and put additional discretionary effort into their work. Management's objective is to foster an environment where our employees will be very motivated, believe in the work that they do and will be proud to be employees of St. Joseph's Credit Union. In order to measure how engaged our employees were, we implemented this survey, the results of which will be used as a benchmark for measuring how we're doing as we proceed in fostering this ideal environment. The outcome of this process should result in happier employees and thus better service to you, our members.

In closing, I would like to thank our staff for their hard work and their dedication throughout the year. I would also like to express my appreciation to our board and committee members for their on-going support and leadership. Finally, I would like to express my gratitude to you, our members. Thank you for your loyalty and for allowing us to help you manage your financial affairs. Ensemble nous pouvons assurer que la caisse restera une institution très importante dans notre communauté et une institution donc nous pouvons être fiers. Ensemble, mesdames et messieurs, nous pouvons réussir. Félicitations sur une autre bonne année tout l'monde.

Michael Boudreau
General Manager

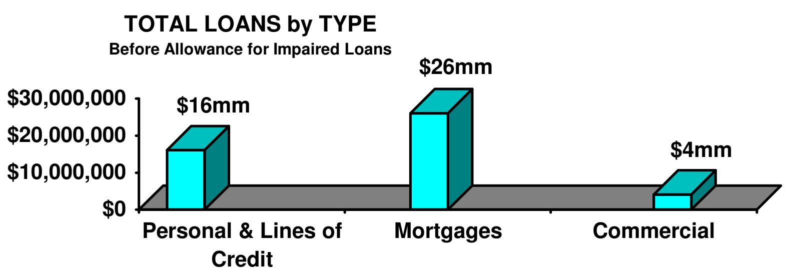
Report *from the* *Credit Committee*

It is with pleasure that I present the Credit Committee Report for the year ending December 31, 2014.

The role of the Credit Committee is to oversee and monitor the lending process and to ensure the lending policies are followed at St. Joseph's Credit Union. The Committee is appointed by the Board of Directors to ensure that the lending department is making the best use of member's deposits when lending. In addition, the Committee approves all loans that fall outside of normal lending parameters as set by the provincial credit union regulator, the Credit Union Deposit Insurance Corporation (CUDIC).

The loan portfolio had tremendous growth of 9.7% in 2014 and stood at $45.8 million at year-end (after the deduction of Allowance for Impaired Loans) and our total loans accounted for almost 84% of the credit union's assets. The lending team was busy all year, providing low rate financing to our growing membership for home and automobile purchases, renovations, debt consolidation, commercial purposes and investment purchases.

The chart below provides a breakdown of our loan portfolio by loan type. As you can see, Mortgages, at $26 million, accounted for the largest portion of our portfolio, followed by Personal Loans & Line of Credit at $16 million and Commercial Loans at $4 million.



Although each loan was granted with the expectation that it would be repaid as per the terms of the original loan agreement, this was not always the case. We are pleased to report to the membership that total delinquency at year-end stood at 1.323% of total loans. This percentage is very comparable to other credit unions throughout the province. In our opinion, prudent lending practices are being followed by management and staff and our current loan portfolio represents an acceptable level of risk for the credit union.

In closing, I would like to take this opportunity to acknowledge the contributions made by every member of the Credit Committee, all of whom attend our meetings regularly and graciously gave their time and expertise, making it possible for this Committee to function as intended. I would also like to thank the membership for their continued support over the past year and wish everyone a prosperous 2015.

Respectfully Submitted,

Nathan Boudreau
Credit Committee Chair

Report from the Audit and Risk Committee

The role of the Audit and Risk Committee is twofold. As an Audit Committee we must ensure that management is using an effective system of financial management and related internal controls. The Committee reviews and reports on the audited financial statements and ensures compliance with various regulatory and statutory requirements. As a Risk Committee, we are responsible for ensuring that management has developed and is maintaining an effective Enterprise Risk Management Framework for evaluating the business strategies being used for the allocation of human, capital and other resources. We are also responsible for ensuring that the credit union has developed and is adhering to ethical standards and sound business practices.

The Committee's primary tasks are to:

- ✓ Serve as an independent and objective body that monitors our financial reporting process.
- ✓ Review and assess the audit efforts of the Credit Union's independent auditor.
- ✓ Assess the processes related to the Credit Union's risks and internal control environment.
- ✓ Review all reports on the affairs of the Credit Union made by the Office of the Superintendent of Credit Unions, the Nova Scotia Credit Union Deposit Insurance Corporation or any other 3rd party report referred to the Committee by the Board.
- ✓ Monitor the implementation of recommendations that the Committee considers significant in these reports and report to the Board on the progress of that implementation.
- ✓ Review policies of the Credit Union as directed by the Board and undertake such other duties as are delegated by the Board.
- ✓ Review regular reports from management and external auditors concerning the Credit Union's compliance with financial related laws and regulations.
- ✓ Review expense reports for the Board, Management and Staff to ensure proper controls are in place and being followed.

During 2014, the Audit & Risk Committee held five meetings. The Committee is pleased to report that the following Audit Committee roles were completed during the year:

- ✓ Confirmed the Auditor's independence from the Credit Union, discussed the audited annual financial statements, reviewed the Audit Findings Report, reviewed the external auditor's Management Letter and discussed its contents with both management and the external auditors.
- ✓ Reviewed all reports on the affairs of the Credit Union made by the Credit Union Deposit Insurance Corporation (CUDIC), monitored the implementation of recommendations that the Committee considered significant and reported to the Board on the progress of the implementation.
- ✓ Reviewed management's financial statements on a quarterly basis.
- ✓ Reviewed Board, Management and Staff expense reports and
- ✓ Reviewed the Credit Union's Canada Revenue Agency mandatory remittances

The Committee is also pleased to report that the following Risk Committee roles were completed during the year:

- ✓ Reviewed Management's report on the status of the Credit Union's Enterprise Risk Management Framework and their risk management activities and initiatives during the year.
- ✓ Confirmed that all staff, Board and Committee members were in compliance with the Code of Corporate Ethics and Business Conduct for both Directors and Employees
- ✓ Confirmed that the Credit Union was in compliance with CUDIC's Standards of Sound Business and Financial Practices.

On behalf of the Audit & Risk Committee, I would like to thank Committee members Donald Goyetche and Leo Samson for the time and consideration the have given to this committee during the past year.

Respectfully Submitted,

Brian LeBlanc
Committee Chair

Financial Statements of

ST. JOSEPH'S CREDIT UNION LIMITED

Year ended December 31, 2014

MGM

MGM & Associates
Chartered Accountants
Commerce Tower
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Sydney NS B1P 6G9

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Internet www.mgm.ca

INDEPENDENT AUDITORS' REPORT

To the Members of St. Joseph's Credit Union Limited

We have audited the accompanying financial statements of St. Joseph's Credit Union Limited which comprise the statement of financial position as at December 31, 2014 and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 auditors consider 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, these financial statements present fairly, in all material respects, the financial position of St. Joseph's Credit Union Limited as at December 31, 2014 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

MGM & Associates

Chartered Accountants

Sydney, Canada
March 16, 2015

ST. JOSEPH'S CREDIT UNION LIMITED
Financial Statements

Year ended December 31, 2014

ST. JOSEPH'S CREDIT UNION LIMITED

Statement of Financial Position

December 31, 2014, with comparative figures for 2013

	2014	2013
ASSETS		
Cash and cash equivalents (note 4)	$ 2,414,926	$ 178,584
Investments and deposits (note 5)	5,666,535	9,592,642
Loans to members (note 6)	45,867,039	41,804,372
Property, building and equipment (note 8)	642,586	667,841
Other assets (note 9)	205,879	265,761
Deferred income tax asset (note 11)	25,000	15,100
	$ 54,821,965	$ 52,524,300
LIABILITIES		
Liabilities to members		
Deposits (note 12)	$ 47,469,987	$ 45,528,695
Accrued interest on deposits	199,932	204,030
	47,669,919	45,732,725
Liabilities to non-members		
Accounts payable and accrued liabilities	277,683	323,428
Income taxes payable	11,007	34,675
	288,690	358,103
	47,958,609	46,090,828
MEMBERS' EQUITY		
Membership shares (note 13)	101,732	102,172
Community development fund (note 14)	38,086	75,813
Retained earnings	6,723,538	6,255,487
Accumulated other comprehensive income	-	-
	6,863,356	6,433,472
	$ 54,821,965	$ 52,524,300

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director

_______________ Director

ST. JOSEPH'S CREDIT UNION LIMITED

Statement of Comprehensive Income

Year ended December 31, 2014, with comparative figures for 2013

		2014		2013
INCOME				
Interest on loans	$	2,091,340	$	1,942,637
Investment income		155,410		229,052
		2,246,750		2,171,689
INTEREST EXPENSE (note 16)				
Interest on members' deposits		478,840		448,968
Financial margin		1,767,910		1,722,721
Other income (note 17)		545,078		536,985
		2,312,988		2,259,706
EXPENSES				
Personnel (schedule)		887,391		838,057
Members' security (schedule)		54,854		49,005
General business (schedule)		722,850		664,162
Occupancy (schedule)		58,180		63,207
Provision for loan losses		21,652		35,303
Depreciation		40,710		51,150
		1,785,637		1,700,884
Income before income taxes		527,351		558,822
Income taxes (note 11)				
Current		106,927		104,629
Deferred		(9,900)		(2,000)
		97,027		102,629
NET INCOME		430,324		456,193
OTHER COMPREHENSIVE INCOME		-		-
COMPREHENSIVE INCOME	$	430,324	$	456,193

See accompanying notes to financial statements.

ST. JOSEPH'S CREDIT UNION LIMITED

Statement of Changes in Members' Equity

Year ended December 31, 2014, with comparative figures for 2013

	Membership shares	Community development fund	Retained earnings	Accumulated other comprehensive income	Total
BALANCE, DECEMBER 31, 2012	$ 101,764	$ 80,037	$ 5,795,070	$ -	$ 5,976,871
Comprehensive income	-	-	456,193	-	456,193
Membership shares issued	7,971	-	-	-	7,971
Membership shares redeemed	(7,563)	-	-	-	(7,563)
Transfer to community development fund	-	42,698	(42,698)	-	-
Transfer from community development fund	-	(46,922)	46,922	-	-
BALANCE, DECEMBER 31, 2013	102,172	75,813	6,255,487	-	6,433,472
Comprehensive income	-	-	430,324	-	430,324
Membership shares issued	8,309	-	-	-	8,309
Membership shares redeemed	(8,749)	-	-	-	(8,749)
Transfer to community development fund	-	45,619	(45,619)	-	-
Transfer from community development fund	-	(83,346)	83,346	-	-
BALANCE, DECEMBER 31, 2014	$ 101,732	$ 38,086	$ 6,723,538	$ -	$ 6,863,356

See accompanying notes to financial statements.

ST. JOSEPH'S CREDIT UNION LIMITED
Statement of Cash Flows

Year ended December 31, 2014, with comparative figures for 2013

		2014		2013
CASH FLOWS FROM OPERATIONS				
Net income	$	430,324	$	456,193
Items not involving cash				
Depreciation		40,710		51,150
Deferred income taxes		(9,900)		(2,000)
Change in non-cash operating working capital				
Increase in loans to members		(4,062,667)		(4,777,382)
Decrease in other assets		59,882		31,375
Increase in deposits		1,941,292		2,135,912
Increase (decrease) in accrued interest on deposits		(4,098)		26,023
Increase (decrease) in accounts payable and accrued liabilities		(45,745)		14,188
Increase (decrease) in income taxes payable		(23,668)		25,202
		(1,673,870)		(2,039,339)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in membership shares, net		(440)		408
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Decrease in investments and deposits		3,926,107		1,010,723
Purchase of property, building and equipment		(15,455)		(5,415)
		3,910,652		1,005,308
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,236,342		(1,033,623)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		178,584		1,212,207
CASH AND CASH EQUIVALENTS, END OF YEAR	$	2,414,926	$	178,584
Supplemental cash flow information				
Cash paid during the year				
Interest on members' deposits	$	482,938	$	425,169
Income taxes		130,595		79,448
Cash received during the year				
Dividends and interest on investments		190,211		235,291
Interest on loans to members		2,076,994		1,935,869

See accompanying notes to financial statements.

1. REPORTING ENTITY

The Credit Union was incorporated April 2, 1936 under the Credit Union Act of Nova Scotia and its principal activity is providing financial services to members. For financial reporting and regulating matters, the Credit Union is under the authority of the Superintendent of Credit Unions of Nova Scotia.

The Credit Union is located at 3552 Highway 206, Petit de Grat, Nova Scotia, Canada.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements for the years ended December 31, 2014 were authorized for issue by the Board of Directors on March 12, 2015.

Basis of preparation

These financial statements are presented in Canadian dollars which is the Credit Union's functional currency. They are prepared on the historical cost basis except for certain financial instruments that are measured at amortized cost, as explained in the significant accounting policies of the Credit Union.

Use of significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates made in these financial statements.

2. BASIS OF PREPARATION (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant use of judgments and estimates are as follows:

a) *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from observable markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. The valuation of financial instruments is described in more detail in Note 19.

b) *Impairment losses on loans to members*

The Credit Union reviews its individually significant loans to members at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors such as the borrowers' financial situation and the net realizable value of collateral and actual results may differ, resulting in future changes to the allowance.

Loans to members that have been assessed individually and found not to be impaired and all individually insignificant loans to members are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes into account data from the loan portfolio (such as levels of arrears, credit utilization, historical performance and economic outlook, etc.) and judgments to the effect of concentrations of risks and economic data (including levels of unemployment and real estate prices).

The impairment loss on loans to members is disclosed in more detail in Note 7.

2. BASIS OF PREPARATION (continued)

c) *Impairment of available-for-sale investments*

The Credit Union records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

d) *Deferred income tax assets*

Deferred income tax assets are recognized in respect of tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable income, together with future tax planning strategies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing these financial statements are reasonable. Actual results in the future may differ from those reported.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2014 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Credit Union, except as discussed below:

IFRS 9 - Financial Instruments

In November 2009 and October 2010, the IASB issued IFRS 9 - *Financial Instruments* (IFRS 9), *Classification and Measurement of Financial Assets and Financial Liabilities*. IFRS 9 will replace IAS 39 - *Financial Instruments: Recognition and Measurement* (IAS 39) in its entirety. On November 19, 2013, the IASB removed the mandatory effective date of January 1, 2015 and decided that a new mandatory effective date will be determined upon completion of the entire IFRS 9 project. The extent of the impact of adoption of IFRS 9 has not yet been determined.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of material accounting policies adopted by the Credit Union in the preparation of the financial statements. Except where stated, the accounting policies have been consistently applied.

(a) Financial instruments

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Credit Union's designation of such instruments.

The Credit Union is required to classify all financial assets either as fair value through profit or loss, available-for-sale, held-to-maturity or loans and receivables and, financial liabilities are classified as either fair value through profit or loss or other liabilities. The standards require that all financial assets and financial liabilities, including all derivatives, be subsequently measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, available-for-sale financial assets that do not have quoted market prices in an active market and whose fair value cannot be reliably estimated, and other liabilities.

i) *Fair value through profit or loss (FVTPL)*

As at December 31, 2014, the Credit Union had no financial assets or financial liabilities classified as fair value through profit or loss.

ii) *Held-to-maturity*

Held-to-maturity debentures are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Credit Union has the positive intent and ability to hold to maturity, other than those that the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, net of impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii) *Available-for-sale*

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Dividend income is recognized in profit or loss when the Credit Union's right to receive the dividends is established. Interest income is recognized in income using the effective interest method.

Equity shares in Atlantic Central, League Savings and Mortgage Company, League Data Limited and Healthwise Holdings Co-operative Limited held by the Credit Union that are not traded in an active market are classified as available-for-sale. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

iv) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Credit Union does not intend to sell immediately or in the near term. Loans and receivables including cash and cash equivalents, segregated liquidity deposits with Atlantic Central, loans to members, accrued interest on loans, accrued interest on investments and accounts receivable, are measured at amortized cost using the effective interest method, net of impairment losses.

Interest income is recognized by applying the effective interest rate.

v) *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the asset/liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

vi) *Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans to members, where the carrying amount is reduced through the use of an allowance account. When a loan to a member is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets other than available-for-sale equity securities, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

vii) *Derecognition of financial assets*

The Credit Union derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Credit Union continues to recognize the transferred asset to the extent of the Credit Union's continuing involvement in that asset. If the Credit Union retains substantially all the risks and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

rewards of ownership of a transferred financial asset, the Credit Union continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received/receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Credit Union retains an option to repurchase part of a transferred asset or retains a residual interest that neither results in the retention nor transfer of substantially all the risks and rewards of ownership) the Credit Union allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss.

viii) *Other financial liabilities*

Other financial liabilities, which consist of deposits, accrued interest on deposits and accounts payable and accrued liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

ix) *Derecognition of financial liabilities*

The Credit Union derecognizes financial liabilities when, and only when, the Credit Union's obligations are discharged, cancelled or they expire.

x) *Transaction costs*

Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are amortized over the expected life of the instrument using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with Atlantic Central, excluding segregated liquidity deposits, and short-term deposits with original maturities of three months or less. Cash and cash equivalents are used by the Credit Union in the management of its short-term commitments.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is considered to be equivalent to fair value due to the short-term nature of these assets.

(c) Loans to members

Loans to members include personal and other loans, mortgages and lines of credit which are recognized when the cash is advanced to the borrower. All loans to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables, which are subsequently measured at amortized cost using the effective interest method.

(d) Allowance for impaired loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb incurred losses in the loan portfolio. The allowance for impaired loans reflects management's best estimate of the losses existing in the loan portfolio and their judgments about economic conditions. If the circumstances under which these estimates and judgments were made change, there could be a significant change to the allowance for impaired loans currently recognized. The allowance for impaired loans consists of a specific provision component attributable to individually significant exposures and a collective provision, established for groups of loans with similar risk characteristics. Each component of the allowance for impaired loans is reviewed at least on the reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal does not result in a carrying amount of a financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery. The methodology and assumptions used are reviewed regularly.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, building and equipment

Property, building and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of property, building and equipment is reviewed annually for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

(f) Depreciation

Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property, building and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Depreciation of property, building and equipment for the current and comparative periods is based on their estimated useful life using the following annual rates:

Asset	Basis	Rate
Building	Declining balance	5%
Computer equipment	Declining balance	30%
Furniture and equipment	Declining balance	20%
Pavement	Declining balance	8%

(g) Foreclosed assets

Foreclosed assets held for sale are carried at the lower of the carrying value of the loan foreclosed and the estimated net recoveries from the disposition of the assets.

(h) Deposits from members

Deposits from members are the Credit Union's main source of funding. They are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Patronage rebate

The Credit Union's policy is to accrue a patronage rebate when approved by the Board of Directors. This rebate is recorded in the statements of comprehensive income as a reduction of income on loans and other income and an increase in interest on members' deposits.

(j) Employee benefits

i) *Short-term employee benefits*

Short-term employee benefits include salaries and wages, employee benefits, allowances, bonuses and burdens. Short-term employee benefits are expensed as the related service is provided.

ii) *Post-employment benefits*

The Credit Union operates a defined contribution pension plan. The contribution payable to a defined contribution pension plan is in proportion to the services rendered to the Credit Union by the employees and is recorded as part of personnel expense. Unpaid contributions are recorded as a liability.

(k) Membership shares

Membership shares are presented in the statement of financial position as equity instruments in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. Payments of dividends on membership shares presented as equity are recognized as a distribution directly in equity.

Dividends are recorded when declared by the Board of Directors.

(l) Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend income is recognized when the right to receive payment is established. Dividends are included in investment income on the statement of comprehensive income.

Other fees and commission income are recognized over the period the services are performed.

(m) Income taxes

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the statement of financial position date.

Deferred income tax is provided on temporary differences at the statement of financial position date between the income tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused income tax credits and unused income tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused income tax credits and unused income tax losses can be utilized except:

i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(n) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation gains and losses are recognized immediately in profit or loss and are included in the other operating income, net line item in the statement of comprehensive income.

4. CASH AND CASH EQUIVALENTS

		2014		2013
Cash on hand	$	488,983	$	715,086
Accounts held at Atlantic Central		32,986		(934,918)
Cash management liquidity		1,892,957		398,416
	$	2,414,926	$	178,584

The Credit Union has an authorized operating line of credit of $2,400,000 with Atlantic Central at prime rate, which is secured by an assignment of members' loans. The line of credit balance was $160,953 at December 31, 2014 ($1,146,165 - 2013).

5. INVESTMENTS AND DEPOSITS

		2014		2013
Held-to-maturity				
Debentures with Atlantic Central	$	1,052,676	$	5,106,000
Debentures with League Savings and Mortgage Company		356,000		356,000
		1,408,676		5,462,000
Loans and receivables				
Segregated liquidity deposits		3,330,222		3,213,945
Available-for-sale				
Share capital				
Atlantic Central - Common		506,350		495,410
Atlantic Central - Class Nova Scotia Provincial		144,000		144,000
League Savings and Mortgage Company		212,517		212,517
League Data Limited		14,270		14,270
Healthwise Holdings Co-operative Limited		50,000		50,000
Other		500		500
		927,637		916,697
	$	5,666,535	$	9,592,642

As a condition of membership in Atlantic Central, the Credit Union is required, at the discretion of Atlantic Central, to maintain an investment in shares of Atlantic Central.

6. LOANS TO MEMBERS

	2014	2013
Personal and other loans	$ 20,878,561	$ 19,067,836
Residential mortgages	22,704,643	20,992,427
Commercial mortgages	1,525,058	1,255,343
Lines of credit	1,156,793	886,164
	46,265,055	42,201,770
Allowance for impaired loans (note 7)	(398,016)	(397,398)
	$ 45,867,039	$ 41,804,372

Loan commitments

The Credit Union has authorized lines of credit in the amount of $1,781,207 which are unutilized at December 31, 2014 ($1,879,443 - 2013).

The Credit Union was committed to the issuance of new loans to members at December 31, 2014 of $393,069 ($250,985 - 2013).

7. ALLOWANCE FOR IMPAIRED LOANS

The changes in the allowance for impaired loans are as follows:

	2014	2013
Balance, beginning of year	$ 397,398	$ 375,896
Provision for loan losses	21,652	35,303
Recoveries of amounts written off in prior years	14,982	5,636
	434,032	416,835
Loans written off	36,016	19,437
Balance, end of year	$ 398,016	$ 397,398

7. ALLOWANCE FOR IMPAIRED LOANS (continued)

	2014	2013
Comprised of		
Individual allowance	$ 349,238	$ 345,991
Collective allowance	48,778	51,407
	$ 398,016	$ 397,398

Credit quality of member loans is summarized as follows:

	2014	2013
Neither past due nor impaired	$ 43,600,284	$ 40,812,237
Past due but not impaired	1,151,561	276,764
Impaired	1,513,210	1,112,769
	$ 46,265,055	$ 42,201,770

A loan is considered past due when the counterparty has not made a payment by the contractual payment date.

	2014	2013
Member loans past due but not impaired		
Under 30 days	$ 1,017,845	$ 231,756
30 days and over	133,716	45,008
	$ 1,151,561	$ 276,764

The past due but not impaired balances include fully secured loans for which, in the opinion of management, there is no reasonable doubt as to ultimate collectibility of the principal or interest.

8. PROPERTY, BUILDING AND EQUIPMENT

2014	Balance beginning of year	Additions/ depreciation expense	Disposals	Impairments	Balance end of year
Cost					
Land	$ 161,026	$ -	$ -	$ -	$ 161,026
Building	684,701	-	-	-	684,701
Computer equipment	132,175	1,758	-	-	133,933
Furniture and equipment	394,960	13,697	-	-	408,657
Pavement	87,414	-	-	-	87,414
	1,460,276	15,455	-	-	1,475,731
Accumulated depreciation					
Building	301,553	19,158	-	-	320,711
Computer equipment	128,797	1,277	-	-	130,074
Furniture and equipment	317,607	16,840	-	-	334,447
Pavement	44,478	3,435	-	-	47,913
	792,435	40,710	-	-	833,145
	$ 667,841	$ (25,255)	$ -	$ -	$ 642,586

2013	Balance beginning of year	Additions/ depreciation expense	Disposals	Impairments	Balance end of year
Cost					
Land	$ 161,026	$ -	$ -	$ -	$ 161,026
Building	684,701	-	-	-	684,701
Computer equipment	130,170	2,005	-	-	132,175
Furniture and equipment	391,550	3,410	-	-	394,960
Pavement	87,414	-	-	-	87,414
	1,454,861	5,415	-	-	1,460,276
Accumulated depreciation					
Building	289,721	11,832	-	-	301,553
Computer equipment	120,559	8,238	-	-	128,797
Furniture and equipment	291,963	25,644	-	-	317,607
Pavement	39,042	5,436	-	-	44,478
	741,285	51,150	-	-	792,435
	$ 713,576	$ (45,735)	$ -	$ -	$ 667,841

9. OTHER ASSETS

		2014		2013
Accounts receivable	$	31,154	$	35,697
Accrued interest receivable		118,994		139,448
Prepaid expenses		15,545		17,138
Foreclosed assets (note 10)		34,000		61,105
Mortgage premium		6,186		12,373
	$	205,879	$	265,761

10. FORECLOSED ASSETS

		2014		2013
Balance, beginning of year	$	61,105	$	71,105
Foreclosed assets sold		-		(10,000)
Provision for recovery (loss) in value		(27,105)		-
Balance, end of year	$	34,000	$	61,105

11. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of 31.0% (2013 - 31.0%) to income before income taxes. The reasons for the differences and related tax effects are as follows:

		2014		2013
Income before income taxes	$	527,351	$	558,822
Tax at applicable tax rate	$	163,479	$	173,235
Tax effect resulting from application of rate reductions for small business income		(65,500)		(70,000)
Tax effect resulting from non-deductible expenses		899		899
Tax effect resulting from non-taxable dividend income		(1,904)		(1,515)
Other		53		10
Income tax expense	$	97,027	$	102,629

11. INCOME TAXES (continued)

The tax effects of temporary differences that give rise to deferred income tax assets and deferred income tax liabilities at December 31, 2014 and 2013 are presented below:

	2014	2013
Future income tax assets		
Loans to members, due to difference in allowance for financial reporting and tax purposes	$ 25,900	$ 26,700
Foreclosed assets, due to provision for impairment in value	8,400	-
Service awards, due to accrual for financial reporting purposes	40,300	37,900
Total gross deferred income tax assets	74,600	64,600
Future income tax liabilities		
Property, building and equipment, difference in net book value and undepreciated capital cost	5,000	4,900
Investments, difference in cost bases of shares	44,600	44,600
Total gross deferred income tax liabilities	49,600	49,500
Net deferred income tax asset	$ 25,000	$ 15,100

12. DEPOSITS

	2014	2013
Chequing	$ 12,509,635	$ 11,554,772
Savings	9,468,756	9,961,618
Term deposits	11,871,613	11,995,423
Registered retirement savings plans	8,597,763	7,952,601
Registered retirement income funds	1,890,171	1,451,496
Tax-free savings accounts	3,132,049	2,612,785
	$ 47,469,987	$ 45,528,695

Subject to certain limitations, members' deposits are insured by the Nova Scotia Credit Union Deposit Insurance Corporation.

12. DEPOSITS (continued)

Term deposits

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

Registered retirement savings plans

Concentra Financial is the trustee for the registered retirement plans offered to members. Under an agreement with Concentra Financial, members' contributions to these plans, as well as income earned on them, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made to the members, or the parties designated by them, by the Credit Union, on behalf of Concentra Financial.

13. MEMBERSHIP SHARES

The Credit Union has an unlimited number of authorized equity shares. The shares have a $5.00 par value, are redeemable at $5.00 each and have no entitlement to interest or dividends. Dividends may be paid at the discretion of the Board of Directors. Equity shares are not insured by the Nova Scotia Credit Union Deposit Insurance Corporation.

A continuity of membership shares is as follows:

	2014	2013
Membership shares, beginning of year	20,421	20,342
Issued during the year	1,662	1,593
Redeemed during the year	(1,750)	(1,514)
Membership shares, end of year	20,333	20,421

14. COMMUNITY DEVELOPMENT FUND

The Credit Union transfers 10% of its previous year's comprehensive income to the community development fund. Expenditures from this fund are reflected in the current statement of comprehensive income.

15. PATRONAGE REBATE

The patronage rebate is authorized by the Board of Directors and is allocated to members annually based on the volume of business transacted by each member with the Credit Union during the year. The patronage rebate has reduced income and increased expenses as follows:

	2014	2013
Income		
Interest on loans	$ 89,100	$ 84,600
Service charges and fees	20,600	31,800
	109,700	116,400
Expenses		
Interest on members' deposits	25,300	18,600
	$ 135,000	$ 135,000

16. INTEREST EXPENSE

	2014	2013
Chequing	$ 3,264	$ 3,125
Savings	82,699	70,205
Term deposits	194,508	197,979
Registered retirement savings plans	139,746	132,549
Registered retirement income funds	33,323	26,510
Patronage rebate (note 15)	25,300	18,600
	$ 478,840	$ 448,968

Total interest expense reported above is calculated using the effective interest method, and relates to financial liabilities not carried at FVTPL.

17. OTHER INCOME

		2014		2013
Service charges	$	243,116	$	224,790
Commissions and profit sharing		198,436		206,047
Other		103,526		106,148
	$	545,078	$	536,985

All other income items detailed above relate to financial assets that are not at FVTPL and do not include any amounts used in determining the effective interest rate.

18. PENSION PLAN

The Credit Union maintains a defined contribution pension plan for its current and retired employees. The total expense recognized in the statement of comprehensive income for the defined contribution plan is $38,633 (2013 - $36,647), which represents the total cash amount paid or payable by the Credit Union to the plan during the year.

19. RISK MANAGEMENT

(a) The types of risk inherent in the Credit Union environment include credit, foreign currency, liquidity and interest rate risk.

i) Credit risk is the potential for loss due to the failure of a borrower to meet its financial obligations. The Credit Union mitigates its lending credit risk exposure by defining its target market area, limiting the principal amount of credit to a borrower at any given time, providing credit analysis prior to approval of the loan, obtaining collateral when appropriate, and employing risk based pricing. Along with other credit unions in the Province of Nova Scotia, the Credit Union is restricted in making larger commercial loans without prior approval of Atlantic Central Lending Services.

19. RISK MANAGEMENT (continued)

ii) Foreign currency risk refers to the potential impact of changes in foreign currency exchange amounts when foreign currency financial assets are not matched with foreign currency liabilities. The Credit Union is not exposed to significant foreign currency risk.

iii) Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members. To mitigate this risk, Atlantic Central requires the Credit Union to maintain, at all times, liquidity that is adequate in relation to the business carried on. The level of liquidity is based on a prescribed percentage of total deposit liabilities. At December 31, 2014, the prescribed liquidity requirement was 10% and the actual liquidity was 13.5% (2013 - 17.8%) of total deposit liabilities.

iv) Interest rate risk refers to the potential impact on the Credit Union's earnings and net asset values due to changes in interest rates. Interest rate risk results primarily from differences in the maturity or repricing dates of assets and liabilities. The Credit Union monitors interest rate risk inherent in the portfolio of assets and liabilities to measure the impact of interest rate changes with the objective of managing the impact of interest rate changes within self-imposed limits, thus minimizing fluctuations of income during periods of changing interest rates. The Credit Union's major source of income is the financial margin between the income earned on investments and loans to members, and the interest paid to members on their deposits.

At December 31, 2014, if interest rates had been 1% lower with all other variables held constant, after-tax net income for the year would have been $30,300 lower mainly due to the mismatch of variable rate products. If interest rates had been 1% higher with all other variables held constant, after-tax net income for the year would have been $12,600 higher, mainly due to the mismatch of variable rate products.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within six months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

19. RISK MANAGEMENT (continued)

	Financial statement amounts		
	Assets	Liabilities and members' equity	Net asset/ liability mismatch
0-6 months	$ 13,279,620	$ 24,411,650	$ (11,132,030)
6-12 months	9,077,250	4,421,540	4,655,710
1-2 years	16,486,610	4,861,200	11,625,410
2-3 years	4,127,450	4,730,380	(602,930)
3-4 years	6,053,410	1,354,280	4,699,130
4-5 years	4,182,050	892,440	3,289,610
>5 years	423,650	25,230	398,420
Not interest sensitive	1,191,925	14,125,245	(12,933,320)
	$ 54,821,965	$ 54,821,965	$ -

Interest-sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity, nor would a perfect match be desirable. One of the roles of a Credit Union is to intermediate between the expectations of borrowers and depositors.

Information regarding weighted average rates (when available) and balances is shown below:

	Amount	Rate
Share investments		
Atlantic Central - Common	$ 506,350	2.9%
Atlantic Central - Class Nova Scotia Provincial	144,000	0.0%
League Savings and Mortgage Company	212,517	2.9%
League Data Limited	14,270	5.0%
Healthwise Holdings Co-operative Limited	50,000	0.0%
Other	500	0.0%
	$ 927,637	

19. RISK MANAGEMENT (continued)

	Amount	Rate
Loans to members		
Personal and other loans	$ 20,878,561	5.8%
Residential and commercial mortgages	24,229,701	4.1%
Lines of credit	1,156,793	8.1%
	$ 46,265,055	
Deposit liabilities		
Chequing	$ 12,509,635	0.1%
Savings	9,468,756	0.1%
Term deposits	11,871,613	1.8%
Registered retirement plans	10,487,934	1.6%
Tax-free savings accounts	3,132,049	1.7%
	$ 47,469,987	

(b) Fair value of financial assets and liabilities

The following is a breakdown of how financial instruments have been classified by the Credit Union by category, showing the carrying amount, the fair value and the difference of each financial asset and liability. The maximum credit risk exposure to the below financial assets is their carrying amounts. Fair values are based on market conditions at a specific point in time and may not be reflective of future fair values.

19. RISK MANAGEMENT (continued)

	Carrying amount	Fair value	Fair value difference
Financial Assets			
Loans and receivables			
Cash and cash equivalents	$ 2,414,926	$ 2,414,926	$ -
Segregated liquidity deposits	3,330,222	3,330,222	-
Loans to members	45,867,039	45,208,111	658,928
Accounts receivable	31,154	31,154	-
Accrued interest on loans to members	106,738	106,738	-
Accrued interest on investments	12,256	12,256	-
Held-to-maturity			
Investments	1,408,676	1,443,512	(34,836)
Available-for-sale			
Investments	927,637	927,637	-
	-	-	-
	$ 54,098,648	$ 53,474,556	$ 624,092
Financial Liabilities			
Other liabilities			
Deposits	$ 47,469,987	$ 47,714,005	$ (244,018)
Accrued interest on deposits	199,932	199,932	-
Accounts payable and accrued liabilities	277,683	277,683	-
	$ 47,947,602	$ 48,191,620	$ (244,018)

The above estimates were determined by management using the assumptions outlined below. Fair values are an estimate based on current market conditions and may not be reliable due to the use of assumptions.

Interest rate sensitivity is the main reason for changes in fair values of the Credit Union's financial instruments. With the exception of available-for-sale financial instruments, the carrying value is not adjusted to reflect fair value, as it is the Credit Union's intention to realize their value over time.

19. RISK MANAGEMENT (continued)

The following are the methods and assumptions used to estimate the fair value of financial instruments:

The carrying values of cash, segregated liquidity deposits, accounts receivable and accrued interest receivable, as well as accrued interest payable and accounts payable and accrued liabilities, approximate their fair values due to the relatively short periods to maturity of the instruments.

The fair values of equity investments are their carrying amounts because fair value could not be measured reliably due to a lack of quoted prices in an active market. The fair value of long-term debenture investments is determined by discounting the expected future cash flows of these financial instruments at current market rates for products with similar terms and credit risks.

The fair values of loans to members and members' deposits are determined by two methods. Variable rate loans to members and members' deposits are estimated to be at fair value, as the interest rates of these financial instruments vary with market interest rates. Fixed rate loans to members and members' deposits' fair value is determined by discounting the expected future cash flows of these financial instruments at current market rates for products with similar terms and credit risks.

(c) Fair value measurements can be classified in a hierarchy in order to discern the significance of management assumptions and other inputs incorporated into the measurements. The three levels of fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable form market data.

Level 3 - Inputs for the asset or liability that are not based on observable market data. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments are required to reflect differences between the instruments.

19. RISK MANAGEMENT (continued)

The Credit Union has no financial instruments carried at fair value that are classified as Level 1. The Credit Union's financial instruments carried at amortized cost are all classified as Level 2.

(d) Capital management

The Credit Union's objectives when managing capital are:

To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for members and benefits for other stakeholders, and

To provide an adequate return to members by pricing products and services commensurately with the level of risk and market forces.

The Credit Union manages its capital through a set of formalized management policies and through corporate governance at the level of the Board of Directors and related committees. Due to the nature of the Credit Union, capital is also managed through the maintaining of liquidity deposits at Atlantic Central (note 19(a)iii)).

In addition, the Credit Union Act requires the Credit Union to maintain at all times a prescribed capital base. The required level of capital, consisting of members' equity, is 5% of the total assets. The actual capital base at December 31, 2014 is 12.5% (2013 - 12.2%) of the total assets.

20. RELATED PARTY TRANSACTIONS

Key management personnel, directors and their related parties have outstanding balances with the Credit Union at December 31 as follows:

	2014	2013
Loans to members	$ 2,376,119	$ 1,975,241
Members' deposits	1,447,811	1,146,944
Membership shares	2,010	1,905

20. RELATED PARTY TRANSACTIONS (continued)

The interest rates charged on balances outstanding from key management personnel, directors and their related parties are the same as those charged in an arm's length transaction. Loan and mortgage balances are secured as per the Credit Union's lending policies.

There was no allowance for impaired loans required in respect of these loans as at December 31, 2014.

Key management personnel and their related parties received compensation in the year which comprised of:

		2014		2013
Salaries and other short-term employee benefits	$	289,710	$	272,127
Post-employment benefits		15,934		15,167
	$	305,644	$	287,294

Directors received the following amounts for serving the Credit Union:

		2014		2013
Directors' expenses	$	9,274	$	8,887
Directors' remuneration		10,400		10,700
	$	19,674	$	19,587

21. COMPARATIVE FIGURES

Certain 2014 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

ST. JOSEPH'S CREDIT UNION LIMITED

Schedule of Expenses

Year ended December 31, 2014, with comparative figures for 2013

		2014		2013
PERSONNEL				
Salaries	$	747,775	$	697,352
Pension and insurance benefits		134,465		135,285
Other employee costs		5,151		5,420
	$	887,391	$	838,057
MEMBERS' SECURITY				
Bonding insurance	$	16,454	$	12,805
Deposit insurance		38,400		36,200
	$	54,854	$	49,005
GENERAL BUSINESS				
Advertising and promotion	$	37,442	$	35,215
Professional fees		43,043		45,950
Data processing		103,195		107,565
Educational		23,683		40,901
Service fees and charges		222,709		199,323
Central assessment and dues		84,000		84,400
Miscellaneous		49,568		22,909
Office and stationery		21,442		28,223
Postage		26,080		23,832
Service contracts and maintenance		10,764		10,346
Telephone		17,578		18,576
Community development fund donations		83,346		46,922
	$	722,850	$	664,162
OCCUPANCY				
Heat, lights and water	$	15,001	$	15,027
Insurance		13,021		10,513
Municipal taxes		6,183		8,731
Janitorial and cleaning supplies		9,921		10,854
Repairs and maintenance		14,054		18,082
	$	58,180	$	63,207

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