CAISSE POPULAIRE
CREDIT UNION
ST. JOSEPH'S

Annual Report
2018

LIST OF DIRECTORS AND COMMITTEE MEMBERS

2018-2019

Board of Directors

David George – Chair (2019)
Tanya Sampson – Vice-Chair (2021)
Maurice Boudreau – Corporate Secretary (2021))
Marion Mury – Director (2020)
Leo Samson – Director (2020)
Nathan Boudreau – Director (2019)
Terrance Tyrrell – Director (2019)
Donald Goyetche – Director (2021)
Brian LeBlanc – Director (2020)

Credit Committee

Nathan Boudreau (Chair)
Alfred Boudreau
Maurice Boudreau

Audit & Risk Committee

Donald Goyetche (Chair)
Brian LeBlanc
Terrance Tyrrell

Policy Committee

David George (Chair)
Donald Goyetche
Marion Mury

Personnel Committee

Tanya Sampson (Chair)
Karen Doyle
Leo Samson

Youth Committee

Amanda Short
Jessica Marchand
Katrina Cooper-Boudreau

Nominations Committee

Maurice Boudreau
Tanya Sampson
Donald Goyetche

Meeting Agenda

82nd Annual General Meeting of the St. Joseph's Credit Union April 29th, 2019

CALL TO ORDER AND WELCOME

OPENING PRAYER (One minute of silence for deceased members)

GREETINGS FROM THE CHAIR

REGISTRATION AND DECLARATION OF A QUORUM

APPROVAL OF AGENDA

APPROVAL OF MINUTES (April 23rd, 2018)

BUSINESS ARISING FROM THE MINUTES

PRESENTATION OF REPORTS
-- Chairperson's Report
-- General Manager's Report
-- Credit Committee Report
-- Audit & Risk Committee Report
-- Nominations Committee Report
-- Auditor's Report/Financial Statements

NEW BUSINESS
-- Appointment of Auditors
-- Other New Business

DOOR PRIZES

ADJOURNMENT

St. Joseph's Credit Union

81st Annual General Meeting

April 23, 2018
(Rocky Bay Irish Club, Rocky Bay)

Chair David George called the meeting to order at 6:37 pm.

BOARD MEMBERS
Tanya Sampson, Marion Mury, Donald Goyetche, David George, Maurice Boudreau, Nathan Boudreau, Terrance Tyrrell, Brian LeBlanc

OPENING PRAYER
The opening prayer was read by Eleanor Boudreau, 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 our special guest: Bruce Spicer, MGM & Associates.

ESTABLISHMENT OF A QUORUM
Amanda Short reported that a quorum had been established with 62 members and 7 guests present.

APPROVAL OF AGENDA
It was moved by Adrian Boudreau, seconded by LeeAnne Marchand, that the April 23, 2018, agenda be approved as presented. Motion Carried.

APPROVAL OF MINUTES: APRIL 24, 2017
It was moved by Michelle Hearn, seconded by Karen Doyle, that the minutes of April 24, 2017 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 David George, Board Chair.

   It was moved by Pauline Benoit, seconded by Darlene Short, that the Chairperson's Report for 2017 be accepted as presented. Motion Carried.

2. **General Manager's Report** – This report was presented by Michael Boudreau, General Manager.

It was moved by Claire Maltby, seconded by Jeannette Ellis, that the General Manager's Report for 2017 be accepted as presented. Motion Carried.

3. **Credit Committee Report** – This report was presented by Nathan Boudreau, Credit Committee Chair.

   It was moved by Mark Samson, seconded by Adrian Boudreau, that the Credit Committee Report for 2017 be accepted as presented. Motion Carried.

4. **Audit & Risk Committee Report** – This report was presented by Donald Goyetche, Audit & Risk Committee Member.

   It was moved by James Bowen, seconded by Alfred Boudreau, that the Audit & Risk Committee Report for 2017 be accepted as presented. Motion Carried

5. **Nominations Committee Report** - This report was presented by David George, Nominations Committee Member, who reported that the outgoing members were as follows:
   - Maurice Boudreau
   - Tanya Sampson
   - Donald Goyetche

   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:
   - Maurice Boudreau
   - Tanya Sampson
   - Donald Goyetche

   It was moved by Aleah Landry, seconded by Joan Clannon, that the 2017 Nomination Committee Report be accepted as presented. Motion Carried.

6. **Auditor's Report/Financial Statements** – Bruce Spicer of MGM & Associates presented the Independent Auditors Report for 2017. 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, 2017. He also advised that the statements being presented were an eight-page summary of the financial statements but that the full statements were available upon request at the credit union. He briefly reviewed the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows and the Schedule of Expenses.

   Among other things, he noted the following:
   - Personal Costs remained consistent
   - Increase in Occupancy by $22,000 - Repairs & Maintenance relating to the Arichat ATM
   - Total expenses were up by $174,000 which was related to a change in position for loan losses - a regulatory loss.

- Prescribed liquidity requirement was 10% and the actual liquidity was 31.4% (2016 - 23.8%) of total deposit liabilities.
- He thanked Michael Boudreau and his staff and the Audit & Risk Committee for their cooperation during the audit process.

It was moved by Edith Boudreau, seconded by Lucina Fougère, that the 2017 Auditor's Report be accepted as presented. Motion Carried.

NEW BUSINESS

1. **<u>Appointment of Auditors</u>**

   On behalf of the Board of Directors, Donald Goyetche recommended that we retain MGM & Associates as our auditors for the year ending December 31, 2018.

   It was moved by Donald Kehoe, seconded by George Kehoe, that we accept St. Joseph's Credit Union board's recommendation and retain the auditing services of MGM & Associates for the fiscal year ending December 31, 2018. Motion Carried.

2. **<u>Any Other New Business</u>**

   Mrs. Tiffany Kehoe, receptionist, was presented with her 10-year Service Recognition Award.

   It was moved by LeeAnne Marchand that the meeting be adjourned at 7:07 pm.

DOOR PRIZES

<u>$81 Cash door prize winners</u>

Nathan Boudreau	Marion Mury	Jessica Marchand	Amanda Martell
Lois Boudreau	Sheila Britten	Holly Landry	Donald Kehoe
Darlene Short	Tanya Sampson		

Other promotional prize winners

Theophile Samson	Tiffany Kehoe	Karen Doyle	Tania Gould
Adrian Boudreau			

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Brenda Samson, Acting Secretary David George, Board Chair

Chair's Report

Members and invited guests, WELCOME to our 82nd Annual General Meeting. This board remains ultimately responsible to you the membership of St. Joseph's Credit Union and we strive to make sound decisions and provide governance to the best of our abilities. The goal of the board is to ensure this credit union remains a respectable corporate citizen, a good employer and a strong community partner.

Our Strategic Plan continues to focus on our members, on product and service innovation, on embracing new technologies and on engaging our communities.

As we celebrate our 83rd Anniversary, we are proud of our recent achievements:

- Paid $135k in MemberRewards (total amount now exceeds over $2.9mm)
- Donated over $42k to organizations such as St Martha's Hospital, Friends of Notre Dame, Telile, the I.M. Historical Society, local Joseph's CWL, Royal Canadian Legion Branch 49 and many more.
- Held our annual Member Appreciation Breakfast.
- Raised money and non-perishable items for local foodbanks.
- Increased school bursaries from $3,000 to $7,500 for the upcoming school years.
- Installed secure wi-fi and designated an area with the technology required for members to conduct on-line banking.
- Subscribed to Atlantic Central's Risk Management & Compliance Shared Service in order to maximize efficiency and reduce expenses.
- Implemented a Member Satisfaction Survey.

St. Joseph's is fortunate to have a management team and staff that ensures this operation runs smoothly. Our employees take great pride in serving our members and the board takes great pride in their efforts.

I want to thank our membership for your continued support. I also want to invite you to be ambassadors of your credit union and to promote the quality service you receive. Should the service you receive not be satisfactory, please bring it to our attention and we will attempt to address it.

In closing, I also want to thank my fellow board members for their time and commitment. Ensemble, nous avons hâte de continuer à vous fournir un excellent service en 2019 et sommes très enthousiastes à propos de l'avenir de la Caisse St. Joseph.

David George
Board Chair

General Manager's Report

It's a pleasure to share with you some of the successes we experienced over the past year. We achieved solid financial results and we did so while providing our members with sound financial advice and solutions.

From a financial perspective, we experienced tremendous asset growth. That growth was the result of sudden and rapid deposit growth. So extensive was our deposit growth that we were unable to lend most of it. The need to narrow the variance between lending and deposit growth will be a focus for your board and management in 2019. Our members' equity at 10.8% is over double the regulatory minimum of 5% and our surplus of $412k, while down from 2017, is very respectable nonetheless.

The financial services industry is facing significant changes as institutions compete to be leaders in providing the most compelling customer experience while optimizing operational efficiencies. The demand for 24/7 access to financial services will not only persist but will grow. It's no wonder therefore that security was a concern in 2018 and so we implemented a service called Proactive Risk Manager to protect you from fraudulent point of sale transactions. We will continue to focus on technology and security throughout 2019.

We will also continue collaborating with other credit unions to leverage our collective size and ultimately help us reduce our operating costs. Furthermore, working together as a cooperative system enables us to utilize the latest technologies and take full advantage of the trends that are affecting our industry. Collaboration will also mean that we can spend more quality time with you, the member, and focus more intently on your financial well-being and future financial success.

One exciting addition to our portfolio of products and services in 2018 was the launch of a new suite of credit cards with our new service provider Collabria®. This suite offers a wide variety of credit cards for individuals and businesses, with low fees, competitive interest rates and an attractive rewards program. Collabria® also provides 24/7 access to account information online through MyCardInfo.com. More importantly, they offer around-the-clock fraud monitoring and protection services.

In 2018, we asked you to review your credit union in a Member Survey. The goal of the survey was to identify areas where the credit union was meeting and/or exceeding expectations and to identify areas that required improvement. While we received respectable marks on most areas of service and member satisfaction, some areas require improvement and our goal in 2019 will be to work towards enhancing the overall member experience.

St. Joseph's believes that staff engagement is an important driver of our success. We want our staff to be motivated, invested in our cooperative principles and proud to work here. To measure how we are doing in this area, we carried out our third biennial staff engagement survey. The feedback we received will measure whether changes we have implemented are having the desired effect and will help guide us as we continue working towards improving staff engagement.

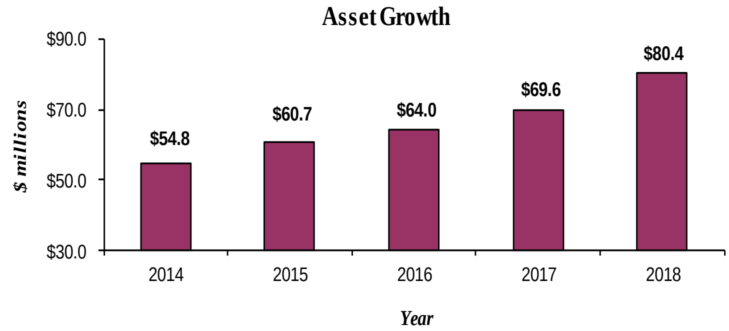
Last year, we gave back thousands of dollars to the communities we serve. We provided sponsorships and donations to numerous organizations. We also hosted several financial awareness seminars and member education sessions. Positive community impact is a cornerstone of the credit union movement and we're very proud of the good things we do for our community.

In conclusion, I would like to recognize our Board of Directors for their dedication, time and leadership throughout the year. Thank you for your guidance and support as we continue to create a successful future for our credit union.

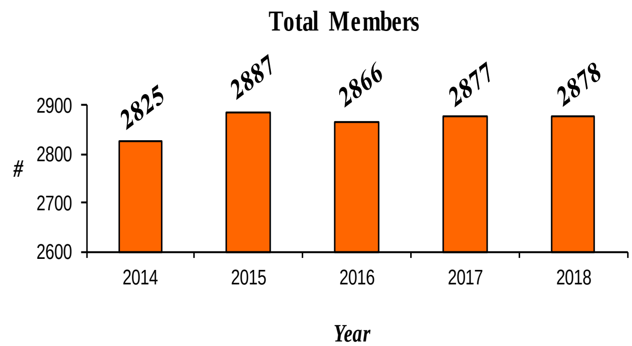
I would like to thank our staff and management team for their hard work and their continued commitment to delivering exceptional service to our members.

Finally, I would like to thank our members. None of this success would be possible without you. This institution is committed to you, committed to enriching your lives and committed to making our communities a better place to live. Merci mes amis et félicitations sur une autre bonne année.

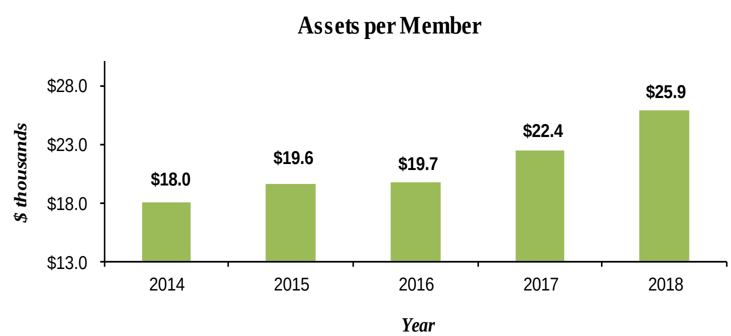
Michael Boudreau
General Manager



5 year Average - 9.3%
5 year Provincial Average - 5.0%



5 Year Average Increase - 0.38% From 2825 to 2878
5 Year Provincial Average Decrease - (.60%) From 150,697 to 146,197



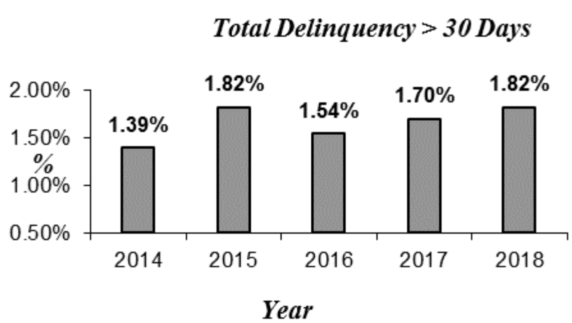
Second highest in the province
Provincial Average - $18.4k

Credit Committee Report

The Credit Committee is appointed by the Board of Directors to oversee and monitor lending processes and ensure lending functions are managed within the standards of the credit union. The Committee meets at least quarterly to review the loan portfolio and will adjudicate loans that fall outside of normal lending parameters as set by the provincial credit union regulator, the Credit Union Deposit Insurance Corporation (CUDIC). The committee then reports back to the board at the following board meeting.

During 2018, our total loan portfolio grew by almost $2 million. As of December 31, 2018, the total loan portfolio was $51.1 million, accounting for 64% of the credit union's assets. This includes mortgages, personal loans, commercial loans and lines of credit.

Although it is expected that all loans are going to be repaid as agreed, this is not always the case. The table below shows that delinquency was 1.82% of total loans at the end of 2018. This is very comparable to our historical numbers.



I would like to take this opportunity to acknowledge the contributions made by my fellow committee members, Alfred Boudreau and Maurice Boudreau, who attended our meetings regularly and graciously gave their time and expertise. Thank you to the management and staff for their efforts in providing the information required by the Committee to allow it to function properly. I would also like to thank the membership for their continued support over the past year and wish everyone the best in 2019.

Nathan Boudreau
Credit Committee Chair

Audit and Risk Committee Report

The Audit and Risk Committee assists the Board of Directors with its' responsibilities for financial reporting, internal controls, risk management, and external audit.

The Committee's primary responsibilities are to:

- Serve as an independent and objective party when monitoring our financial performance and reporting process.
- Review and assess the efforts of our independent auditors.
- Assess the processes related to the risks we face and our internal control environment.
- Review reports issued by the Credit Union Deposit Insurance Corporation (CUDIC) or any other 3rd party referred to the Committee by the Board.
- Monitor the implementation of significant recommendations from these reports and report to the Board on the progress of that implementation.
- Review regular reports from management and external auditors concerning the Credit Union's progress and compliance with financially related laws and regulations.
- Review any policies as directed by the Board
- Undertake such other duties as are delegated to the Committee by the Board.

The Committee held six (6) meetings in 2018. It wishes to report that the following tasks were completed during the year:

- ✓ Monitored our financial performance on a quarterly basis.
- ✓ Reviewed board, management and staff expenses and confirmed compliance to policy.
- ✓ Reviewed and confirmed payment of our Canada Revenue Agency mandatory remittances.
- ✓ Reviewed the Credit Union's Enterprise Risk Management Framework and the activities undertaken during the year.
- ✓ Confirmed that all staff, board and committee members complied with our Codes of Corporate Ethics and Business Conduct.
- ✓ Reviewed reports from external bodies, including our Auditors and the CUDIC, and monitored the execution of major recommendations in the reports.
- ✓ Confirmed our Auditor's independence and reviewed the Audit Planning Report, the audited financial statements, the Audit Findings Report and the Management Letter.
- ✓ Recommended the Auditors for the current year and recommended that the audited financial statements be approved by the Board of Directors.

I would like to thank my fellow Committee members Brian LeBlanc and Terrance Tyrrell for the time and consideration they gave this Committee in 2018.

Respectfully Submitted,

Donald Goyetche
Committee Chair

Nominations Committee Report

The following table sets forth meeting attendance by your representatives on the board:

Name	Board Meetings	AGM	Strategic Planning Session
David George	10 of 10	1	1
Brian LeBlanc	4 of 10	1	
Maurice Boudreau	10 of 10	1	
Nathan Boudreau	6 of 10	1	
Marion Mury	10 of 10	1	1
Leo Samson	8 of 10		1
Donald Goyetche	8 of 10	1	1
Terrance Tyrrell	5 of 10	1	1
Tanya Sampson	8 of 10	1	

The Nominations Committee consisted of Tanya Sampson, Maurice Boudreau and myself Donald Goyetche.

The Committee wishes to report that the outgoing directors are David George, Nathan Boudreau and Terrance Tyrell.

The Committee wishes to report that no other individuals submitted their names for a position on your Board of Directors.

The Committee therefore wishes to declare that David George, Nathan Boudreau and Terrance Tyrrell are hereby re-elected by acclamation for 3-year term positions.

Donald Goyetche
Committee Chair

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and all other information contained in the Annual Report are the responsibility of management and have been approved by the Board of Directors (the "Board"). The financial statements have been prepared by management in accordance with International Financial Reporting Standards, and include amounts based on informed judgments and estimates of the expected effects of current events and transactions. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

In meeting its responsibility for the reliability of financial data, management relies on comprehensive internal accounting, operating and system controls. Controls include an organizational structure providing for effective segregation of responsibilities and delegation of authority and personal accountability, as well as the application of accounting and administrative policies and procedures necessary to ensure adequate internal control over transactions, assets and records. These controls are designed to provide reasonable assurance that financial records are reliable for preparing financial statements and maintaining accountability for assets, and that assets are safeguarded against unauthorized use or disposition.

The Board has appointed an Audit Committee to review with management and independent auditors the annual financial statements prior to submission to the Board for final approval. MGM and Associates, Chartered Professional Accountants has been appointed by the membership as independent auditors to examine and report on the financial statements. They have full and free access to Credit Union staff and the Audit Committee of the Board.

Michael Boudreau
General Manager

David George
Board Chair

April 8, 2019

Financial Statements of

ST. JOSEPH'S CREDIT UNION LIMITED

Year ended December 31, 2018

MGM

MGM & Associates
Chartered Professional Accountants
Commerce Tower
15 Dorchester Street Suite 500
PO Box 1
Sydney NS B1P 6G9

Telephone (902) 539-3900
Fax (902) 564-6062
Internet www.mgm.ca

INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2018 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.

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, 2018 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Those Charged with Governance 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.

In preparing financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

MGM & Associates

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada
March 21, 2019

ST. JOSEPH'S CREDIT UNION LIMITED
Financial Statements

Year ended December 31, 2018

ST. JOSEPH'S CREDIT UNION LIMITED

Statement of Financial Position

December 31, 2018, with comparative figures for 2017

	2018	2017
ASSETS		
Cash and cash equivalents (note 6)	$ 13,503,171	$ 8,583,908
Investments and deposits (note 7)	14,508,925	10,732,692
Loans to members (note 8)	51,116,905	49,128,990
Income taxes receivable	-	31,111
Property, building and equipment (note 10)	609,386	641,932
Other assets (note 11)	509,868	470,503
Deferred income tax asset (note 13)	159,900	44,700
	$ 80,408,155	$ 69,633,836
LIABILITIES		
Liabilities to members		
Deposits (note 14)	$ 70,939,109	$ 60,691,406
Accrued interest on deposits	282,446	226,257
	71,221,555	60,917,663
Liabilities to non-members		
Accounts payable and accrued liabilities	421,899	397,050
Income taxes payable	63,275	-
	485,174	397,050
	71,706,729	61,314,713
MEMBERS' EQUITY		
Membership shares (note 15)	103,448	102,006
Community development fund (note 16)	110,514	92,867
Retained earnings	8,487,464	8,124,250
Accumulated other comprehensive income	-	-
	8,701,426	8,319,123
	$ 80,408,155	$ 69,633,836

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, 2018, with comparative figures for 2017

	2018	2017
INCOME		
Interest on loans	$ 2,145,028	$ 2,112,311
Investment income	359,351	189,297
	2,504,379	2,301,608
INTEREST EXPENSE (note 18)		
Interest on members' deposits	528,846	487,003
Financial margin	1,975,533	1,814,605
Other income (note 19)	538,489	616,708
	2,514,022	2,431,313
EXPENSES		
Personnel (schedule)	895,521	844,567
Members' security (schedule)	69,587	65,394
General business (schedule)	720,318	740,098
Occupancy (schedule)	61,145	80,474
Provision for loan losses	167,441	84,618
Depreciation	47,188	51,731
	1,961,200	1,866,882
Income before income taxes	552,822	564,431
Income taxes (note 13)		
Current	156,728	96,456
Deferred	(16,700)	(8,500)
	140,028	87,956
NET INCOME	412,794	476,475
OTHER COMPREHENSIVE INCOME	-	-
COMPREHENSIVE INCOME	$ 412,794	$ 476,475

See accompanying notes to financial statements.

ST. JOSEPH'S CREDIT UNION LIMITED

Statement of Changes in Members' Equity

Year ended December 31, 2018, with comparative figures for 2017

	Membership shares	Community development fund	Retained earnings	Accumulated other comprehensive income	Total
BALANCE, DECEMBER 31, 2016	$ 102,601	$ 81,811	$ 7,658,831	$ -	$ 7,843,243
Comprehensive income	-	-	476,475	-	476,475
Membership shares issued	4,940	-	-	-	4,940
Membership shares redeemed	(5,535)	-	-	-	(5,535)
Transfer to community development fund	-	51,959	(51,959)	-	-
Transfer from community development fund	-	(40,903)	40,903	-	-
BALANCE, DECEMBER 31, 2017	102,006	92,867	8,124,250	-	8,319,123
Comprehensive income	-	-	412,794	-	412,794
Membership shares issued	10,036	-	-	-	10,036
Membership shares redeemed	(8,594)	-	-	-	(8,594)
Transfer to community development fund	-	47,647	(47,647)	-	-
Transfer from community development fund	-	(30,000)	30,000	-	-
Allowance for impaired loans transition adjustment	-	-	(31,933)	-	(31,933)
BALANCE, DECEMBER 31, 2018	$ 103,448	$ 110,514	$ 8,487,464	$ -	$ 8,701,426

See accompanying notes to financial statements.

ST. JOSEPH'S CREDIT UNION LIMITED

Statement of Cash Flows

Year ended December 31, 2018, with comparative figures for 2017

	2018	2017
CASH FLOWS FROM OPERATIONS		
Net income	$ 412,794	$ 476,475
Items not involving cash		
Depreciation	47,188	51,731
Deferred income taxes	(16,700)	(8,500)
Change in opening allowance for IFRS 9 adoption	(130,433)	-
Change in non-cash operating working capital		
Increase in loans to members	(1,987,915)	(914,514)
Decrease (increase) in income taxes receivable	31,111	(31,111)
Decrease (increase) in other assets	(39,365)	102,064
Increase in deposits	10,247,703	5,186,773
Increase (decrease) in accrued interest on deposits	56,189	(47,070)
Increase in accounts payable and accrued liabilities	24,849	14,837
Increase (decrease) in income taxes payable	63,275	(32,035)
	8,708,696	4,798,650
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in membership shares, net	1,442	(595)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Increase in investments and deposits	(3,776,233)	(1,072,745)
Purchase of property, building and equipment	(14,642)	(15,867)
	(3,790,875)	(1,088,612)
INCREASE IN CASH AND CASH EQUIVALENTS	4,919,263	3,709,443
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,583,908	4,874,465
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,503,171	$ 8,583,908
Supplemental cash flow information		
Cash paid during the year		
Interest on members' deposits	$ 472,657	$ 534,073
Income taxes	31,175	159,602
Cash received during the year		
Dividends and interest on investments	311,184	203,536
Interest on loans to members	2,116,596	2,111,484

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 year ended December 31, 2018 were authorized for issue by the Board of Directors on March 21, 2019.

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) *Judgments*

Judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes are as follows:

Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

b) *Assumptions and estimation uncertainties*

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended December 31, 2018 are as follows:

Impairment of financial instruments: assessment of whether credit risk of the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit loss.

Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

Determination of the fair value of financial instruments with significant unobservable inputs.

Recognition of deferred tax assets to the extent that it is probable that taxable income will be available against which carry forward tax losses can be utilized.

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

2. BASIS OF PREPARATION (continued)

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, 2018 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 16 – Leases

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), which replaces IAS 17 - Leases, as well as various other interpretations regarding leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16's approach to lessor's accounting is substantially unchanged from IAS 17, lessors continuing to classify leases as operating or finance. It will be applied retrospectively for annual periods beginning on or after January 1, 2019. The Credit Union is assessing the potential impact of IFRS 16.

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

i) Recognition and initial measurement

The Credit Union initially recognizes loans to members and deposits liabilities on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Credit Union becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income or fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as a fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Credit Union may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on a investment-by-investment basis.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, on initial recognition, the Credit Union may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business model assessment

The Credit Union makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Credit Union management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of revenues in prior periods, the reasons for such revenue and its expectations about future revenues. However, information about revenue activity is not considered in isolation, but as part of an overall assessment of how the Credit Union's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Credit Union considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making assessment, the Credit Union considers:

- contingent events that would change the amount and timing of cash flows:
- leverage features;
- prepayment and extension terms;
- terms that limit the Credit Union's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money; such as periodical reset of interest rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing financial assets. There were no changes to any of the Credit Union business models during the current year (2017 - nil).

Policy applicable before January 1, 2018

Financial assets

The Credit Union classified its financial assets into one of the following categories:

- loans and receivables
- held-to-maturity
- available-for-sale
- fair value through profit or loss

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

The Credit Union classifies its financial liabilities as other liabilities, which are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

iii) Derecognition

Financial assets

The Credit Union derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Credit Union neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Any cumulative gain or loss recognized in other comprehensive income in respect of equity investment securities designated as at fair value through other comprehensive income is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Credit Union is recognized as a separate asset or liability.

In transactions in which the Credit Union neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Credit Union continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in value of the transferred asset.

In certain transactions, the Credit Union retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less that adequate (liability) for performing the servicing.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

The Credit Union derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Credit Union evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Credit Union recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

The Credit Union derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

v) Impairment

The Credit Union recognizes loss allowances for expected credit losses on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;
- financial guarantee contracts issues; and
- loan commitments issued

No impairment loss is recognized on equity investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Credit Union measures loss allowances at an amount equal to the lifetime expected credit loss, except for the following, for which they are measured as 12-month expected credit loss:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Credit Union considers a debt security to have a low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month expected credit losses are the portion of the expected credit loss that result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement of expected credit loss

Expected credit losses are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired of the reporting date: as the present value of all cash shortfalls;

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to received; and

- financial guarantee contracts: the expected payments to reimburse the holder less amounts that the Credit Union expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and expected credit losses are measured as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit impaired financial assets

At each reporting date, the Credit Union assesses whether financial assets carried at amortized cost and debt financial assets carried at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In making an assessment of whether an investment in debt securities is credit-impaired, the Credit Union considers the following factors:

- the market's assessment of credit worthiness as reflected in bond yields;
- the rating agencies' assessments of creditworthiness;
- the issuer's ability to access the capital markets for new debt issuance; and
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

Presentation of allowance for expected credit loss in the statement of financial position

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

- loan commitments and financial guarantee contracts: generally, as a provision;

- where a financial instrument includes both a drawn and an undrawn component, and the Credit Union cannot identify the expected credit loss on the loan commitment component separately from those on the drawn component: the Credit Union presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the loss amount of the drawn component is presented as a provision; and

- debt instruments measured at fair value through other comprehensive income: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Credit Union's procedures for recovery of amounts due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy applicable before January 1, 2018

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.

(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 carried at amortized cost in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments and deposits

The 'investments and deposits' caption in the statement of financial position includes:

- debt investment securities measured at amortized cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and loses are recognized in OCI, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Credit Union elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an investment.

(d) Loans to members

Loans to members include personal loans, mortgages and lines of credit. All loans to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy applicable before January 1, 2018

Loans to members include personal 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue recognition

i) Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or

- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit impaired assets, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to be amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Presentation

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis; and

- interest on debt instruments measured at fair value through other comprehensive income on an effective interest basis.

Policy applicable before January 1, 2018

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.

ii) Dividend income is recognized when the right to receive income is established. Dividends are presented in investment income on the statement of comprehensive income.

iii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments

The Credit Union has adopted IFRS 9 Financial Instruments issued in July, 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments - Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of accounting for financial liabilities.

The key changes to the Credit Union's accounting policies resulting from the adoption of IFRS 9 are summarized below.

Classification of financial assets and liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. For an explanation of how the Credit Union classifies its financial assets under IFRS 9, see Note 3(a)(ii).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

4. CHANGES IN ACCOUNTING POLICIES (continued)

Under IFRS 9, credit losses are recognized earlier than under IAS 39. For an explanation of how the Credit Union applies the impairment requirements of IFRS 9, see Note 3(a)(v).

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and, therefore, is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

    - The determination of the business model within a financial asset is held.

    - The designation of certain investments in equity instruments not held for trading as at FVOCI.

- If a debt security had a low credit risk at the date of initial application of IFRS 9, then the Credit Union has assumed that credit risk on the asset had not increased significantly since its initial recognition to the date of initial application.

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments:

December 31, 2018	FVOCI	Amortized cost	Total carrying value
Cash and cash equivalents	$ -	$13,503,171	$13,503,171
Loans to members	-	51,116,905	51,116,905
Investments and deposits			
Debentures and segregated liquidity deposits	-	12,836,598	12,836,598
Share capital	1,672,327	-	1,672,327
Other assets	-	239,491	239,491
TOTAL FINANCIAL ASSETS	$ 1,672,327	$77,696,165	$79,368,492
Liabilities to members	$ -	$71,221,555	$71,221,555
Liabilities to non-members	-	421,899	421,899
TOTAL FINANCIAL LIABILITIES	$ -	$71,643,454	$71,643,454

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

December 31, 2017	Held-to-maturity	Loans and receivables	Available-for-sale	Other liabilities	Total carrying value
Cash and cash equivalents	$ -	$ 8,583,908	$ -	$ -	$ 8,583,908
Loans to members	-	49,128,990	-	-	49,128,990
Investments and deposits					
Debentures	5,020,000	-	-	-	5,020,000
Segregated liquidity deposits	-	4,102,435	-	-	4,102,435
Share capital	-	-	1,610,257	-	1,610,257
Other assets	-	200,850	-	-	200,850
TOTAL FINANCIAL ASSETS	$ 5,020,000	$ 62,016,183	$ 1,610,257	$ -	$ 68,646,440
Liabilities to members	$ -	$ -	$ -	$ 60,917,663	$ 60,917,663
Liabilities to non-members	-	-	-	397,050	397,050
TOTAL FINANCIAL LIABILITIES	$ -	$ -	$ -	$ 61,314,713	$ 61,314,713

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Credit Union's financial assets and financial liabilities at January 1, 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
FINANCIAL ASSETS				
Cash and cash equivalents	Loans and receivable	Amortized cost	$ 8,583,908	$ 8,583,908
Loans to members	Loans and receivables	Amortized cost	49,128,990	48,998,557
Investments and deposits:				
Debentures	Held-to-maturity	Amortized cost	5,020,000	5,020,000
Segregated liquidity deposits (i)	Loans and receivables	Amortized cost	4,102,435	4,102,435
Share capital (ii)	Available-for-sale	FVOCI	1,610,257	1,610,257
Other assets	Loans and receivables	Amortized cost	200,850	200,850
TOTAL FINANCIAL ASSETS			$ 68,646,440	$ 68,516,007

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
FINANCIAL LIABILITIES				
Liabilities to members	Other liabilities	Amortized cost	$ 60,917,663	$ 60,917,663
Liabilities to non-members	Other liabilities	Amortized cost	397,050	397,050
TOTAL FINANCIAL LIABILITIES			$ 61,314,713	$ 61,314,713

The Credit Union's accounting policies on the classification of financial instruments are set out in Note 3(a)(ii). The application of the policies resulted in the classification set out in the table above and explained below:

i) The Credit Union's segregated liquidity deposits are held by the Credit Union in a separate account to meet everyday liquidity needs. The return on segregated liquidity deposits consists of collecting contractual payments of interest on the principal amount outstanding. The Credit Union considers that these deposits are held within a business model whose objective meets the classification of amortized cost.

ii) The Credit Union's share capital investments have been designated as at fair value through other comprehensive income. Before the adoption of IFRS 9, these securities were measured at cost because their fair value was not considered to be reliably measureable. IFRS 9 has removed this cost exemption.

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2018:

	IAS 39 carrying amount December 31, 2017	Re-classification	Re-measurement	IFRS 9 carrying amount January 1, 2018
FINANCIAL ASSETS				
Available-for-sale				
Investments and deposits - share capital				
Opening	$ 1,610,257	$ -	$ -	$ -
To FVOCI	-	(1,610,257)	-	-
Total available for sale	1,610,257	(1,610,257)	-	-
Held-to-maturity				
Investments and deposits - debentures				
Opening	5,020,000	-	-	-
To amortized cost	-	(5,020,000)	-	-
Total held to maturity	5,020,000	(5,020,000)	-	-
Loans and receivables				
Cash and cash equivalents				
Opening	8,583,908	-	-	-
To amortized cost	-	(8,583,908)	-	-
Closing	8,583,908	(8,583,908)	-	-
Investments and deposits - segregated liquidity deposits				
Opening	4,102,435	-	-	-
To amortized cost	-	(4,102,435)	-	-
Closing	4,102,435	(4,102,435)	-	-
Loans to members				
Opening	49,128,990	-	-	-
To amortized cost	-	(49,128,990)	-	-
Closing	49,128,990	(49,128,990)	-	-

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	IAS 39 carrying amount December 31, 2017	Re-classification	Re-measurement	IFRS 9 carrying amount January 1, 2018
Other assets				
Opening	$ 200,850	$ -	$ -	$ -
To amortized cost	-	(200,850)	-	-
Closing	200,850	(200,850)	-	-
Total loans and receivables	62,016,183	(62,016,183)	-	-
Amortized cost				
Cash and cash equivalents				
From loans and receivables	-	8,583,908	-	-
Closing	-	8,583,908	-	8,583,908
Loans to members				
From loans and receivables	-	49,128,990	-	-
Remeasurement	-	-	(130,433)	-
Closing	-	49,128,990	(130,433)	48,998,557
Investments and deposits - debentures				
From held-to-maturity	-	5,020,000	-	-
Closing	-	5,020,000	-	5,020,000
Investments and deposits - segregated liquidity deposits				
From loans and receivables	-	4,102,435	-	-
Closing	-	4,102,435	-	4,102,435
Other assets				
From loans and receivables	-	200,850	-	-
Closing	-	200,850	-	200,850
Total amortized cost	-	67,036,183	(130,433)	66,905,750

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	IAS 39 carrying amount December 31, 2017	Re-classification	Re-measurement	IFRS 9 carrying amount January 1, 2018
FVOCI				
Investments and deposits - share capital From available-for-sale	$ -	$ 1,610,257	$ -	$ -
Total FVOCI	-	1,610,257	-	1,610,257
TOTAL FINANCIAL ASSETS	$ 68,646,440	$ -	$ (130,433)	$ 68,516,007
FINANCIAL LIABILITIES				
Amortized cost				
Liabilities to members	$ 60,917,663	$ -	$ -	$ 60,917,663
Liabilities to non-members	397,050	-	-	397,050
TOTAL FINANCIAL LIABILITIES	$ 61,314,713	$ -	$ -	$ 61,314,713

The following table analyses the impact, net of tax, of transition to IFRS 9 on retained earnings. The impact relates to retained earnings. There is no impact on other components of equity.

Retained earnings

Closing balance under IAS 39 (December 31, 2017)	$ 8,124,250
Recognition of expected credit losses under IFRS 9 net of future income taxes	(31,933)
Opening balance under IFRS 9 (January 1, 2018)	$ 8,092,317

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 to the opening expected credit loss allowance determined in accordance with IFRS 9 as at January 1, 2018.

	December 31, 2017 IAS 39	Re-classification	Re-measurement	January 1, 2018 IFRS 9
Allowance for impaired loans	$ 463,647	$ -	$ 130,433	$ 594,080

6. CASH AND CASH EQUIVALENTS

	2018	2017
Cash on hand	$ 1,403,656	$ 594,225
Accounts held at Atlantic Central	58,687	1,617,773
Cash management liquidity	3,040,828	3,371,910
Short-term deposits	9,000,000	3,000,000
	$ 13,503,171	$ 8,583,908

The Credit Union has an authorized operating line of credit of $1,725,000 with Atlantic Central at prime rate, which is secured by an assignment of members' loans. At December 31, 2018 the line of credit was utilized at $16,154 (2017 - nil).

7. INVESTMENTS AND DEPOSITS

	2018	2017
Amortized cost		
Debentures with Atlantic Central	$ 7,040,400	$ -
Segregated liquidity deposits	5,796,198	-
	12,836,598	-
FVOCI		
Shares		
Atlantic Central - Common	645,440	-
Atlantic Central - Class Nova Scotia Provincial	144,000	-
Atlantic Central - Class League Savings and Mortgage	568,517	-
League Data Limited	14,270	-
Healthwise Holdings Co-operative Limited	50,000	-
Concentra Financial - Class D Preferred	250,000	-
Other	100	-
	1,672,327	-
Held-to-maturity		
Debentures with Atlantic Central	-	5,020,000
Loans and receivables		
Segregated liquidity deposits	-	4,102,435

7. INVESTMENTS AND DEPOSITS (continued)

	2018	2017
Available-for-sale		
Shares		
Atlantic Central - Common	$ -	$ 582,970
Atlantic Central - Class Nova Scotia Provincial	-	144,000
Atlantic Central - Class League Savings and Mortgage	-	568,517
League Data Limited	-	14,270
Healthwise Holdings Co-operative Limited	-	50,000
Concentra Financial - Class D Preferred	-	250,000
Other	-	500
	-	1,610,257
Total investments and deposits	$ 14,508,925	$ 10,732,692

At January 1, 2018, the Credit Union designated its investments in Atlantic Central and League Data Limited equity securities as at fair value through other comprehensive income. In 2017, these investments were classified as available-for-sale and measured at cost. The fair value through other comprehensive income designation was made because the shares in Atlantic Central and League Data Limited are a condition of membership in each entity. There is no active market for these shares as they are issued by virtue of membership. The shares are redeemable upon withdrawal of membership or at the discretion of Atlantic Central and League Data Limited. In addition, the member credit unions are subject to additional capital call as determined by the entity's Board of Directors. The shares may be surrendered upon withdrawal from membership for proceeds equal to the paid in value.

Credit quality

All investments are considered to be low risk and the Credit Union has not recognized any allowance for impairment of investments and deposits in the current year (2017 - Nil).

8. LOANS TO MEMBERS

	2018			2017		
	Gross carrying amount	Expected credit loss allowance	Carrying amount	Gross carrying amount	Impairment allowance	Carrying amount
Personal and other loans	$ 20,188,547	$ (487,871)	$ 19,700,676	$ 19,902,944	$ (286,510)	$ 19,616,434
Residential mortgages	27,423,190	(80,860)	27,342,330	26,732,122	(130,272)	26,601,850
Lines of credit	1,239,596	(153,765)	1,085,831	818,099	(40,696)	777,403
Commercial mortgages	2,998,702	(10,634)	2,988,068	2,139,472	(6,169)	2,133,303
TOTAL LOANS	$ 51,850,035	$ (733,130)	$ 51,116,905	$ 49,592,637	$ (463,647)	$ 49,128,990

Loan commitments

The Credit Union has authorized lines of credit in the amount of $2,282,794 which are unutilized at December 31, 2018 (2017 - $2,804,413).

The Credit Union was committed to the issuance of new loans to members at December 31, 2018 of $510,907 (2017 - $1,192,035).

9. ALLOWANCE FOR IMPAIRED LOANS

Inputs, assumptions, and techniques used for estimating impairment

Significant increase in risk

When determining whether the risk of default in a financial instrument has increased significantly since initial recognition, the Credit Union considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Credit Unions historical experience and expert credit assessment and forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime probability of default (PD) as at the reporting date with the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure.

9. ALLOWANCE FOR IMPAIRED LOANS (continued)

Credit risk grades

The Credit Union considers each exposure to a credit risk based on a variety of data that is determined to be predictive of the risk of default and applying experience credit judgment. Credit risk is defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Exposure to credit risk is subject to ongoing monitoring, which may result in an increase in credit risk. The monitoring of risk typically involves the use of the following data:

- External data from credit reference agencies,
- Income and affordability metrics,
- Payment record,
- Information obtained during periodic review of member files such as financial statements, ratios, budgets and projections,
- Internally collected data on customer credit behavior.

Generating the term and structure of probability of default (PD)

In order to determine whether credit risk has increased significantly, the Credit Union uses its expert credit judgment and, where possible, relevant historical experience. The Credit Union may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not be otherwise fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Credit Union considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined without consideration of any grace period that might be available to the borrower.

The Credit Union monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the criteria are capable of identifying significant increases in credit risk before exposure is in default.

Definition of default

The Credit Union considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Credit Union in full, without recourse by the Credit Union to actions such as realizing security.

9. ALLOWANCE FOR IMPAIRED LOANS (continued)

- The borrower is past due more than 90 days on any material credit obligation to the Credit Union.

- The Credit Union agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments.

- The Credit Union has filed for the borrower's bankruptcy in connection with the credit obligation.

- The borrower has sought or been placed in bankruptcy resulting in the delay or avoidance of repayment of the amount owing.

In assessing whether the borrower is in default, the Credit Union considers indicators that are qualitative, quantitative and based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Credit Union incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of expected credit loss. The Credit Union has identified key drivers of credit risk and credit losses on its portfolio and, using the analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. Key forward-looking indicators include unemployment rates, real estate market information and interest rates.

Measurement of expected credit losses

The key inputs into the measurement of expected credit losses (ECL) are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above and the expert judgment of the Credit Union.

9. ALLOWANCE FOR IMPAIRED LOANS (continued)

PD estimates are estimates at a certain date, which are calculated based on qualitative and quantitative factors. Where it is available, market data may also be used to derive PD. PD is estimated considering contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of likely loss if there is a default. The Credit Union estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. the LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The EAD of a financial asset includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and future expectations.

Allowance for impairment

The following table shows the reconciliations from the opening to the closing balance of the allowance for impairment. Comparative amounts for 2017 represents the allowance account for credit losses and reflects the measurement basis under IAS 39.

				2018
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 1 per IAS 39	$ -	$ -	$ -	$ 463,647
Adjustment on initial application of IFRS 9	-	-	-	130,433
Balance at January 1 per IFRS 9	371,933	59,249	162,898	594,080
Transfer to 12-month ECL	17,642	(8,423)	(9,219)	-
Transfer to lifetime ECL not credit-impaired	(147,836)	-	147,836	-
Transfer to lifetime ECL credit-impaired	(13,334)	18,094	(4,760)	-
Net remeasurement of loss allowance	190,023	(5,104)	(17,478)	167,441
Write-offs	(13,870)	-	(17,027)	(30,897)
Recoveries of amounts previously written off	2,506	-	-	2,506
Balance at December 31	$ 407,064	$ 63,816	$ 262,250	$ 733,130

9. ALLOWANCE FOR IMPAIRED LOANS (continued)

	Individual	Collective	2017 Total
Balance at January 1 per IAS 39	$ 392,274	$ 39,801	$ 432,075
Net remeasurement of loss allowance	95,313	(10,695)	84,618
Write-offs	(57,413)	-	(57,413)
Recoveries of amounts previously written off	-	4,367	4,367
Balance at December 31	$ 430,174	$ 33,473	$ 463,647

Credit quality analysis

The following table sets out information about the credit quality and expected credit loss (ECL) of loans to members measured at amortized cost and loans and receivables (2017). Unless specifically indicated, the amounts in the table represent the gross carrying amounts.

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	2018 Total	2017 Total
Loans to members					
Low-fair risk	$ 49,718,963	$ -	$ -	$ 49,718,963	$ 45,107,428
Watch list	-	980,045	-	980,045	2,420,809
Doubtful or impaired	-	-	1,151,027	1,151,027	2,064,400
Total	49,718,963	980,045	1,151,027	51,850,035	49,592,637
Allowance for impairment	342,800	63,816	262,250	668,866	463,647
Carrying amount	49,376,163	916,229	888,777	51,181,169	49,128,990
Loan commitments					
Low-fair risk	2,282,794	-	-	2,282,794	2,804,413
Allowance for impairment	64,264	-	-	64,264	-
Carrying amount	2,218,530	-	-	2,218,530	2,804,413
	$ 51,594,693	$ 916,229	$ 888,777	$ 53,399,699	$ 51,933,403

10. PROPERTY, BUILDING AND EQUIPMENT

	Balance beginning of year	Additions/ depreciation expense	Disposals	Impairments	2018 Balance end of year
Cost					
Land	$ 161,026	$ -	$ -	$ -	$ 161,026
Building	687,450	-	-	-	687,450
Computer equipment	138,024	887	-	-	138,911
Furniture and equipment	424,515	13,755	-	-	438,270
Pavement	87,414	-	-	-	87,414
	1,498,429	14,642	-	-	1,513,071
Accumulated depreciation					
Building	372,827	15,731	-	-	388,558
Computer equipment	134,190	1,283	-	-	135,473
Furniture and equipment	292,825	27,713	-	-	320,538
Pavement	56,655	2,461	-	-	59,116
	856,497	47,188	-	-	903,685
	$ 641,932	$ (32,546)	$ -	$ -	$ 609,386

	Balance beginning of year	Additions/ depreciation expense	Disposals	Impairments	2017 Balance end of year
Cost					
Land	$ 161,026	$ -	$ -	$ -	$ 161,026
Building	687,450	-	-	-	687,450
Computer equipment	137,073	951	-	-	138,024
Furniture and equipment	409,599	14,916	-	-	424,515
Pavement	87,414	-	-	-	87,414
	1,482,562	15,867	-	-	1,498,429
Accumulated depreciation					
Building	356,268	16,559	-	-	372,827
Computer equipment	132,751	1,439	-	-	134,190
Furniture and equipment	261,767	31,058	-	-	292,825
Pavement	53,980	2,675	-	-	56,655
	804,766	51,731	-	-	856,497
	$ 677,796	$ (35,864)	$ -	$ -	$ 641,932

11. OTHER ASSETS

	2018	2017
Accounts receivable	$ 8,698	$ 46,657
Accrued interest receivable	230,793	154,193
Prepaid expenses	16,194	15,470
Foreclosed assets (note 12)	254,183	254,183
	$ 509,868	$ 470,503

12. FORECLOSED ASSETS

	2018	2017
Balance, beginning of year	$ 254,183	$ 352,683
Provision for loss in value	-	(54,500)
Foreclosed assets sold	-	(44,000)
Balance, end of year	$ 254,183	$ 254,183

13. 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% (2017 - 31.0%) to income before income taxes. The reasons for the differences and related tax effects are as follows:

	2018	2017
Income before income taxes	$ 552,822	$ 564,431
Tax at applicable tax rate	$ 171,375	$ 174,974
Tax effect resulting from application of rate reductions for small business income	(90,000)	(87,500)
Tax effect resulting from non-deductible expenses	649	463
Tax effect resulting from equity adjustment for IFRS 9	58,039	-
Other	(35)	19
Income taxes	$ 140,028	$ 87,956

13. 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, 2018 and 2017 are presented below:

	2018	2017
Future income tax assets		
Loans to members, due to difference in allowance for financial reporting and tax purposes	$ 136,300	$ 23,700
Foreclosed assets, due to provision for impairment in value	20,300	20,300
Service awards, due to accrual for financial reporting purposes	50,000	47,500
Total gross deferred income tax assets	206,600	91,500
Future income tax liabilities		
Property, building and equipment, difference in net book value and undepreciated capital cost	2,100	2,200
Investments, difference in cost bases of shares	44,600	44,600
Total gross deferred income tax liabilities	46,700	46,800
Net deferred income tax asset	$ 159,900	$ 44,700

14. DEPOSITS

	2018	2017
Chequing	$ 24,893,897	$ 20,515,086
Savings	16,697,717	13,142,952
Term deposits	9,882,191	9,090,046
Registered retirement savings plans	9,688,191	9,328,492
Registered retirement income funds	2,049,250	2,041,178
Tax-free savings accounts	7,727,863	6,573,652
	$ 70,939,109	$ 60,691,406

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

14. 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.

15. 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:

	2018	2017
Membership shares, beginning of year	20,388	20,507
Issued during the year	2,007	988
Redeemed during the year	(1,719)	(1,107)
Membership shares, end of year	20,676	20,388

16. 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.

17. 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:

	2018	2017
Income		
Interest on loans	$ 87,300	$ 90,900
Service charges and fees	25,000	19,800
	112,300	110,700
Expenses		
Interest on members' deposits	22,700	24,300
	$ 135,000	$ 135,000

18. INTEREST EXPENSE

	2018	2017
Chequing	$ 5,259	$ 4,240
Savings	157,315	120,245
Term deposits	160,125	155,599
Registered retirement savings plans	149,871	149,674
Registered retirement income funds	33,576	32,945
Patronage rebate (note 17)	22,700	24,300
	$ 528,846	$ 487,003

19. OTHER INCOME

	2018	2017
Service charges	$ 322,864	$ 334,122
Commissions and profit sharing	157,263	191,187
Other	58,362	91,399
	$ 538,489	$ 616,708

20. 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 $38,505 (2017 - $31,663), which represents the total cash amount paid or payable by the Credit Union to the plan during the year.

21. 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.

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, 2018, the prescribed liquidity requirement was 10% and the actual liquidity was 36.2% (2017 - 31.4%) 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.

21. RISK MANAGEMENT (continued)

At December 31, 2018, if interest rates had been 1% lower with all other variables held constant, after-tax net income for the year would have been $164,700 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 $153,900 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.

	Financial statement amounts		
	Assets	Liabilities and members' equity	Net asset/ liability mismatch
0-6 months	$ 36,646,150	$ 36,770,900	$ (124,750)
6-12 months	11,698,790	6,075,800	5,622,990
1-2 years	11,981,050	9,261,500	2,719,550
2-3 years	7,479,210	3,147,540	4,331,670
3-4 years	3,947,370	379,860	3,567,510
4-5 years	6,414,470	192,000	6,222,470
>5 years	-	30,180	(30,180)
Not interest sensitive	2,241,115	24,550,375	(22,309,260)
	$ 80,408,155	$ 80,408,155	$ -

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.

21. RISK MANAGEMENT (continued)

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

	Amount	Rate
Share investments		
Atlantic Central - Common	$ 645,440	2.8%
Atlantic Central - Class Nova Scotia Provincial	144,000	0.0%
Atlantic Central - Class League Savings and Mortgage	568,517	4.1%
League Data Limited	14,270	5.0%
Healthwise Holdings Co-operative Limited	50,000	0.0%
Concentra Financial - Class D Preferred	250,000	0.0%
Other	100	0.0%
	$ 1,672,327	
Loans to members		
Personal and other loans	$ 20,188,547	5.8%
Residential mortgages	27,423,190	3.6%
Lines of credit	1,239,596	7.3%
Commercial mortgages	2,998,702	3.6%
	$ 51,850,035	
Deposit liabilities		
Chequing	$ 24,893,897	0.1%
Savings	16,697,717	0.2%
Term deposits	9,882,191	1.9%
Registered retirement plans	11,737,441	1.6%
Tax-free savings accounts	7,727,863	1.8%
	$ 70,939,109	

(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.

21. RISK MANAGEMENT (continued)

	Carrying amount	Fair value	Fair value difference
Financial Assets			
Loans and receivables			
Cash and cash equivalents	$ 13,503,171	$ 13,503,171	$ -
Segregated liquidity deposits	5,796,198	5,796,198	-
Loans to members	51,116,905	50,812,423	304,482
Debentures with Atlantic Central	7,040,400	7,013,379	27,021
Accounts receivable	8,698	8,698	-
Accrued interest on loans to members	139,150	139,150	-
Accrued interest on investments	91,643	91,643	-
FVOCI			
Investments - shares	1,672,327	1,672,327	-
	-	-	-
	$ 79,368,492	$ 79,036,989	$ 331,503
Financial Liabilities			
Amortized cost			
Deposits	$ 70,939,109	$ 70,660,798	$ 278,311
Accrued interest on deposits	282,446	282,446	-
Accounts payable and accrued liabilities	421,899	421,899	-
	$ 71,643,454	$ 71,365,143	$ 278,311

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.

21. 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.

21. 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 21(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, 2018 is 10.8% (2017 - 11.9%) of the total assets.

(e) Concentration of risk

The Credit Union has an exposure to risk related to individual loans which account for a sizable portion of the total loan portfolio. The Credit Union's most sizable loans which account for 10% of the total loan portfolio amount to fourteen loans ranging from $278,469 to $657,069 (2017 - sixteen loans ranging from $254,135 to $555,126). These loans are secured by real property with appraised values greater than the borrowed amount at the time of disbursement.

22. RELATED PARTY TRANSACTIONS

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

	2018	2017
Loans to members	$ 2,159,555	$ 2,166,642
Members' deposits	1,407,988	1,390,544
Membership shares	1,795	1,655

22. 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, 2018.

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

	2018	2017
Salaries and other short-term employee benefits	$ 311,374	$ 279,677
Post-employment benefits	16,901	15,017
	$ 328,275	$ 294,694

Directors received the following amounts for serving the Credit Union:

	2018	2017
Directors' expenses	$ 3,725	$ 5,561
Directors' remuneration	10,100	10,100
	$ 13,825	$ 15,661

ST. JOSEPH'S CREDIT UNION LIMITED

Schedule of Expenses

Year ended December 31, 2018, with comparative figures for 2017

		2018		2017
PERSONNEL				
Salaries	$	757,815	$	715,997
Pension and insurance benefits		132,748		122,716
Other employee costs		4,958		5,854
	$	895,521	$	844,567
MEMBERS' SECURITY				
Bonding insurance	$	18,687	$	18,394
Deposit insurance		50,900		47,000
	$	69,587	$	65,394
GENERAL BUSINESS				
Advertising and promotion	$	32,525	$	39,893
Professional fees		43,658		58,945
Data processing		122,456		104,268
Educational		48,414		48,014
Service fees and charges		245,490		234,803
Central assessment and dues		90,000		80,975
Miscellaneous		44,359		74,152
Office and stationery		29,998		27,491
Postage		5,331		3,389
Service contracts and maintenance		10,863		10,971
Telephone		17,224		16,299
Community development fund donations		30,000		40,898
	$	720,318	$	740,098
OCCUPANCY				
Heat, lights and water	$	13,141	$	12,046
Insurance		9,644		9,342
Municipal taxes		6,124		5,579
Janitorial and cleaning supplies		13,753		15,974
Repairs and maintenance		18,483		37,533
	$	61,145	$	80,474

ST. JOSEPH'S CREDIT UNION
3552 Highway 206
PO Box 159
Petit de Grat, NS B0E 2L0

Phone: 902-226-2288
Fax: 902-226-9855

stjosephscreditu.ca

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