CCEC Credit Union
Financial Statements
September 30, 2014

Contents

As at September 30, 2014

Management's Responsibility

To the Members of CCEC Credit Union

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

December 16, 2014

Management

Independent Auditors' Report

To the Members of CCEC Credit Union

We have audited the accompanying financial statements of CCEC Credit Union, which comprise the statement of financial position as at September 30, 2014 and the statements of comprehensive income (loss), changes in members' equity and cash flows for the year then ended, and the related notes which comprise a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of CCEC Credit Union as at September 30, 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

MNP LLP

Chartered Accountants

December 16, 2014
Abbotsford, BC

	2014	*2013*
Assets		
Cash resources (Note 4)	**2,751,121**	2,064,615
Investments (Note 5)	**3,546,089**	7,659,456
Loans (Note 6)	**25,760,955**	21,533,076
Other assets	**35,376**	34,804
Income tax receivable (Note 13)	**1,447**	1,322
Deferred income tax asset (Note 13)	**21,000**	-
Equipment and leaseholds (Note 7)	**98,035**	106,974
Intangible assets (Note 8)	**5,831**	14,278
	32,219,854	31,414,525
Liabilities		
Member deposits (Note 9)	**30,440,863**	29,701,900
Member shares (Note 10)	**405,527**	398,507
Accounts payable and accrued liabilities	**154,357**	219,614
Deferred income tax liability (Note 13)	**-**	4,846
	31,000,747	30,324,867
Members' equity		
Retained earnings	**1,219,107**	1,089,658
	32,219,854	31,414,525

Commitments and contingencies (Note 18)

Approved on behalf of the Board

Director

2014

Director

Statement of Comprehensive Income (Loss)

For the year ended September 30, 2014

	2014	2013
Financial income		
Loans	**1,010,323**	950,985
Cash resources and investments	**125,359**	146,764
	1,135,682	1,097,749
Financial expenses		
Member deposits	**197,782**	201,564
Financial margin	**937,900**	896,185
Provision for loan impairment (Note 6)	**(5,575)**	-
Other income	**317,124**	307,026
Operating margin	**1,249,449**	1,203,211
Operating expenses (Note 11)	**1,145,846**	1,271,615
Income (loss) before taxes	**103,603**	(68,404)
Deferred income tax recovery (Note13)	**25,846**	-
Net comprehensive income (loss)	**129,449**	(68,404)

The accompanying notes form part of the financial statements

	2014	*2013*
Retained earnings, September 30, 2013	**1,089,658**	1,158,062
Net comprehensive income (loss)	**129,449**	(68,404)
Retained earnings, September 30, 2014	**1,219,107**	1,089,658

CCEC Credit Union
Statement of Cash Flows
For the year ended September 30, 2014

	2014	2013
Cash provided by (used for) the following activities		
Operating		
Net comprehensive income (loss)	**129,449**	(68,404)
Depreciation	**32,782**	51,885
Gain on sale of capital assets	**(100)**	
Recovery of deferred income taxes	**(25,846)**	-
Net change in other assets	**(595)**	9,713
Net change in accounts payable and accrued liabilities	**(65,259)**	(86,459)
	70,431	(93,265)
Financing		
Net change in member deposits	**738,963**	2,612,029
Net change in member shares	**7,019**	147,362
	745,982	**2,759,391**
Investing		
Net change in loans	**(4,227,879)**	(919,452)
Net change in investments	**4,113,367**	(4,647,462)
Purchases of equipment, leaseholds and intangible assets	**(15,395)**	(29,644)
	(129,907)	(5,596,558)
Increase (decrease) in cash and cash equivalents	**686,506**	(2,930,432)
Cash and cash equivalents, beginning of year	**2,064,615**	4,995,047
Cash and cash equivalents, end of year	**2,751,121**	2,064,615
Supplemental cash flow information		
Income tax (refund) paid	**(124)**	(3,724)

1. Reporting entity information

Entity information

CCEC Credit Union (the "Credit Union") was formed pursuant to the Credit Union Incorporation Act of British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia. The Credit Union serves members in the lower mainland area of British Columbia. The address of the Credit Union's registered office is 2248 Commercial Drive, Vancouver, British Columbia, Canada.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared in accordance with all IFRS issued and in effect as at September 30, 2014.

These financial statements for the year ended September 30, 2014 were approved and authorized for issue by the Board of Directors on December 16, 2014.

Basis of measurement

The financial statements have been prepared using the historical basis, except for the revaluation of certain financial instruments.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

2. Significant accounting policies

Cash resources

Cash resources include balances with less than 90 days maturity from the date of acquisition, including cash on hand, demand deposits and term deposits.

Investments

Central 1 Credit Union (Central 1) term deposits and shares

Central 1 term deposits are accounted for as investments at amortized cost, adjusted to recognize other than a temporary impairment in the underlying value.

Portfolio investments

Investments in securities are valued at amortized cost, adjusted to recognize other than a temporary impairment in the underlying value. Investments are purchased with the intention to hold them to maturity, or until market conditions cause alternative investments to become more attractive.

Investments in equity investments that do not have a quoted market price in an active market are measured at amortized cost.

Loans

Loans to members are recognized at their amortized cost. Amortized cost is calculated as the loans' principal amount, less any allowance for anticipated losses, plus accrued interest. Interest revenue is recorded on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Fees relating to loans origination, restructuring, renegotiation, and prepayment are recorded as income in the year received unless they relate to a minor modification to the terms of the mortgage, in which case the fees are deferred and amortized over the remaining period of the original mortgage.

2. Significant accounting policies *(continued)*

Impairment of financial assets

For financial assets carried at amortized cost, the Credit Union first assesses individually whether objective evidence of impairment exists for financial assets that are significant, or collectively for financial assets that are not individually significant. If the Credit Union determines that no objective evidence of impairment exists for an individually assessed loan, it includes a financial asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate. Short-term balances are not discounted.

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The calculation of the present value of estimated future cash flows reflects the projected cash flows including provisions for impaired financial assets, prepayment losses, and costs to securitize and service financial assets.

For the purpose of the collective evaluation of loan impairment, financial assets are grouped on the basis of the Credit Union's internal system that considers credit risk, characteristics such as asset type, industry, geographical location, collateral, delinquency status and other relevant economic factors.

Future cash flows on the group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical credit loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical credit loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year such as changes in unemployment rates, inflation, borrowing rates, consumer fuel prices, vehicle auction values or other factors that are indicative of incurred losses in the group and their magnitude.

Equipment and leaseholds

Equipment and leaseholds are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of equipment and leaseholds have different useful lives, they are accounted for as separate items of equipment and leaseholds. Equipment and leaseholds are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful life of the related asset as follows:

Furniture and equipment	3 – 15 years
Computer hardware	2 – 5 years
Leasehold improvements	5 – 10 years

The useful lives of items of equipment and leaseholds are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of equipment and leaseholds are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the statement of comprehensive income.

2. Significant accounting policies *(continued)*

Intangible assets

Depreciation on limited life intangible assets is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for intangibles with definite lives are as follows:

Computer software	2 – 5 years

The useful lives of the intangible assets are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in statement of comprehensive income.

Intangible assets with finite useful lives are depreciated on a systematic basis over their useful lives. The depreciation period and depreciation method for an intangible asset with a finite useful life reflects the pattern in which the assets' future economic benefits are expected to be consumed. Where the pattern cannot be reliably determined, the straight-line method is used. The depreciation period and method is reviewed at least at each financial year end.

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. The Credit Union only has one cash-generating unit, for which impairment testing is performed.

Impairment charges are included in net income, except to the extent that they reverse gains previously recognized in other comprehensive income.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are stated at amortized cost, which approximates fair value due to the short term nature of these liabilities.

Member deposits

Member deposits are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

Member shares

Shares are classified as liabilities or members' equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union board of directors are classified as equity.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest income is recognized on the statement of comprehensive income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Investment income is recognized as interest is earned on interest-bearing investments, and when dividends are declared on shares.

2. Significant accounting policies *(continued)*

Other revenue is recognized as services are provided to members.

Income taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the balance sheet date. Translation gains and losses are included in other income.

Financial instruments

All financial instruments are initially recognized on the statement of financial position at fair value at acquisition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss (FVTPL), available for sale, held to maturity, loans and receivables, or other financial liabilities. During the year, there has been no reclassification of financial instruments.

The financial instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net income. The Credit Union's financial instruments classified as FVTPL include cash resources.

Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The Credit Union's investments classified as available for sale are investments in Central 1 shares.

The financial assets classified as held to maturity are subsequently measured at amortized cost. The Credit Union's financial instruments classified as held to maturity include term deposits held with Central 1.

The financial assets classified as loans and receivables are subsequently measured at amortized cost. The Credit Union's financial instruments classified as loans and receivables include loans, accrued interest and other receivables balances.

Financial instruments classified as other financial liabilities include all member deposits, member shares, and accounts payable and accrued liabilities. Other financial liabilities are initially measured at fair value then subsequently carried at amortized cost.

2. Significant accounting policies *(continued)*

De-recognition of financial assets

De-recognition of a financial asset occurs when:

- The Credit Union does not have rights to receive cash flows from the asset;
- The Credit Union has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
- The Credit Union has transferred substantially all the risks and rewards of the asset, or
- The Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Credit Union has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred or retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent that the Credit Union's continuing involvement in the asset, in that case, the Credit Union also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Credit Union has retained.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the statement of comprehensive income.

New IFRS standards and interpretations not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2014 or later periods. The standards impacted that are applicable to the Company are as follows:

IFRS 9 Financial instruments (Amendment)

In November 2013, the IASB announced the completion of a package of amendments to the accounting requirements for financial instruments, incorporated into the Handbook by the AcSB in February 2014. The amendments:

- Result in significant changes to hedge accounting; and
- Allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments.

The IASB has deferred the mandatory effective date for IFRS 9 to annual periods beginning on or after January 1, 2018. Earlier application is permitted. If an entity applies this IFRS in its financial statements for a period beginning before January 1, 2018, it shall disclose that fact and at the same time apply the consequential amendments to other IFRSs. An entity that did not already apply IFRS 9 as issued in 2009 must apply IFRS 9 as issued in 2010 in its entirety if electing early application. If an entity has already early applied IFRS 9 as issued in 2009, prior to the amendments issued in 2010, the entity may elect to continue to apply IFRS 9 as issued in 2009.

IAS 24 Related Party Disclosures (Amendment)

The amendments to IAS 24, issued by the International Accounting Standards Board (IASB) in December 2013, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in March 2014, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

3. Significant accounting judgements, estimates and assumptions

As the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgment. These estimates are based on management's best knowledge of current events and actions that the Credit Union may undertake in the future.

Allowance for impaired loans

The Credit Union reviews its individually significant loans at each reporting date to assess whether an impairment loss should be recognized. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

In estimating these cash flows, the Credit Union makes judgements about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Members' loans receivable that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective provision assessment takes account of data from the loan portfolio such as credit quality, delinquency, historical performance and industry economic outlook. The impairment loss on member loans receivable is disclosed in more detail in Note 6.

Financial instruments not traded on active markets

For financial instruments not traded in active markets, fair values are determined using valuation techniques such as the discounted cash flow model that rely on assumptions that are based on observable active markets or rates. Certain assumptions take into consideration liquidity risk, credit risk, and volatility.

4. Cash resources

	2014	*2013*
Cash and current accounts	**2,649,245**	2,064,615
Term deposits maturing in less than three months	**101,876**	-
	2,751,121	2,064,615

5. Investments

	2014	*2013*
Central 1 term deposits and shares:		
Term deposits maturing after three months	**3,420,637**	7,546,115
Shares	**111,776**	99,665
Other	**13,676**	13,676
	3,546,089	7,659,456

Investment in shares of Central 1 is required by governing legislation and as a condition of membership in Central 1.

Under government legislation, the Credit Union must maintain, for liquidity purposes, deposits with Central 1 of at least 8% of deposits and borrowings. At September 30, 2014, the Credit Union deposits exceeded the minimum required by $3,481,540 (2013 - $7,027,991).

6. Loans

Principal and allowance by loan type

2013

	Principal Performing	*Principal Impaired*	*Allowance Specific*	*Allowance Collective*	*Net carrying Value*
Residential mortgages	14,368,070	-	-	-	14,368,070
Commercial mortgages	3,975,002	-	-	-	3,975,002
Commercial loans	631,111	6,853	6,390	1,000	630,574
Personal and other	2,519,324	29,094	28,718	1,537	2,518,163
Accrued interest	41,267	-	-	-	41,267
	21,534,774	35,947	35,108	2,537	21,533,076
Total allowance for loan impairment				37,645	

2014

	Principal Performing	*Principal Impaired*	*Allowance Specific*	*Allowance Collective*	*Net carrying Value*
Residential mortgages	17,228,214	-	-	-	**17,228,214**
Commercial mortgages	5,002,355	-	-	-	**5,002,355**
Commercial loans	895,350	6,488	6,488	-	**895,350**
Personal and other	2,562,078	52,838	34,790	654	**2,579,472**
Accrued interest	55,564	-	-	-	**55,564**
	25,743,561	59,326	41,278	654	**25,760,955**
Total allowance for loan impairment				41,932	

Loan allowance details

	2014	*2013*
Balance, beginning of year	**37,645**	45,112
Provision for specific allowance	**5,575**	-
Write-offs	**(1,288)**	(7,467)
Balance, end of year	**41,932**	37,645

6. Loans *(continued)*

Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The table that follows presents the carrying value of loans at year-end that are past due but not classified as impaired because they are either i) less than 90 days past due, or ii) fully secured and collection efforts are reasonably expected to result in repayment.

September 30, 2013	*1-29 days*	*30-89 days*
Personal	149,398	27,122
Commercial	6,092	-
	155,490	27,122

September 30, 2014	***1-29 days***	***30-89 days***
Personal	**722,314**	**14,283**
Commercial	**-**	**89**
	722,314	**14,375**

The principal collateral and other credit enhancements the Credit Union holds as security for loans include (i) insurance, mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. The Credit Union has policies in place to monitor the existence of undesirable concentration in the collateral supporting its credit exposure. In management's estimation, the fair value of the collateral is sufficient to offset the risk of loss on the loans past due but not impaired.

7. Equipment and leaseholds

	Office furniture and equipment	*Leasehold improvements*	*Total*
Cost			
Balance at September 30, 2013	436,732	204,246	640,978
Additions	5,386	10,009	15,395
Disposals	-	-	-
Balance at September 30, 2014	**442,118**	**214,255**	**656,373**
Depreciation and impairment losses			
Balance at September 30, 2013	367,361	166,643	534,004
Additions	18,210	6,124	24,334
Disposals	-	-	-
Balance at September 30, 2014	**385,571**	**172,767**	**558,338**
Net book value			
At September 30, 2013	69,371	37,603	106,974
At September 30, 2014	**56,547**	**41,488**	**98,035**

8. Intangible assets

	Computer Software
Cost	
Balance at September 30, 2013	47,366
Additions	-
Disposals	-
Balance at September 30, 2014	**47,366**
Depreciation and impairment losses	
Balance at September 30, 2013	33,088
Additions	8,447
Disposals	-
Balance at September 30, 2014	**41,535**
Net book value	
At September 30, 2013	14,278
At September 30, 2014	**5,831**

9. Member deposits

	2014	*2013*
Demand		
Chequing & savings	**14,697,422**	14,422,132
Co-op Housing Investment Pool	**921,324**	1,254,743
Term deposits	**5,919,436**	5,038,340
Registered plans	**8,792,473**	8,884,134
	30,330,655	29,599,349
Accrued interest	**110,208**	102,551
	30,440,863	29,701,900

10. Member shares

Authorized:

Unlimited number of membership member shares, with a par value of $1

The Credit Union is authorized to issue an unlimited number of non-transferable, voting member shares, redeemable at par. Each member is entitled to one vote. The ownership requirements are 100 shares for co-operatives and not-for-profit societies, 25 shares for youth members, 5 shares for junior members, and 50 shares for all others. Member shares may be redeemed when the account is closed.

In addition, the Credit Union requires borrowing members to purchase additional member shares based on the loan type and amount. The actual amount required is determined by the board of directors at their discretion. Loan member shares may be redeemed once the loan has been paid in full. A

Issued:

	2014	*2013*
Member shares	**344,451**	335,446
Loan member shares	**61,076**	63,061
	405,527	398,507

11. Operating Expenses

	2014	*2013*
Depreciation	**32,782**	51,885
Central 1 Credit Union service charges	**40,927**	41,448
Data processing	**41,033**	45,594
Directors' expenses	**8,234**	12,885
Education	**-**	1,095
Insurance	**8,483**	6,469
Legal fees	**1,290**	20,798
Loan administration fees	**2,750**	2,200
Office premises and supplies	**180,518**	183,509
Office and miscellaneous	**44,553**	82,124
Promotion	**10,398**	7,644
Regulatory costs	**78,280**	76,947
RRSP administration fees	**3,167**	4,677
Wages and benefits	**693,431**	734,340
	1,145,846	1,271,615

12. Borrowings

The Credit Union has an approved borrowing limit of 5% of member deposits. Borrowings are secured by an assignment, hypothecation, charge and pledge of all book debts and accounts to Central 1 and bear an annual interest rate based on the Chartered Banks overnight funds rate, with no fixed repayment date. The Credit Union has no loans outstanding at year end.

13. Income taxes

The total income taxes in the statement of comprehensive income are at a rate other than the combined federal and provincial statutory tax rates due to the following:

	2014	2013
Combined federal and provincial statutory income rate	**26.0%**	26.0%
Small business deduction	**(12.5)%**	(12.5)%
	13.5%	13.5%

The tax effects of temporary differences which give rise to the deferred income tax asset/liability reported in on the statement of financial position is from differences between accounts deducted for accounting and income tax purposes as follows:

	2014	2013
Equipment and leaseholds	**(2,433)**	(5,662)
Allowance for loan impairment	**646**	816
Non-capital loss carry forward	**22,787**	-
Net deferred income tax asset (liability)	**21,000**	(4,846)

The Credit Union has non-capital tax losses amounting to $168,229 which are available to be carried forward to reduce taxable income in future years, and expire as follows:

2032	107,368
2033	60,861
	$ 168,229

14. Related party transactions

Directors and key management personnel

Key management personnel ("KMP") consists of the General Manager, Branch Manager of Operations, and Manager of Administration.

Loans made to directors and KMP are approved under the same lending criteria applicable to members. Management and staff do not receive concessional rates of interest on their loans and facilities. The Credit Union does have an interest free staff computer purchase program and interest free payroll GIC purchase program. These benefits are subject to tax with the total value of the benefit included in the compensation figures below.

There are no loans that are impaired in relation to loan balances with Directors and KMP.

There are no benefits or concessional terms and conditions applicable to the family members of Directors and KMP. There are no loans that are impaired in relation to the loan balances with family or relatives of Directors and KMP.

The aggregate value of loans outstanding to Directors, KMP, and their respective spouses and children amount to:

	2014	2013
Lines of credit	**189,808**	136,242
Mortgages	**1,305,423**	704,837
Loans	**41,390**	196,150
	1,536,621	1,037,229

14. Related party transactions *(continued)*

During the year the aggregate value of loans disbursed to Directors and KMP amounted to:

	2014	*2013*
Lines of credit	**-**	23,000
Mortgages	**395,000**	641,000
Loans	**28,582**	7,597
	423,582	671,597

	2014	*2013*
Interest and other revenue earned on loans to Directors and KMP	**29,664**	45,522
Interest paid on deposits to Directors and KMP	**1,533**	947

The total value of member deposits from Directors and KMP as at the year-end:

	2014	*2013*
Chequing and demand deposits	**1,247,689**	230,523
Term deposits	**283,168**	106,907
Registered plans	**623,595**	231,796
Total value of member deposits due to Directors and KMP	**2,154,452**	569,226

Aggregate compensation of KMP during the year consisted of:

	2014	*2013*
Salary and benefits	**230,969**	393,065

15. Capital requirements and management

The Credit Union requires capital to fund existing and future operations and to meet regulatory capital requirements.

In the management of capital, the Credit Union includes retained earnings totaling $1,220,107 (2013 - $1,089,658).

The Credit Union is required under provincial legislation to maintain a capital base equal to 8% of the total risk-weighted value of assets; each asset being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset. At September 30, 2014, the Credit Union had a capital base approximating 15.63% (2013 - 18.23%) of the risk-weighted value.

The Credit Union employs a forward looking capital plan that is reviewed by management and the Board of Directors. The capital plan forecasts the Credit Union's capital position over a five year period. The capital plan dictates management's approach to growth, loan mix, credit quality, fixed assets, profitability objectives, and dividend/patronage rebate policy, and has a significant influence on member service objectives. It also establishes the criteria to maintain a cushion beyond the minimum statutory capital requirements. Management and the Board of Directors ensure the Credit Union's investment and lending policy and credit risk profile reflect loan portfolio composition and levels of risk that are consistent with the Credit Union's capital resources and objectives.

There has been no change in the overall capital requirements strategy employed during the year ended September 30, 2014.

16. Financial instrument risk management

The Credit Union, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: credit risk, liquidity risk, market risk, interest rate risk and fair value risk.

The Credit Union, as part of operations, has established avoidance of undue concentrations of risk, managing risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows a risk management policy approved by its Board of Directors.

The Credit Union's risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Credit Union;
- Balance risk and return;
- Manage credit, market and liquidity risk through preventative and detective controls;
- Ensure credit quality is maintained;
- Ensure credit, market, and liquidity risk is maintained at acceptable levels
- Diversify risk in transactions, member relationships and loan portfolios;
- Price according to risk taken; and
- Using consistent credit risk exposure tools.

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Audit Committee, Conduct Review Committee, Executive Committee and I&L Committee.

The risk policies, procedures and objectives have not changed significantly from the prior year.

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counter party to honour its financial or contractual obligation to the Credit Union. Credit risk primarily arises from loans receivable. Management and the board of directors reviews and monitors the credit risk of the Credit Union throughout the year. The maximum exposure of the Credit Union to credit risk before taking into account any collateral held is the carrying amount of the loans as disclosed on the balance sheet. See Note 6 for further information.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographic region. Geographic risk exists for the Credit Union due to its primary service area being the lower mainland area of British Columbia.

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such funding for operating and regulatory purposes. See Notes 5 and 15 for further information about the Credit Union's funding requirement and management.

The Credit Union manages its liquidity position from three perspectives:

a) Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;

b) Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows;

c) Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union's responses thereto.

16. Financial instrument risk management *(Continued)*

The primary liquidity risk policies and procedures include the following:

- Liquidity risk management framework to measure and control liquidity risk exposure
- Measurement of cash flows;
- Maintain a line of credit and borrowing facility with Central 1;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Credit Union segregates market risk into two categories: fair value risk and interest rate risk. The Credit Union is not significantly exposed to currency risk or other price risk.

Interest rate risk

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments. The Credit Union does not hedge its interest rate risk. See below for further information on interest rate sensitivity.

Contractual repricing and maturity

All financial instruments are reported based on the earlier of their contractual repricing date or maturity date. The schedule does not identify management's expectations of future events where repricing and maturity dates differ from contractual dates.

	Within 3 months	*Four months to one year*	*Over one to five years*	*Non-interest sensitive*	*2014 Total*	*2013 Total*
Financial Assets						
Cash resources	2,279,430	-	-	471,691	**2,751,121**	2,064,615
Avg. yield	*1.44%*	-	-	-	***1.19%***	*1.06%*
Investments		1,400,000	2,000,000	146,089	**3,546,089**	7,659,456
Avg. yield		*1.56%*	*1.99%*	-	***1.74%***	*1.82%*
Loans	5,786,948	4,477,335	15,483,041	13,631	**25,760,955**	21,533,076
Avg. yield	*5.05%*	*4.04%*	*3.95%*	-	***4.21%***	*4.30%*
Other assets	-	-	-	4,126	**4,126**	2,168
	8,066,378	5,877,335	17,483,041	635,537	**32,062,291**	31,259,315
Financial liabilities				-		
Member deposits	6,676,179	7,179,463	4,843,878	11,898,987	**30,598,507**	29,851,946
Avg. yield	*0.33%*	*1.26%*	*1.88%*	-	***0.67%***	*0.65%*
Member shares	-	-	-	247,883	**247,883**	248,461
Accounts payable and accrued liabilities	-	-	-	154,357	**154,357**	219,614
	6,676,179	7,179,463	4,843,878	12,301,227	**31,000,747**	30,320,021

Based on the current financial instruments, it is estimated that a 100 basis point increase in the prime rate would increase the financial margin by $51,757 (2013 - $45,731). A 100 basis point decrease in the prime rate would decrease the financial margin by $51,757 (2013 - $45,731).

16. Financial instrument risk management *(Continued)*

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Credit Union incurs fair value risk on it loans, term deposits, and investments held. The Credit Union does not hedge its fair value risk. See Note 17 for further information on fair value of financial instruments.

17. Fair value of financial instruments

The estimated fair values of financial instruments are designed to approximate values at which these instruments could be exchanged in a current market. However, many of the financial instruments lack an available trading market and, therefore, fair values are based on estimates.

Financial instruments recognized at fair value in the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, (as prices) or indirectly (derived from prices)
- Level 3 Inputs for the assets or liability that are not based on observable market data (unobservable inputs)

No fair values have been determined for equipment and leaseholds, or any other asset or liability that is not a financial instrument. The fair values of cash resources, variable rate loans and deposits, and other assets and liabilities are assumed to equal book values. The fair values of fixed rate member loans and deposits are determined by discounting the expected future cash flows at the current market rates for loans and deposits with similar characteristics.

Changes in interest rates are the main cause of change in the fair value of the Credit Union's financial instruments. The majority of the Credit Union's financial instruments are carried at amortized cost and are not adjusted to reflect increases or decreases in fair value due to interest rate changes.

Estimated fair values of financial instruments are summarized as follows:

	Fair value	***Book value***	***2014 Fair value over (under) book value***	*Fair value*	*Book value*	*2013 Fair value over book value*
Financial Assets						
Cash resources	**2,751,121**	**2,751,121**	**-**	2,064,615	2,064,615	-
Investments	**3,568,311**	**3,546,089**	**22,222**	7,688,147	7,659,456	28,691
Loans	**25,675,480**	**25,760,955**	**(85,475)**	21,354,335	21,533,076	(178,741)
Other assets	**4,126**	**4,126**	**-**	2,168	2,168	-
	31,999,038	**32,062,291**	**(63,253)**	31,109,265	31,259,315	(150,050)
Financial Liabilities						
Member deposits	**30,626,821**	**30,598,507**	**(28,314)**	29,887,770	29,851,946	(35,824)
Member shares	**247,883**	**247,883**	**-**	248,461	248,461	-
Accounts payable and accrued liabilities	**154,357**	**154,357**	**-**	219,614	219,614	-
	31,029,061	**31,000,747**	**(28,314)**	30,355,845	30,320,021	(35,824)
Difference			**(91,567)**			(185,874)

18. Commitments and contingencies

a) Letters of Credit and Lines of Credit

The Credit Union has no letters of credit issued that are not reflected in these financial statements (2013 – $NIL). The Credit Union has authorized but undisbursed lines of credit totalling $3,247,770 (2013 - $2,047,139). There were no approved but undisbursed loans as at September 30, 2014 (2013 - $1,063,500).

b) Premises

The Credit Union signed a lease to rent its office premises for five years expiring June, 2015. Monthly payments are $10,056 plus the Credit Union's share of the building's operating costs and GST.

19. Comparative Figures

Certain comparative figures have been restated to conform to current year presentation.