

# 2018 RAPPORT ANNUEL ANNUAL REPORT

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CAISSE POPULAIRE  
ÉVANGÉLINE-CENTRAL  
CREDIT UNION

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# 2018

## HIGHLIGHTS | POINTS SAILLANTS

**\$160M**  
ASSETS | ACTIF

**\$145M**  
DEPOSITS | DÉPÔTS

**8,477**  
MEMBERS | ADHÉSION

**\$133M**  
LOANS | PRÊTS

**\$226K**  
PAID TO MEMBERS  
REDISTRIBUÉ AUX MEMBRES

**+4.83%**  
AVG. MEMBER SAVINGS  
MOYENNE DES ÉPARGNES DES MEMBRES

# MISSION | MISSION

FOCUSED ON YOU: YOUR COMMUNITY, YOUR FUTURE,  
YOUR PROSPERITY.  
PARTNER IN YOUR SUCCESS.

AXÉE SUR VOUS : VOTRE COMMUNAUTÉ, VOTRE  
AVENIR, VOTRE PROSPÉRITÉ.  
PARTENAIRE DANS VOTRE SUCCÈS.

HONEST  
HONNÉTÉTÉ

INCLUSIVE  
INCLUSIVITÉ

PASSIONATE  
PASSION

HOLISTIC  
HOLISTIQUE

SPIRITUAL  
SPIRITUALITÉ

SIMPLISTIC  
SIMPLICITÉ

EVOLUTIONARY  
ÉVOLUTION

# VALUES | VALEURS

# BOARD OF DIRECTORS

# CONSEIL D'ADMINISTRATION



**MARSHA ARSENAULT**  
President | présidente



**IMELDA ARSENAULT**  
Vice President | vice présidente



**PETER BULGER**  
Secretary | secrétaire



**JIM COOK**



**GISELLE BERNARD**



**JAMIE COLWILL**



**BILLY MACKENDRICK**



**JOEL BRENNAN**



**RODNEY MACDONALD**

# STAFF PERSONNEL



# CREDIT CARDS CARTES DE CRÉDIT

IN 2018, WE LAUNCHED A WHOLE NEW  
SUITE OF PERSONAL AND BUSINESS  
CREDIT CARDS.

EN 2018, NOUS AVONS LANCÉ UNE TOUTE  
NOUVELLE GAMME DE CARTES DE CRÉDIT  
PERSONNELLES ET D'AFFAIRES.

## PERSONAL | PERSONNELLES



## BUSINESS | D'AFFAIRES



# PRESIDENT'S REPORT



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

The Board's role is to represent the interests of members when performing its due diligence in the strategic governance of the credit union and to monitor the financial and regulatory performance of the organization. In order to effectively perform his or her duties, each Board Member is required to successfully complete director training within his or her first 3 years on the Board.

I am pleased to announce that the Board declared a 1% dividend interest on share savings based on another successful financial performance for the year ending December 31st, 2018. The Credit Union continues to experience solid growth; our assets increased by 3.8% during 2018.

This leads me to praise the success the Credit Union has seen this year with our new credit cards. We're proud to have launched a new suite of credit cards for both our personal and commercial members. This comes complete with a new rewards program as well, with new types of rewards for our members to enjoy. I'm proud to announce our new credit card partner, Collabria Financial Services Inc., is a co-operative organization just like us, who shares in our values and business principles. Together, we've brought to market both Mastercard and Visa credit card products that provide the best benefits at the lowest possible prices to our members.

Building on the success from 2018, we look to expand our relationship with our busy members. We recognize that a more functional online platform will be critical to supporting our members' financial lives and we are dedicating a considerable amount of resources to the development of those



enhancements to our products and services. We are focused on carrying forward our top-ranking customer service reputation by offering more convenient options for our members to access all of our products and services.

In 2018, representation from Board and Management of the 7 PEI Credit Unions participated in a provincial strategic exercise to identify opportunities that could improve our individual effectiveness and efficiency for the benefit of our overall membership. Quite recently, our organization has begun its very own strategic planning process that aims to guide the organization on a successful path for the next 3 to 5 years in light of recent and future technological advancements within the banking sector. Members' needs and expectations of their financial institution are evolving at a rapid pace as online access continues to gain popularity.

On behalf of the board of directors, I would like to thank our CEO, Alfred Arsenault, our Branch Managers and all of the staff for their professional service and their commitment to the betterment of our communities. To my fellow directors, it has truly been an honour to have been appointed by you as President for the past three years. I chaired our board during our 35th year of operation (in 2004). Since that time, our assets have more than tripled and our donations have doubled. This only happens with strong leadership and ongoing support of our members. Thank you for performing to the best of your abilities and for your belief in the Co-operative movement. To all our members, I am confident Évangéline-Central Credit Union is ready for the challenges and achievements ahead.

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# RAPPORT DE LA PRÉSIDENTE

Ce fut réellement un privilège et un honneur pour moi d'agir en tant que présidente de la caisse populaire et de représenter nos membres au sein du conseil d'administration.

Le rôle du Conseil est de représenter les intérêts des membres lors de l'exercice de son devoir de diligence dans la gouvernance stratégique de la caisse et de surveiller les résultats financiers et réglementaires de l'organisation. Afin de s'acquitter efficacement de ses tâches, chaque membre du conseil est tenu de suivre avec succès une formation pour administrateurs au cours de ses trois premières années au Conseil.

Je suis contente de vous annoncer que le Conseil a déclaré un taux d'intérêt de dividende de 1,00% sur les dépôts dans les comptes de parts, grâce à une autre magnifique performance financière au cours de l'année se terminant le 31 décembre 2018. Votre caisse populaire a continué sa croissance de façon bien solide; nos actifs ont augmenté de 3,8 pour cent au cours de l'année 2018.

Tout cela m'amène à vanter le succès que la caisse populaire a vu cette année grâce à nos nouvelles cartes de crédit. Nous sommes bien fiers d'avoir pu lancer une nouvelle gamme de cartes de crédit pour nos membres personnels et commerciaux. Cette

nouveauté arrive avec un nouveau programme de récompenses qui offre de nouveaux genres de récompenses pour nos membres. Je suis bien fière d'annoncer que notre nouveau partenaire pour les cartes de crédit, Collabria Financial Services Inc., est un organisme coopératif comme nous qui partage les mêmes valeurs et les mêmes principes d'affaires que nous. Ensemble, nous avons pu lancer des produits de cartes de crédit Mastercard et Visa qui offrent à nos membres les meilleurs bénéfices possibles aux meilleurs taux possibles.

Sur la base du succès de 2018, nous cherchons à élargir notre relation avec nos membres occupés. Nous reconnaissons qu'une plateforme en ligne davantage fonctionnelle sera critique pour appuyer la vie financière de nos membres; nous consacrons donc des ressources considérables dans le développement de ces améliorations à nos produits et services. Nous nous concentrons sur l'avancement de notre excellente réputation de service à la clientèle en offrant des options plus pratiques pour que nos membres puissent accéder à tous nos produits et services.

En 2018, des représentants des conseillers et gestionnaires des sept caisses populaires de l'Île ont participé à un exercice stratégique provincial pour identifier des occasions qui pourraient améliorer notre efficacité et notre efficacité individuelles au profit de l'ensemble de nos membres. Très récemment, notre organisation a commencé son propre processus de planification stratégique pour

guider notre caisse sur la voie du succès pour les prochaines 3 à 5 années, à la lumière des avancées technologiques récentes et futures dans le secteur bancaire. Les besoins et les attentes de nos membres, à l'égard de leur institution financière, évoluent rapidement alors que l'accès en ligne aux services financiers continue à devenir de plus en plus populaire.

Au nom du Conseil d'administration, je voudrais remercier notre directeur général Alfred Arsenault, nos gérant(e)s de succursales et tous nos employé(e)s pour leurs services professionnels et leur dévouement à l'amélioration de nos communautés. Mes collègues administrateurs, je veux vous dire qu'il fut tout qu'un honneur d'avoir été nommé par vous pour agir en tant que votre présidente pour les trois dernières années. J'ai aussi eu l'honneur de servir comme présidente à l'occasion de notre 35e année d'opération (en 2004). Depuis ce temps-là, nos actifs ont plus que triplé et nos dons ont doublé. Cela peut seulement se produire lorsqu'il y a un leadership fort et solide et lorsque nous avons l'appui continu de nos membres. Merci d'agir au mieux de vos capacités et pour votre forte croyance dans le mouvement coopératif. Et, nos chers membres, je suis confiante que la Caisse populaire Évangéline-Central est prête pour les défis et les accomplissements du futur.

# CEO'S REPORT



Once again, I have the pleasure to report to you, our membership, on the activities and results of our 2018 year of operations. Our corporate objective is to be deliberate and consistent in our drive to deliver great banking that offers something banks cannot: membership and co-op principles with real value. We are invested in our local communities in real and meaningful ways.

As is evidenced in the attached 2018 audited financial statements, the assets of the Credit Union have increased by 3.8% in 2018 due primarily to the increase in member savings of 3.5%. Unfortunately, our loan portfolio did not keep pace as it only experienced growth of 0.7%. With such a difference between member deposit growth and loan growth, it resulted in our cash and corporate investments being up significantly throughout 2018 in comparison to our 2017 fiscal year. Unfortunately, cash and corporate investments usually generate lower margins than lending, which is evident from the Statement of Profit or Loss. Nonetheless, based on the high amount of lending activity forthcoming at the end of 2018 and early 2019, indications are such that loan growth for 2019 is expected to be

quite strong. With profits of \$684K after dividends and taxes for the 2018 fiscal year, the equity has now reached 8.16%, which is currently well above the regulator's requirement of 5% and also the Boards' objective to reach and maintain equity of 8% or greater.

We are quite pleased to have launched a new suite of credit cards this past June as a result of the National Credit Union System transitioning to a common card supplier. Our new partner, Collabria Financial Services Inc., offers an elaborate collection of cards consisting of 8 personal Mastercard credit cards and 3 business Visa credit cards, which are structured to offer a variety of options for members to choose from based on their individual preferences.

It is however truly unfortunate that this National / Atlantic initiative to transition our cards from CUETS Financial (a division of The Toronto-Dominion Bank) to Collabria (a co-operative-owned organization) failed to provide a Global Payment Card (GPC) replacement as was intended. As the transition from CUETS Financial to Collabria began in mid-2018, complications started to arise vis-à-vis the GPC

due to its limited popularity on the National stage, despite being quite popular in our local market. We are well aware that the loss of the GPC is certainly not a welcomed change for our membership as it provided attractive payment features normally only accessible via credit products. We are determined to provide all our effected members with an alternative solution based on each member's individual payment needs. As part of the Atlantic Credit Union system, we are now focusing our attention to bringing further enhancements to our existing debit and credit card products.

Co-operation within co-operatives is alive and well as we continue to receive tremendous benefit from being part of both a National and an Atlantic credit union system. These relationships provide us

the capacity to deliver much greater value to our membership as they offer us the ability to access product, services and technology development that would otherwise be unaffordable to us individually as a relatively small organization within a massively competitive industry.

To conclude, I would like to thank our dedicated team of employees as well as our various system partners that facilitate secure transactions and deliver individualized financial solutions to our membership on a daily basis. I would also like to express my gratitude to our Board of Directors for their commitment to the organization. And to our membership, a very special thanks for choosing our credit union to assist you in making your dreams a reality.

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# RAPPORT DU DIRECTEUR GÉNÉRAL

J'ai encore une fois le plaisir de vous adresser, chers membres, pour vous faire rapport des activités et des résultats de notre année financière 2018. Notre objectif d'entreprise est d'être délibéré et cohérent dans notre volonté de fournir des services bancaires de grande qualité qui offrent ce que les banques ne peuvent pas offrir : des principes d'adhésion et de coopération présentant une valeur réelle. Nous sommes investis dans nos communautés locales de manières réelles et significatives.

Comme l'indiquent nos états financiers audités de 2018 ci-joints, les actifs de la caisse populaire ont augmenté de 3,8% en 2018, principalement en raison d'une augmentation de 3,5% des épargnes

des membres. Malheureusement, notre portefeuille de prêts n'a pas suivi le même rythme; nous n'y avons vu qu'une augmentation de 0,7%. En raison d'une si grande différence entre la croissance des dépôts des membres et celle des prêts, nos investissements corporatifs et notre trésorerie ont été considérablement plus élevés en 2018 qu'ils ne l'étaient en 2017. Malheureusement, de tels investissements génèrent de plus petites marges de revenus que les prêts; nos états des résultats en font preuve. Cependant, basé sur le grand volume d'activités de prêts que l'on a vu vers la fin 2018 et au début de 2019, on prévoit une belle croissance dans nos prêts pour la nouvelle année en cours. Avec des profits de 648 000 \$ après le versement

des dividendes et le paiement des taxes pour l'année financière 2018, nous constatons que notre niveau de capitaux propres a maintenant atteint 8,16%, ce qui est bien au-delà du taux de 5% exigé par les régulateurs et de l'objectif de votre conseil d'administration, qui est d'atteindre et de maintenir un taux minimal de 8%.

Nous sommes très contents d'avoir lancé une nouvelle gamme de cartes de crédit en juin dernier suite à la transition du système national des caisses populaires vers un seul fournisseur de cartes. Notre nouveau partenaire, Collabria Financial Services Inc., offre une vaste collection de cartes, dont 8 cartes de crédit personnelles Mastercard et 3 cartes de crédit d'affaires Visa, qui sont structurées pour offrir une variété d'options pour nos membres afin qu'ils puissent choisir la carte qui convient le mieux à leurs préférences personnelles.

Nous trouvons très malheureux le fait que cette initiative nationale / atlantique de transition de nos cartes de CUETS Financial (une division de la Banque Toronto-Dominion) à Collabria (un organisme coopératif) n'a pas pu nous offrir une carte de remplacement pour la carte Global Payment (CGP), comme il avait été prévu. Alors que l'on transitionnait de CUETS Financial à Collabria à la mi-2018, on a commencé à constater des complications vis-à-vis la CGP puisqu'elle est très peu populaire sur la scène nationale, même si elle est très utilisée dans le marché local. Nous sommes donc très conscients que la perte de la CGP est un changement peu apprécié par nos membres puisqu'elle vous offrait des moyens de paiement très attrayants qui normalement sont seulement accessibles par l'entremise de cartes de crédit. Nous sommes tout de même déterminés de fournir aux

membres affectés des solutions alternatives basées sur les besoins de paiements de chaque membre individuel. En tant que membre du système des caisses populaires de la région atlantique, nous concentrons nos efforts pour vous livrer d'autres améliorations aux produits existants de cartes de crédit et de débit.

La coopération parmi les coopératives demeure toujours une belle et importante façon de faire nos affaires. En fait, notre affiliation au système atlantique et national des caisses nous apporte de nombreux bénéfices. Ces relations nous offrent la capacité de livrer une plus grande valeur à nos membres car elles nous rendent capables d'accéder à des produits, services et développements technologiques que nous ne pourrions autrement pas accéder ni aborder puisque nous sommes relativement une petite organisation dans une industrie qui est massivement compétitive.

Pour conclure, je voudrais remercier notre équipe très dévouée d'employé(e)s ainsi que nos divers partenaires du système des caisses qui facilitent nos transactions en toute sécurité et qui livrent chaque jour des solutions financières individuelles à nos membres. J'aimerais également exprimer ma reconnaissance envers notre conseil d'administration pour son engagement envers notre organisation. Et à nos membres, un merci très spécial d'avoir choisi notre caisse populaire pour vous appuyer dans la réalisation de vos rêves.



# COMMUNITY EVENTS

# ÉVÈNEMENTS

# COMMUNAUTAIRES



**FESTIVALS | FESTIVALS**

**ROCK THE BOAT FESTIVAL**

**ENTREPRENEURS GALA | GALA DES ENTREPRENEURS**

**SUMMER CONCERT SERIES | SÉRIE DE SPECTACLES ESTIVALE**



**TYNE VALLEY SPORT CENTRE ELIMINATION DRAW  
| TIRAGE ÉLIMINATOIRE CENTRE DE SPORT TYNE  
VALLEY**

**PICKLEBALL COURT | TERRAIN PICKLEBALL**



# HEALTH CARE

# SOINS SANTÉ



**STEWART MEMORIAL HOME | FOYER STEWART  
MEMORIAL**



**QEH FOUNDATION | FONDATION DE L'HÔPITAL QUEEN  
ELIZABETH**

**PCH FOUNDATION & LIGHTS FOR LIFE | FONDATION  
DE L'HÔPITAL DU COMTÉ DE PRINCE ET LUMIÈRES  
DE VIE**



**O'LEARY COMMUNITY HOSPITAL FOUNDATION  
| FONDATION DE L'HÔPITAL COMMUNAUTAIRE  
D'O'LEARY**



# YOUTH | JEUNES



**WELLINGTON & AREA BOYS & GIRLS CLUB | CLUB GARÇONS ET FILLES DE WELLINGTON ET ENVIRON**

**ACADIAN GAMES | JEUX DE L'ACADIE**



**WESTERN REGION SPORT AND RECREATION COUNCIL | CONSEIL DES SPORTS ET DES LOISIRS DE LA RÉGION DE L'OUEST**



**LOCAL MINOR HOCKEY ASSOCIATIONS | ASSOCIATIONS DE HOCKEY MINEUR LOCAUX**

**3.6K**

## JUNIOR ACHIEVEMENT

Since 2016, credit unions on the Island have built a valuable partnership with JA PEI.

Working off JA's already well-received programming, we teamed up to enhance their Economics for Success program with the additional knowledge of a financial expert. Economics for Success focuses on the importance of financial literacy and teaches students budgeting skills which they'll need for the future.

Through the growing popularity of the program we have currently been able to instruct over 3,600 students at 14 different Island high-schools.

Depuis 2016, les Caisses populaires de l'Île ont développé un partenariat précieux avec JA PEI.

En appui de la programmation déjà bien reçue de JA, nous avons collaboré à l'amélioration du programme « L'économie pour le succès » en leur offrant les connaissances d'un de nos experts en finances. « L'économie pour le succès » se concentre sur l'importance de la littératie financière et transmet aux étudiants des compétences en budgétisation, qui leurs seront indispensables dans le futur.

Grâce à la popularité grandissante du programme, nous avons été capable de former 3 600 étudiants dans 14 différentes écoles secondaires de l'Île.



# SCHOLARSHIPS

# BOURSES D'ÉTUDES

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We are pleased to announce six Évangéline-Central Credit Union Scholarship recipients for 2018 totaling \$7,500. The \$2,500 Darlene Frances Corcoran Memorial Scholarship, in honour of Darlene's love for her community, was awarded to Amanda Williams for her participation and contribution to her community.

The other scholarship recipients received \$1,000 towards furthering their education. We wish all students the best in their studies and future endeavours.

Nous sommes heureux d'annoncer que six élèves ont reçu des bourses de la Caisse populaire Évangéline-Central en 2018 totalisant 7 500 \$. D'une valeur de 2 500 \$, la bourse Darlene Francis Corcoran Memorial Scholarship, soulignant l'amour de Darlene pour sa communauté, a été décernée à Amanda Williams pour sa participation et sa contribution à sa communauté.

Tous les autres récipiendaires ont reçu 1 000 \$ chacun afin de poursuivre leurs études. Nous leur souhaitons bonne chance dans la poursuite de leur éducation et dans leurs projets d'avenir.



**AMANDA WILLIAMS**



**BREANNA RAYNER**



**EMMA ARSENAULT**



**MELANIE ARSENAULT**



**JANELLE ARSENAULT**



**SPENCER PALMER**

# DISTANT DONATION DON LOINTAIN

# BREAKING NEW GROUND CAMPAIGN

CO-OPERATIVE DEVELOPMENT FOUNDATION OF CANADA |  
FONDATION POUR LE DÉVELOPPEMENT COOPÉRATIF DU CANADA

Providing communities around  
the world with opportunities to:  
**Grow co-operative enterprises**  
**Mobilize savings and loans**  
**Learn new skills**

Fournir aux communautés du monde entier  
des opportunités pour:  
**Développer les entreprises coopératives**  
**Mobiliser l'épargne et les prêts**  
**Apprendre de nouvelles compétences**

# RONALD MCDONALD HOUSE CHARITIES ATLANTIC

## ŒUVRE DES MANOIRS RONALD MCDONALD ATLANTIQUE

13

FAMILIES | FAMILLES

246

NIGHTS | NUITS

### FAMILY COMES FIRST

We are proud of our ongoing partnership with Ronald McDonald House Charities Atlantic in many different capacities for 2018. With our Members Stay Free program, credit union members are able to stay at the Ronald McDonald House in Halifax for free while their child is being treated at the IWK. During 2018, this program was able to help 13 families on PEI totaling 246 nights spent at the Ronald McDonald House.

Alongside our member program, 2018 marked the first year we were involved with the annual PJ Walk – a major fundraiser for the RMHC Atlantic held in three cities across the Maritimes. The PJ Walk raised \$230,000 in total, with the event on PEI raising more than \$63,000 of that amount.

We look forward to continuing our support for our members who have to visit Halifax for their child's treatment into 2019. We're proud to help ease a small portion of the inevitable stress.

### LA FAMILLE D'ABORD

Nous sommes très fiers de notre partenariat continu avec l'Œuvre des Manoirs Ronald McDonald Atlantique sur de nombreux points de vue en 2018. Avec notre programme « Nos membres s'y logent gratuitement », les membres des caisses populaires peuvent s'héberger gratuitement au Manoir Ronald McDonald à Halifax alors que leur enfant reçoit des traitements à l'hôpital IWK. En 2018, ce programme a pu aider à 13 familles de l'Île à passer un total de 246 nuitées gratuites au Manoir Ronald McDonald.

En plus de notre programme pour membres, 2018 fut la première année de notre participation à la Pyja-marche pour les enfants – une cueillette de fonds majeure pour l'OMRD Atlantique qui s'est déroulée dans trois villes des Maritimes. La Pyja-marche a cueilli 230 000 \$ en total; de ce total, plus de 63 000 \$ venait de la marche tenue à l'Île!

Nous avons bien hâte de continuer d'appuyer nos membres qui doivent se rendre à Halifax pour que leur enfant puisse recevoir des traitements médicaux en 2019. Nous sommes fiers de pouvoir aider à alléger une petite portion du stress inévitable que génère de telles situations.

# CREDENTIAL FINANCIAL STRATEGIES STRATÉGIES FINANCIÈRES CREDENTIAL

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

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

The Credential Representatives, Sharon Gallant, in the O'Leary area and Krista Ahern who works with our Tyne Valley and Evangeline members, are available to assist with all of your financial planning needs. With over 20 years of experience in the financial planning industry, they specialize in:

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

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

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

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

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

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

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

Nos représentantes de Credential, Sharon Gallant dans la région d'O'Leary et Krista Ahern, qui travaille avec les membres de Tyne Valley et d'Évangéline, sauront répondre à vos besoins en matière de planification financière. Possédant plus de 20 ans d'expérience dans l'industrie de la planification financière, elles se spécialisent dans les domaines suivants :

- Planification successorale
- Planification de la retraite
- Assurance-vie
- Régime d'épargne-études
- Fonds communs de placement
- Régime d'épargne-invalidité
- Planification des investissements
- Régime d'épargne-retraite
- REER de groupe pour entreprises
- Régime de santé de groupe pour entreprises

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

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

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

Les fonds communs sont offerts par l'entremise Gestion d'actif Credential inc. Stratégies financières Credential inc. offre la planification financière, assurance-vie et investissements aux membres des caisses et leurs communautés.

**FINANCIAL  
STATEMENTS**

**ÉTATS  
FINANCIERS**

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## INDEPENDENT AUDITOR'S REPORT

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### To the Members of Évangéline-Central Credit Union Limited

#### Opinion

We have audited the financial statements of Évangéline-Central Credit Union Limited (the Credit Union), which comprise the statement of financial position as at December 31, 2018, and the statements of profit or loss and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2018, and its financial performance and its cash flow 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 the 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

*(continues)*

## Auditor's Responsibilities 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 decisions 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.

*MRSB Chartered Professional Accountants Inc.*

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Charlottetown, PE

March 13, 2019


# ÉVANGÉLINE-CENTRAL CREDIT UNION

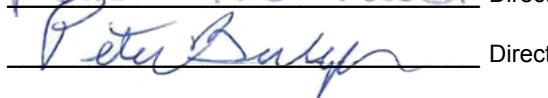
## STATEMENT OF FINANCIAL POSITION

December 31, 2018

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents (Note 5)	\$ 7,104,458	\$ 3,976,953
Investments (Note 6)	14,446,735	11,909,421
Accounts receivable (Note 7)	1,358,974	1,845,588
Member loans and mortgages (Note 8)	132,858,188	131,965,666
Provision for impaired loans (Note 9)	(1,205,618)	(1,427,381)
Prepaid expense	100,525	94,718
Due from CU PEI Investment Corp. (Note 13)	2,725,732	2,650,732
Deferred income tax asset (Note 12)	24,695	26,919
Property and equipment (Schedule 1)	2,347,101	2,498,553
Real estate held for resale	272,670	570,010
Investment in associate (Note 13)	61,112	154,899
	<b>\$160,094,572</b>	<b>\$154,266,078</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 955,619	\$ 836,699
Income taxes payable	14,058	74,506
Employee benefits payable	376,939	377,367
Accrued interest payable	711,286	526,321
Member deposits (Note 14)	119,853,777	115,506,912
Share deposits	25,115,128	24,559,709
	<b>147,026,807</b>	<b>141,881,514</b>
<b>MEMBERS' EQUITY</b>		
Contingent liability (Note 15)		
Members' shares (Statement 4)	42,385	43,005
Undistributed earnings (Statement 4)	13,025,380	12,341,559
	<b>13,067,765</b>	<b>12,384,564</b>
	<b>\$160,094,572</b>	<b>\$154,266,078</b>

### ON BEHALF OF THE BOARD

 Director

 Director

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



# ÉVANGÉLINE-CENTRAL CREDIT UNION

## STATEMENT OF CHANGES IN MEMBERS' EQUITY

Year Ended December 31, 2018

	2018	2017
<b>Members' shares</b> (Note 16)		
Balance - beginning of year	\$ 43,005	\$ 44,285
Redemption of members' shares, net of issuance	<u>(620)</u>	<u>(1,280)</u>
Balance - end of year	<u>42,385</u>	<u>43,005</u>
<b>Undistributed earnings</b>		
Balance - beginning of year	12,341,559	11,498,645
Net income (Statement 5)	<u>683,821</u>	<u>842,914</u>
Balance - end of year	<u>13,025,380</u>	<u>12,341,559</u>
<b>Members' equity</b>	<u>\$ 13,067,765</u>	<u>\$ 12,384,564</u>

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

# ÉVANGÉLINE-CENTRAL CREDIT UNION

## STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2018

	2018	2017
<b>Income</b>		
Interest and investment	\$ 5,644,272	\$ 5,344,296
Cost of capital and borrowings (Note 17)	<u>1,442,672</u>	<u>1,136,120</u>
Financial margin	<u>4,201,600</u>	<u>4,208,176</u>
<b>Other</b>		
Commissions	1,387,192	1,328,038
Miscellaneous	<u>144,980</u>	<u>139,230</u>
	<u>1,532,172</u>	<u>1,467,268</u>
	<u>5,733,772</u>	<u>5,675,444</u>
<b>Expenses</b>		
Advertising and promotions	196,175	196,365
Amortization of property and equipment	153,211	165,590
Automated teller machines	98,676	110,781
Board honorarium	17,139	22,157
Data processing	220,456	213,670
Dues and memberships	129,719	122,599
Insurance	255,869	238,661
Meetings	15,387	21,505
Miscellaneous	6,637	4,145
Office	160,270	162,174
Premises	225,844	235,964
Professional fees	73,192	54,384
Provision for impaired real estate for resale	100,000	-
Provision (recovery) for impaired loans	(21,008)	129,028
Service fees	1,158,761	1,035,276
Telephone	41,045	38,696
Travel	34,131	30,180
Wages and wage levies	<u>2,042,418</u>	<u>1,990,723</u>
	<u>4,907,922</u>	<u>4,771,898</u>
<b>Income from operations</b>	<b>825,850</b>	<b>903,546</b>
<b>Other income</b>		
Income from significant influence investment	<u>71,941</u>	<u>134,979</u>
<b>Income before income taxes</b>	<b>897,791</b>	<b>1,038,525</b>
<b>Income taxes (recovery)</b>		
Current (Note 18)	211,746	197,679
Deferred	<u>2,224</u>	<u>(2,068)</u>
	<u>213,970</u>	<u>195,611</u>
<b>Net income</b>	<b>\$ 683,821</b>	<b>\$ 842,914</b>

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

# ÉVANGÉLINE-CENTRAL CREDIT UNION

STATEMENT OF CASH FLOW  
Year Ended December 31, 2018

	2018	2017
<b>Cash flows from operating activities</b>		
Net income	\$ 683,821	\$ 842,914
Items not affecting cash:		
Amortization of property and equipment	153,211	165,590
Deferred income taxes	2,224	(2,068)
	<u>839,256</u>	<u>1,006,436</u>
Changes in non-cash working capital:		
Investments	(2,537,314)	3,311,886
Accounts receivable	486,614	873,004
Prepaid expense	(5,807)	5,301
Accounts payable and accrued liabilities	118,920	107,178
Employee benefits payable	(428)	53,522
Income tax payable	(60,448)	4,525
Accrued interest payable	184,965	(114,534)
	<u>(1,813,498)</u>	<u>4,240,882</u>
	<u>(974,242)</u>	<u>5,247,318</u>
<b>Cash flows from investing activities</b>		
Increase in member loans and mortgages	(1,114,285)	(13,214,692)
Decrease (increase) in real estate held for resale	297,340	(116,801)
Decrease (increase) in investment in associate	93,787	(134,004)
Increase in amount due from CU PEI Investment Corp.	(75,000)	(650,000)
Purchase of property and equipment	(1,759)	(65,299)
	<u>(799,917)</u>	<u>(14,180,796)</u>
<b>Cash flows from financing activities</b>		
Increase in member deposits	4,346,865	5,230,611
Increase in share deposits	554,799	1,884,996
	<u>4,901,664</u>	<u>7,115,607</u>
<b>Net change in cash and cash equivalents during the year</b>	<b>3,127,505</b>	<b>(1,817,871)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>3,976,953</b>	<b>5,794,824</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 7,104,458</b>	<b>\$ 3,976,953</b>
<b>Cash flow supplementary information</b>		
Interest and dividends received	\$ 5,856,451	\$ 5,595,589
Interest paid	\$ 956,322	\$ 1,098,422
Income taxes paid	\$ 297,442	\$ 193,154

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

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 1. REPORTING ENTITY

Évangéline-Central Credit Union Limited was incorporated under the Companies Act of Prince Edward Island on April 1, 2012 and is governed by the Prince Edward Island Credit Unions Act. Évangéline-Central Credit Union Limited is a member-owned financial institution whose principal business activities include financial and banking services for its members at its branches in Évangéline, Tyne Valley and O'Leary, Prince Edward Island.

## 2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with and are in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of the financial statements are set out in Note 4.

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

These financial statements were authorized for issue by the Board of Directors on March 13, 2019.

As explained in changes in accounting policies in Note 4, the Credit Union has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of January 1, 2018.

## 3. BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis except for available-for-sale investments which are at fair value through profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand and cash in financial institutions. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

### Investments

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Credit Union has the positive intent and ability to hold to maturity, and which are not designated as at FVTPL or as available-for-sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted investments whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

*(continues)*

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments with significant influence

The Credit Union's investment CU PEI Investment Corp., of which it owns 25% of the outstanding voting shares, over which the Credit Union exercises significant influence, is accounted for by the equity method. Accordingly, the investment is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and dividends received.

### Accounts receivable

Accounts receivable arise from miscellaneous rebates and accrued interest on loans and mortgages and investments. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the year of recovery.

### Loans and mortgages

Loans and advances were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

### Impairment

The Credit Union measures loss allowances at an amount equal to lifetime expected credit losses.

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Credit Union in accordance with the contract and the cash flows that the Credit Union expects to receive);
- 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 cashflows

If the terms of a financial asset are renegotiated or modified or an existing financial assets 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.

At each reporting date, the Credit Union assesses whether financial assets carried at amortized cost 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 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.

Loss allowances for expected credit losses are presented in the statement of financial position as financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.

(continues)

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

An individual measurement of impairment is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management made judgements about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the Credit Risk function.

The collective allowance for groups of homogeneous loans was established using statistical methods such as roll rate methodology or loss rates. The roll rate methodology used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgement to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates were benchmarked against actual loss experience.

The allowance covers credit losses inherent in portfolios of loans and advances, when there was objective evidence to suggest that they contained impaired items but the individual impaired items could not yet be identified. Loans that were subject to a collective provision were not considered impaired.

In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance.

Impairment losses on assets measured at amortized cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses on available-for-sale assets were calculated as the difference between the carrying amount and the fair value.

If an event occurring after the impairment was recognized caused the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses were recognized in profit or loss and reflected in an allowance account against loans and receivable. Interest on the impaired assets continued to be recognized through the unwinding of the discount. At December 31, 2018, interest accrued on impaired loans and mortgages totals \$353 (2017 - \$Nil).

*(continues)*

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Deferred income taxes

Income tax expense comprises current and deferred tax.

Current income taxes are recognized for the estimated income taxes payable or recoverable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which 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.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date and are expected to apply when the liabilities/assets are settled/recovered.

### Property and equipment

Property and equipment is stated at cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Buildings	4%, 5%, and 10%	declining balance method
Equipment	20%	declining balance method
ATMs	30%	declining balance method
ATMs	20%	straight-line method
Pavement	8%	declining balance method
Computer hardware	30% and 45%	declining balance method
Signs	20%	declining balance method

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal.

### Real estate held for resale

Real estate held for resale is carried at the market value of the loan or mortgage foreclosed, adjusted for estimates of revenues to be received and costs to be incurred subsequent to foreclosure, and the estimated net proceeds from the sale of the assets.

### Finance charges

Fees related to the purchase of Index-Linked RRSP units are amortized using the straight-line method over the term of the investment and are netted against the cost of the liability.

(continues)

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Employee future benefits

The Credit Union records annually the estimated liabilities for pension and other benefit obligations, which are payable to its employees in subsequent years under the Credit Union's policy.

The Credit Union provides post employment benefits through a defined contribution plan. Pension expenses for the defined contribution pension plan include the required employer contributions. Contributions to the plan are recognized as an expense in the period that the relevant employee services are rendered. During the year, the contributions by the Credit Union to the defined contribution pension plan were \$72,291 (2017 - \$74,889).

Liabilities are recorded for employee benefits including salaries and wages, deductions at source and bonuses that are expected to be settled within twelve months of the financial statement date. These represent present obligations resulting from employees' services provided to the financial statement date and are calculated at the undiscounted amounts based on remuneration rate that the Credit Union expects to pay at the financial statement date.

Benefits such as medial care are non-vesting and are expensed by the Credit Union as the benefits are taken by the employees.

### Member deposits

Borrowings and deposits and membership shares that are classified as liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method. Term, RRSP, RRIF and demand deposits can be fixed or variable rate. Interest can be paid annually, semi-annually, monthly or upon maturity.

Share deposits pay a dividend return at the discretion of the Board of Directors. Privileges of the shares are under the authority of the Board of Directors. The dividend rate declared and paid for 2018 was 1% (2017 - 0.75%) and was based on the average of the lowest monthly share balances.

### Share deposits

The Credit Union has authorized an unlimited number of voting equity shares, with a value of \$5 per share. The shares are non-transferable, redeemable by the Credit Union, retractable by members subject to the Credit Union's right to suspend redemption, if the redemption would impair the financial stability of the Credit Union, for a period of up to twelve months by Board resolution and indefinitely by Board resolution with the approval of the Credit Union Deposit Corporation.

As at the financial statement date, the Credit Union has 8,477 member shares issued and outstanding with a value of \$42,385 (2017 - 8,601 shares with a value of \$43,005).

(*continues*)



# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Interest

Effective interest rate:

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 and points 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

### Revenue and expense 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 readily be measured. The principal sources of revenue are interest and fee income. Interest on loans and mortgages is recognized and reported on an accrual basis using the effective interest method.

Other fee and commission income – including account servicing fees, loan discharge and administration fees, and syndication fees – is recognized as the related services are performed.

Operating expenses are recognized upon the utilization of the services or at the date of their origin. Expenses incurred directly in the origination of loans and mortgages are deferred and recognized in profit or loss, as a reduction to income over the expected life of the relevant loans and mortgages. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

### Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

(continues)

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Use of judgements and estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Credit Union's accounting policies. The estimates and underlying assumptions are continually reviewed on an ongoing basis based on historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances, including expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results, and actual results may ultimately differ from these estimates.

Revisions to accounting estimates are recorded in the period in which the estimate is reversed if the revision affects only that period or in the period of revision and in future periods if the revision affects both the current and future periods.

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements include the impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses, measurement of employee benefits, and the estimates of useful lives for depreciation of property and equipment, 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.

### Financial assets and financial liabilities

The Credit Union initially recognizes loans and advances, deposits and liabilities on the date on which they are originated. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL; the asset is held within a business model whose objective is to hold assets to collect contractual cash flow; 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. All other financial assets are classified as measured at FVTPL. Financial assets that are held-for-trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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 (prior year: Nil).

The Credit Union classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL. The Credit Union derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(continues)

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 OCI is recognized in profit or loss. 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 the value of the transferred asset.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Credit Union currently has legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Credit Union has classified its financial assets and liabilities as follows:

Cash and cash equivalents - amortized cost

Available-for-sale investments - fair value through profit or loss

Held-to-maturity investments - amortized cost

Accounts receivable, member loans and mortgages, member and share deposits, accounts payable and accrued liabilities - amortized cost

### Changes in accounting policies

Except for the changes below, the Credit Union has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively with no changes to opening undistributed earnings.

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 the accounting for financial liabilities.

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

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.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 5. CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Cash in financial institutions	\$ 5,437,016	\$ 2,146,911
Cash on hand	1,667,442	1,830,042
	<u>\$ 7,104,458</u>	<u>\$ 3,976,953</u>

## 6. INVESTMENTS

	<u>2018</u>	<u>2017</u>
<b>Shares</b>		
Atlantic Central Credit Union Limited - common shares	\$ 1,429,900	\$ 1,331,510
Concentra Financial Services Association - 20,000 Class D Series 1 preferred shares	500,010	500,010
Atlantic Central Credit Union Limited - Class B preferred shares	350,300	350,300
Atlantic Central Credit Union Limited - Class LSM preferred shares	95,033	95,033
League Data Limited - 6,493 Class B preferred shares	64,930	64,930
Wellington Cooperative Association Limited shares	3,101	3,101
Atlantic Central Credit Union Limited - Class PEI shares	2,100	2,100
	<u>2,445,374</u>	<u>2,346,984</u>
<b>Debentures</b>		
Atlantic Central Credit Union Limited liquidity deposits - 1.75%	10,001,361	9,562,437
Atlantic Central Credit Union Limited term deposit - 1.85%; matures June 11, 2019	2,000,000	-
	<u>12,001,361</u>	<u>9,562,437</u>
	<u>\$ 14,446,735</u>	<u>\$ 11,909,421</u>

The credit union shall maintain sufficient liquid assets to meet its obligations as they come due. As prescribed in the Credit Union Regulations, Section 2, the credit union shall maintain liquid assets of not less than 10% of the total amount of member deposits in and borrowings of the credit union as follows: 9% shall be invested in eligible financial instruments of Atlantic Central; 6% of assets, or other such amount as may be determined by Central from time to time, shall be maintained in the segregated liquidity account. The remainder will be invested in: current account, cash management account, and term deposits that have a remaining term to maturity of not more than one year.

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 7. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Miscellaneous receivables	\$ 989,528	\$ 1,441,279
Accrued interest - loans and mortgages	326,637	374,358
Accrued interest - investments	42,809	29,951
	<u>\$ 1,358,974</u>	<u>\$ 1,845,588</u>

## 8. MEMBER LOANS AND MORTGAGES

	<u>Total loans</u>	<u>Specific allowance</u>	<u>Net loans</u>
2018			
Mortgages	\$ 48,196,255	\$ (78,045)	\$ 48,118,210
Commercial	46,019,244	(802,096)	45,217,148
Personal	14,183,010	(133,703)	14,049,307
Lines of credit and overdrafts	10,197,565	(191,774)	10,005,791
League Savings & Mortgage reverse mortgages	5,934,487	-	5,934,487
Concentra mortgages	8,327,627	-	8,327,627
	<u>\$132,858,187</u>	<u>\$ (1,205,618)</u>	<u>\$131,652,570</u>
2017			
Mortgages	\$ 43,448,102	\$ (195,270)	\$ 43,252,832
Commercial	46,080,922	(1,032,000)	45,048,922
Personal	14,692,693	(168,698)	14,523,995
Lines of credit and overdrafts	10,600,343	(31,413)	10,568,930
League Savings & Mortgage reverse mortgages	6,355,926	-	6,355,926
Concentra mortgages	10,787,680	-	10,787,680
	<u>\$131,965,666</u>	<u>\$ (1,427,381)</u>	<u>\$130,538,285</u>

## 9. PROVISION FOR IMPAIRED LOANS

	<u>2018</u>	<u>2017</u>
Provision for impaired loans - beginning of year	\$ 1,427,381	\$ 2,647,158
Provision (recovery) for impaired loans - current year	(21,008)	129,028
Recovery of loans written off	22,009	44,669
Loans written off - current year	<u>(222,764)</u>	<u>(1,393,474)</u>
Provision for impaired loans - end of year	<u>\$ 1,205,618</u>	<u>\$ 1,427,381</u>

Members' loans can have either variable or fixed rate of interest. The rates offered to members are determined by the type of security offered, the member's credit worthiness, competition from other lenders and the current prime rate.

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 10. LOANS IN ARREARS

The following is an analysis of loans in arrears based on the age of repayments outstanding:

	<u>2018</u>	<u>2017</u>
31 to 60 days	\$ 312,962	\$ 116,787
61 to 90 days	28,530	37,831
91 to 180 days	195,592	-
Over 180 days	<u>69,571</u>	<u>182,066</u>
	<u>\$ 606,655</u>	<u>\$ 336,684</u>

## 11. DUE FROM CU PEI INVESTMENT CORP.

Évangéline-Central Credit Union Limited owns Class A and B common shares of CU PEI Investment Corp. The amount due from CU PEI Investment Corp. bears interest at 1% and there are no set terms of repayment. Interest earned on the investment during the period was \$26,981 (2017 - \$23,401).

## 12. DEFERRED INCOME TAX ASSET

Deferred income taxes reflect the tax consequences of 'temporary differences' between the statement of financial position carrying amounts and the tax bases of assets and liabilities. These deferred income taxes are calculated using the income tax rates and tax laws that are expected to apply when these temporary differences are reflected in taxable income.

Temporary differences which give rise to deferred income tax assets are as follows:

	<u>2018</u>	<u>2017</u>
Property and equipment	\$ 1,449	\$ 1,864
Retirement allowance	<u>23,246</u>	<u>25,055</u>
	<u>\$ 24,695</u>	<u>\$ 26,919</u>

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 13. INVESTMENT IN ASSOCIATE

Évangéline-Central Credit Union Limited and CU PEI Investment Corp. are associates as the Credit Union owns 25% of the participating common shares of CU PEI Investment Corp. and exerts significant influence over the investee.

	<u>2018</u>
Due from CU PEI Investment Corp. - beginning of year	\$ 2,650,732
Funds advanced to associate	2,125,000
Reimbursements received from associate	<u>(2,050,000)</u>
Due from CU PEI Investment Corp. - end of year	<u>\$ 2,725,732</u>
Investment in associate - beginning of year	\$ 154,899
Proportionate share of net income	71,941
Dividends Received	<u>(165,728)</u>
Investment in associate - end of year	<u>\$ 61,112</u>

The following is a summary of the financial information of CU PEI Investment Corp. as at, and for the year ended, December 31, 2018:

Total assets	\$ 11,454,957
Cash and cash equivalents	3,437,286
Total liabilities	10,967,235
Financial liabilities due within 1 year	69,287
Total capital stock	200
Total retained earnings	487,522
Total revenues	401,448
Net income	287,779
Interest income	396,885
Interest expense	107,925

The above related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 14. MEMBER DEPOSITS

	<u>2018</u>	<u>2017</u>
Chequing accounts	\$ 43,705,899	\$ 42,112,579
Registered Retirement Savings Plan (RRSP) deposits	25,029,295	26,135,846
Call deposits	16,690,719	15,762,657
Term deposits	15,662,838	15,621,757
Tax Free Savings Account (TFSA) deposits	10,607,984	8,809,800
Registered Retirement Income Fund (RRIF) deposits	<u>8,157,042</u>	<u>7,064,273</u>
	<u>\$119,853,777</u>	<u>\$115,506,912</u>

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 15. CONTINGENT LIABILITY

Évangéline-Central Credit Union Limited has provided letters of credit on behalf of members in the amount of \$753,068.

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

## 16. MEMBERS' SHARES

	Number of shares	December 31 2018	Number of shares	December 31 2017
Balance - beginning of year	8,601	\$ 43,005	8,857	\$ 44,285
Shares redeemed, net of issuance	(124)	(620)	(256)	(1,280)
Balance - end of year	<b>8,477</b>	<b>\$ 42,385</b>	<b>8,601</b>	<b>\$ 43,005</b>

## 17. COST OF CAPITAL AND BORROWINGS

	2018	2017
Interest and service charges	\$ 1,216,289	\$ 1,025,512
Share dividends	226,383	110,608
	<b>\$ 1,442,672</b>	<b>\$ 1,136,120</b>

## 18. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 31.19% (2017 - 31.56%) to the income for the year and is reconciled as follows:

	2018	2017
Income before income taxes	\$ 897,791	\$ 1,038,525
Income tax expense at the combined basic federal and provincial tax rate	\$ 280,021	\$ 327,758
Increase (decrease) resulting from:		
Small business deduction	(25,856)	(45,197)
Capital cost allowance claimed in excess of amortization	(834)	(1,708)
Non-deductible expenses	(34,669)	(44,678)
Tax reserves	(6,916)	(38,496)
Effective tax expense	<b>\$ 211,746</b>	<b>\$ 197,679</b>

The effective income tax rate is 23.59% (2017 - 19.03%).



# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 19. LINE OF CREDIT AVAILABILITY

Évangéline-Central Credit Union Limited has an approved line of credit with Atlantic Central Credit Union Limited of \$3,850,000 which is due for renewal on December 31, 2020 and was not utilized at the year end. The line of credit bears an interest rate of prime less 0.5% and is secured by a general security agreement.

## 20. RELATED PARTY TRANSACTIONS

Évangéline-Central Credit Union Limited provides financial services to members. These members hold the loans, deposits and share deposits, and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

As at the year end, some members of the Board of Directors, Credit Committee, management, and employees had deposits and loans and mortgages from Évangéline-Central Credit Union Limited. All full time and permanent part time employees are eligible for special interest rates on loans, mortgages, lines of credit and RRSP term deposits based on years of service. All repayment terms and collateral will be according to normal lending practices of the Credit Union.

Key management personnel include the CEO and other senior officers of the Credit Union. The components of total compensation received by key management personnel and balances due to and from key management personnel are as follows:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 645,524	\$ 609,684
Contributions to a retirement pension plan or RRSP	36,321	34,117
Mortgages, loan balances, and lines of credit due from key management at December 31	398,098	529,169
Deposit balances due to key management at December 31	600,250	601,874

Short-term employee benefits include salaries, variable compensation and other benefits. The mortgage and deposit transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

During the year, the Credit Union received interest and dividends in the amount of \$26,981 (2017 - \$23,401) and \$165,728 (2017 - \$77,825) respectively from CU PEI Investment Corp. The Credit Union also recognized its share of CU PEI Investment Corp.'s net earnings in the investment account which was \$71,941 for 2018 (2017 - \$55,282). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 21. RISK MANAGEMENT

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

*(continues)*

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 21. RISK MANAGEMENT *(continued)*

The Credit Union is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Credit Union's risk exposure and concentration as of December 31, 2018.

### (a) Credit risk

Credit risk is the risk that a member will fail to meet their obligation to the Credit Union. Providing credit facilities to qualified members is one of the Credit Union's primary sources of earnings and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the member's ability to repay principal and interest over the term of the facility, which is determined by following Board approved policies and procedures, which includes assessing the member's credit history, character, collateral, and debt servicing capacity. In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with Credit Union lending policies and procedures. Also, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

Overdue loan accounts, or lending delinquency, is closely monitored and frequently reported to senior management to ensure all allowances for potential loan losses are adequately provided for and written-off when collection efforts have been exhausted. Credit risk is mitigated primarily by the nature and quality of the underlying security as described by approved lending agreements.

The Credit Union's loan portfolio is focused in two main areas: consumer and commercial loans and mortgages, the latter of which are to mainly small and mid-sized companies. A syndication process is available with other Credit Unions for larger commercial loans, when considered necessary, to appropriately mitigate the Credit Union's credit risk. Consumer mortgages are made available on a conventional basis up to 80% of the lesser of cost or appraised value of single family housing, up to 75% on other residential properties, up to 65% of the lesser of cost or appraised value on commercial properties having general purpose usage and up to 50% of the lesser of cost or appraised value on commercial properties designed for specific use. Other credit facilities provided include personal overdrafts that have no recourse to the Credit Union.

When determining whether the risk of default on 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 Union's historical experience and expert credit assessment and including 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 (adjusted where relevant for changes in prepayment expectations).

*(continues)*

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 21. RISK MANAGEMENT *(continued)*

The Credit Union allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgements. Credit risk grades are 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. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

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 (if any is held); the borrower is past due more than 90 days on any material credit obligation to the Credit Union. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

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 losses. Based on advice from economic experts and consideration of a variety of external actual and forecast information, the Credit Union formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The base case represents a most-likely outcome and is aligned with information used by the Credit Union for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

The key inputs into the measurement of expected credit losses are the term structure of the following variables: probability of default (PD); loss given default (LGD); and 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. PD estimates are estimates at a certain date, LGD is the magnitude of the 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. EAD represents the expected exposure in the event of a default.

Cash and equivalents and investments have low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio, the Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral.

### (b) Liquidity risk

Liquidity risk is the risk of being unable to meet financial commitments without having to raise funds at unreasonable prices or sell assets on a forced basis. The Credit Union has established policies to ensure the Credit Union is able to generate sufficient funds to meet all of its financial commitments in a timely and cost effective manner. The Credit Union's liquidity management practices include ensuring the quality of investment acquired for liquidity purposes meet very high standards, matching maturities of assets and liabilities and monitoring cash flow on a regular basis. Management monitors the Credit Union's liquidity position and reports to the Board on a regular basis.

*(continues)*

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 21. RISK MANAGEMENT (continued)

The Credit Union is required to maintain 6% of prior quarter's assets in liquid investments in which 100% must be held by Atlantic Central Credit Union Limited and the Credit Union was in compliance with this requirement at year end. Cash flows payable under financial liabilities by remaining contractual maturities are disclosed in Schedule 2. The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

### (c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Credit Union is exposed to currency risk through its cash accounts and member deposits. The Credit Union maintains deposits in foreign currencies to service its member accounts.

### (d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate materially due to changes in market interest rates. The Credit Union is exposed to interest rate risk through its loans and mortgages, providing lending services to its members for a rate based on the Bank of Canada base rate plus a risk premium determined at the loan inception. The Credit Union manages and controls interest rate risk primarily by managing asset and liability maturities. Interest rate risk is measured on a quarterly basis and the results are reported to the Board of Directors.

# NOTES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION  
Year Ended December 31, 2018

## 22. CAPITAL MANAGEMENT

Évangéline-Central Credit Union Limited provides lending services to its members in the form of loans, lines of credit and mortgages. The Credit Union's objective in the lending process is to remain within the lending guidelines set for the institution and to provide an adequate return to its members through adjusting risk premiums with the level of assessed risk on an individual basis. These services are provided to members at the discretion of the General Manager and lending personnel within the established parameters. Total lending activities managed by the Credit Union at December 31, 2017 amounted to \$132,858,188 (2017 - \$131,965,666).

Consistent with other Prince Edward Island Credit Unions, Évangéline-Central Credit Union Limited is required by the Credit Union Deposit Insurance Corporation to maintain an equity level of 5% of the Credit Union's total assets. This ratio is calculated by adding the undistributed earnings at the end of the previous period plus the operating surplus in the current period and members' shares, divided by the total assets of the Credit Union.

	<u>2018</u>	<u>2017</u>
Undistributed earnings	<b>\$ 13,025,380</b>	\$ 12,341,559
Members' shares	<b>42,385</b>	43,005
Total regulatory equity	<b>13,067,765</b>	12,384,564
Total assets	<b>160,094,572</b>	154,266,078
	<b>8.16 %</b>	8.03 %

Credit Union bylaws require Évangéline-Central Credit Union Limited to maintain sufficient liquid assets and a line of credit to meet its normal cash flow requirements. Overall, a minimum liquid asset level of 10% of total assets must be maintained to ensure ongoing cash flow requirements are met.

	<u>2018</u>	<u>2017</u>
Total assets	<b>\$160,094,572</b>	\$154,266,078
Liquid assets	<b>22,910,167</b>	17,731,962
	<b>14.31 %</b>	11.49 %

# SCHEDULES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION

(Schedule 1)

## Statement of Property and Equipment Year Ended December 31, 2018

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Amort beginning of year	Amort in year	Disposals	Amort end of year	NBV 2018	NBV 2017
Land	\$ 200,769	\$ -	\$ -	\$ 200,769	\$ -	\$ -	\$ -	\$ -	\$ 200,769	\$ 200,769
Buildings	3,377,359	-	-	3,377,359	1,493,073	79,262	-	1,572,335	1,805,024	1,884,286
Equipment	987,863	-	-	987,863	832,290	31,686	-	863,976	123,887	155,573
ATMs	247,855	-	-	247,855	176,961	18,415	-	195,376	52,479	70,894
Pavement	257,948	-	-	257,948	114,509	10,954	-	125,463	132,485	143,439
Computer hardware	631,429	1,759	-	633,188	602,754	9,911	-	612,665	20,523	28,675
Signs	37,279	-	-	37,279	22,362	2,983	-	25,345	11,934	14,917
	<b>\$5,740,502</b>	<b>\$ 1,759</b>	<b>\$ -</b>	<b>\$5,742,261</b>	<b>\$3,241,949</b>	<b>\$153,211</b>	<b>\$ -</b>	<b>\$3,395,160</b>	<b>\$2,347,101</b>	<b>\$2,498,553</b>

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

# SCHEDULES TO THE FINANCIAL STATEMENTS

ÉVANGÉLINE-CENTRAL CREDIT UNION

## Interest Rate Sensitivity Year Ended December 31, 2018

(Schedule 2)

	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,380,976	\$ -	\$ -	\$ 2,723,482	\$ 7,104,458
Effective interest rate	1.57 %	- %	- %	- %	
Investments	12,001,361	-	-	2,445,374	14,446,735
Effective interest rate	1.77 %	- %	- %	- %	
Accounts receivable	-	-	-	1,358,974	1,358,974
Mortgages	28,412,815	92,820,370	376,809	36,785	121,646,779
Effective interest rate	3.84 %	4.13 %	5.03 %	- %	
Lines of credit and overdrafts	10,005,791	-	-	-	10,005,791
Effective interest rate	6.29 %	- %	- %	- %	
Prepaid expense	-	-	-	100,525	100,525
Due from CU PEI Investment Corp.	2,725,732	-	-	-	2,725,732
Effective interest rate	1.00 %	- %	- %	- %	
Deferred income tax asset	-	-	-	24,695	24,695
Property and equipment	-	-	-	2,347,101	2,347,101
Real estate held for resale	-	-	-	272,670	272,670
Investment in associate	-	-	-	61,112	61,112
	<b>\$ 57,526,675</b>	<b>\$ 92,820,370</b>	<b>\$ 376,809</b>	<b>\$ 9,370,718</b>	<b>\$160,094,572</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 955,619	\$ 955,619
Employee benefits payable	-	-	-	376,939	376,939
Income taxes payable	-	-	-	14,058	14,058
Accrued interest payable	-	-	-	711,286	711,286
Member deposits	46,486,414	29,888,528	-	43,478,835	119,853,777
Effective interest rate	1.12 %	1.48 %	- %	- %	
Share deposits	25,115,128	-	-	-	25,115,128
Effective interest rate	1.00 %	- %	- %	- %	
Members' shares	42,385	-	-	-	42,385
Effective interest rate	1.00 %	- %	- %	- %	
Undistributed earnings	-	-	-	13,025,380	13,025,380
	<b>\$ 71,643,927</b>	<b>\$ 29,888,528</b>	<b>\$ -</b>	<b>\$ 58,562,117</b>	<b>\$160,094,572</b>

The above table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the Credit Union's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates.

As at December 31, 2018, Évangéline-Central Credit Union Limited's net interest spread was 2.43%. The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year end interest bearing liabilities.

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



**CAISSE POPULAIRE  
CREDIT UNION**

ÉVANGÉLINE-CENTRAL

**37 MILL ROAD  
WELLINGTON PE  
COB 2E0**

**37, CH. MILL  
WELLINGTON PE  
COB 2E0**

**873 CANADA ROAD  
TYNE VALLEY PE  
COB 2C0**

**873, CH. CANADA  
TYNE VALLEY PE  
COB 2C0**

**512 MAIN STREET  
O'LEARY PE  
COB 1V0**

**512, RUE MAIN  
O'LEARY PE  
COB 1V0**

[www.eccu.ca](http://www.eccu.ca)



PEICreditUnions