Annual Report

2009

GVC credit union

GREATER VANCOUVER COMMUNITY

BOARD of DIRECTORS' REPORT

2009 was the year the economy began to recover from the severe downturn we suffered in 2008. In Vancouver home prices declined by 15% during the second half of 2008. In 2009 they began their recovery, almost recouping the full loss by year end.

The severity of the world wide financial turmoil led to governments taking exceptional steps to limit the economic damage. These steps included supplying liquidity to alleviate the credit freeze and reducing interest rates to record lows to stimulate the economy.

The world wide banking crisis was in the news throughout 2009. The headlines were full of stories of poorly capitalized European and American banks needing government support. Canada has relatively conservative banking regulation and this was a significant factor in enabling our banking system to come through the crisis in good health.

In 2009 our credit union's assets grew by $10.6 million or 5.8%. This was down from growth of 9.3% in 2008. The slower growth reflected the weaker economy. Earnings were strong and we added $773,661 to our retained earnings bringing them to $7.4 million. Our capital, at 14.4% of risk weighted assets was well in excess of the government required level of 8%.

During 2009 we converted to a new banking system. This was a major undertaking that was the focus for our management team throughout the year. We were converting from a system which was designed in the 1970's and which would not have been supported for much longer. We note that many institutions, including we understand Revenue Canada, are facing this challenge to their legacy accounting systems and we are very pleased to have our conversion behind us.

During the year your credit union continued its tradition of giving back to the community. Among the charities we support are the Burnaby Seniors Outreach, Marguerite Dixon Transition Society, Sisters of Atonement, L'Árche Vancouver Society, The UBC Centre for Depression Research and our own GVC Christmas Hamper program.

In closing, I wish to thank my fellow board members for the time and effort they have devoted over the last year on behalf of the credit union. On behalf of the directors, I thank our dedicated employees for the work they have done in providing service to our members. On behalf of our directors and staff, I wish to thank you, our members, for your support. Without you we would not be here.

Respectfully submitted on behalf of the Board of Directors

Herb Gill, Chair

GENERAL MANAGERS' REPORT

In 2009 our focus was on the unfolding financial turmoil and our conversion to a new banking system

Interest rates declined through April of 2009 when prime reached 2.25% the lowest rate in decades. As the effect of these rate changes worked through our portfolio we experienced a temporary widening of our margin which helped earnings in the latter part of the year.

Interestingly we saw a significant increase in our demand deposits as members chose to hold funds in these accounts in the expectation higher rates would soon return. While we agree rates will move up this summer, we believe the move will be modest, at least until the American economy shows clearer signs of recovery.

The weaker economy did impact a number of our members who had difficulty meeting their payment commitments. As is our tradition, if the member worked with us we worked with them to minimize the pain to the member and loss to the credit union. In most cases we were successful in dealing with these situations without recourse to legal action.

In view of the weaker economy and gyrating housing market we added significantly to our loan loss reserves. With the continued strength of the Vancouver housing market and improving economy we anticipate we will soon be back to our normal loan loss situation.

On behalf of all our staff I wish to thank all members for their patience during our banking system conversion in the fall of 2009. Even a small credit union like ourselves presents a formidable challenge to move all the intricate service packages and accounts from one system to another.

As mentioned in our Newsletter we will be introducing Chip based MemberCards this fall. We plan on changing all cards at once and expect the move to take place in October. This is a move to reduce the debit card fraud that has proliferated in recent years.

In closing, we look forward to working with our members in 2010.

On behalf of myself and our staff I wish to thank you, our members, for your support and your elected representatives, our board of directors, for their dedicated service during the year.

Respectfully submitted

Phil

Phil Moore, General Manager

Grant Thornton

Financial statements

Greater Vancouver Community Credit Union

December 31, 2009

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Grant Thornton

Auditors' report

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To the members of

Greater Vancouver Community Credit Union

We have audited the balance sheet of Greater Vancouver Community Credit Union as at December 31, 2009 and the statements of earnings and comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the credit union's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the credit union as at December 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Vancouver, Canada

March 10, 2010

Chartered accountants

Greater Vancouver Community Credit Union
Balance sheet

December 31		2009		2008
Assets				
Cash resources (Note 5)	**$**	**29,406,422**	$	22,182,569
Loans (Note 6)		**161,445,673**		158,074,356
Investments and other (Note 7)		**1,054,961**		1,005,622
Premises and equipment (Note 8)		**1,197,055**		1,209,399
	$	**193,104,111**	$	182,471,946
Liabilities				
Deposits (Note 9)	**$**	**184,805,337**	$	174,853,177
Payables and accruals		**365,461**		456,176
		185,170,798		175,309,353
Members' equity				
Equity shares (Note 11)		**513,081**		516,022
Retained earnings		**7,420,232**		6,646,571
		7,933,313		7,162,593
	$	**193,104,111**	$	182,471,946

Commitments (Note 18)
Guarantees (Note 19)

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

Greater Vancouver Community Credit Union
Statements of earnings and comprehensive income and retained earnings

Year ended December 31		2009		2008
Financial income				
Loans	$	9,276,533	$	9,588,012
Cash resources and investments		553,389		695,149
		9,829,922		10,283,161
Financial expense				
Deposits		4,563,523		5,799,798
Share dividends		88,147		109,455
Other		10,116		55,200
		4,661,786		5,964,453
Financial margin		5,168,136		4,318,708
Provision for credit losses (Note 6)		(304,352)		(147,224)
Other income (Note 15)		788,249		863,577
Operating margin		5,652,033		5,035,061
Operating expense (Note 16)		4,724,382		4,518,052
Earnings from operations		927,651		517,009
Patronage rebates		23,901		17,279
Earnings before income taxes		903,750		499,730
Income taxes (Note 17)		130,089		83,649
Net earnings and comprehensive income	$	773,661	$	416,081

Retained earnings, beginning of year	$	6,646,571	$	6,230,490
Net earnings		773,661		416,081
Retained earnings, end of year	$	7,420,232	$	6,646,571

See accompanying notes to the financial statements.

Greater Vancouver Community Credit Union
Statement of cash flows

Year ended December 31	2009	2008
Cash flows provided by (used in)		
Operating activities		
Net earnings and comprehensive income	**$ 773,661**	$ 416,081
Adjustments to determine cash flows:		
Provision for credit losses	**304,352**	147,224
Amortization	**243,660**	241,923
Change in interest accruals	**(961,480)**	195,881
Future income tax	**3,353**	(5,249)
Other	**(33,934)**	(70,880)
	329,612	924,980
Financing activities		
Deposits, net of withdrawals	**10,917,773**	14,864,375
Equity shares	**(2,941)**	(7,082)
	10,914,832	14,857,293
Investing activities		
Loans, net of repayments	**(3,679,802)**	(12,026,188)
Purchase of investments	**(15,789)**	(10,801)
Deposit with Central 1 Credit Union	**(7,432,620)**	(4,221,785)
Premises and equipment	**(231,316)**	(145,496)
Property held for resale	**(93,684)**	-
	(11,453,211)	(16,404,270)
Net decrease in cash and cash equivalents	**(208,767)**	(621,997)
Cash and cash equivalents, beginning of year	**9,036,116**	9,658,113
Cash and cash equivalents, end of year	**$ 8,827,349**	$ 9,036,116

Supplemental cash flow information		
Interest paid	**$ 5,529,136**	$ 5,576,143
Taxes paid	**90,856**	101,230

See accompanying notes to the financial statements.

1. Governing legislation

The credit union is incorporated under the Credit Union Incorporation Act of British Columbia; the operation of the credit union is subject to the Financial Institutions Act of British Columbia.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements management has made estimates and assumptions that affect the reported amounts of assets and liabilities, and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Financial instruments

The financial instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in net earnings. The credit union's financial instruments classified as held for trading include cash and current accounts.

Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The credit union's financial instruments classified as available for sale are shares in Central 1 Credit Union, shares in Stabilization Central Credit Union, shares in CUPP Services Ltd. and their respective accrued dividends. As these shares are not traded in an active market they have been recorded at amortized cost.

The financial assets classified as loans and receivables and held to maturity are measured at amortized cost. The credit union's financial instruments classified as loans and receivables include all loans and accrued interest, bid and liquidity deposits with Central 1 Credit Union and accrued interest, and other receivable balances.

Financial instruments classified as other financial liabilities include all deposits, borrowings and payables and accruals. Other financial liabilities are measured at amortized cost.

Comprehensive income, other comprehensive income and accumulated other comprehensive income

Comprehensive income is comprised of net earnings and other comprehensive income. Other comprehensive income represents the members' equity during the year that is attributable to unrealized gains and losses on financial instruments classified as available for sale, and the change in the fair value of cash flow hedging instruments. The Credit Union had $Nil (2008: $Nil) other comprehensive income during the year and has $Nil accumulated other comprehensive income at December 31, 2009 and 2008.

2. **Summary of significant accounting policies** (continued)

Loans

Loans are initially measured at fair value and subsequently remeasured at their amortized cost, net of allowance, using the effective interest rate method.

Loan interest

Interest income from loans is recorded using the accrual method, except where a loan is impaired. Interest received on an impaired loan is recognized in earnings only if there is no doubt as to the collectibility of the carrying value of the loan; otherwise, the interest received is credited to the principal.

Loan fees

Loan prepayment fees are recognized in interest income when 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.

Allowance for credit losses

The credit union maintains allowances for credit losses that reduce the carrying value of loans identified as impaired to their estimated realizable amounts by reference to the fair value of the underlying security and expected cash flow. A loan is classified as impaired generally at the earlier of when, in the opinion of management, there is reasonable doubt as to the collectibility of principal and interest, or when interest is 90 days past due. Specific allowances are supplemented by general allowances determined by judgement of management based on historical loan loss experience, known risks in the portfolio and current economic conditions and trends.

Investments and other

Investments in equity investments that do not have a quoted market price in an active market are measured at cost. Property held for resale is recorded at the lower of cost and net realizable value.

Premises and equipment

Premises and equipment are recorded at cost less accumulated amortization. Amortization is recorded as follows:

Automated teller machines	5 years, straight-line
Data processing equipment	10% per quarter, declining balance
Furniture and equipment	5% per quarter, declining balance
Vaults	10 years, straight-line
Leasehold improvements	term of lease up to ten years
Banking system	5 years, straight-line

2. Summary of significant accounting policies (continued)

Income taxes

The credit union follows the asset and liability method of accounting for income taxes, whereby future tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Net future income tax assets and liabilities are included in other assets.

Shares

Shares are classified as liabilities or as member equity according to their terms. Where shares are redeemable at the option of the member, either on demand or on withdrawal from membership, the shares are classified as liabilities. Where shares are redeemable at the discretion of the credit union Board of Directors, the shares are classified as equity.

Distributions to members

Patronage rebates and dividends on shares are charged against earnings.

Hedges

The credit union does not apply hedge accounting and records all derivative financial instruments at fair value with gains and losses recorded to net earnings. At December 31, 2009 there are no derivative financial instruments.

Comparative figures

Certain of the prior year's figures have been reclassified to conform with the current year's financial statement presentation.

3. Future accounting framework change

International Financial Reporting Standards (IFRS)

On January 1, 2011, IFRS will replace Canadian generally accepted accounting principles for publicly accountable enterprises. The credit union will begin reporting financial statements in accordance with IFRS on January 1, 2011. The credit union has begun assessing the impact of the adoption of IFRS on its financial statements. The financial impact will not be material to the credit union. Implementing IFRS will have a minor impact on accounting, financial reporting and supporting IT systems and processes.

4. Risk management

In the normal course of business, the credit union is exposed to credit risk, liquidity risk and market risk. For all of the risks noted below, there has been no change in how the credit union manages those risks from the previous 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 geographic 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 Greater Vancouver area.

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 Note 5 for further information about the credit union's funding requirement and management.

Market risk

Market risk is the risk that the fair value or 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.

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 its loans, term deposits and investments held. The credit union does not hedge its fair value risk. See Note 14 for further information on fair value of financial instruments.

Interest rate risk

Interest rate risk relates to the risk that the fair value or 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 Note 13 for further information on interest rate sensitivity.

Greater Vancouver Community Credit Union
Notes to the financial statements
December 31, 2009

5. Cash resources

	2009	2008
Cash and current accounts	$ **6,076,779**	$ 1,646,857
Deposits on account with Central 1 Credit Union callable or maturing in less than three months	**2,750,570**	7,389,259
	8,827,349	9,036,116
Deposits on account with Central 1 Credit Union maturing in greater than three months	**20,579,073**	13,146,453
	$ **29,406,422**	$ 22,182,569

Under governing legislation, the credit union must maintain, for liquidity purposes, deposits with Central 1 Credit Union of at least 8% (2008: 8%) of deposits and borrowings. At December 31, 2009, the credit union liquidity deposits exceed the minimum requirement by $14,382,850 (2008: $7,866,161).

6. Loans

	2009	2008
Personal loans		
Residential mortgages	$ **118,843,149**	$ 115,258,704
Other	**5,574,116**	5,707,570
Commercial loans		
Mortgages	**36,702,233**	36,449,165
Other	**772,495**	896,033
Accrued interest	**459,342**	463,475
	162,351,335	158,774,947
Allowance for credit losses		
Specific	**205,662**	120,591
General	**700,000**	580,000
	905,662	700,591
	$ **161,445,673**	$ 158,074,356

Allowance for credit losses

				2009	2008
	Beginning balance	Provision	Write-offs less recoveries	**Ending balance**	Ending balance
Personal loans					
Mortgages	$ 282,890	$ 39,504	$ -	$ **322,394**	$ 282,890
Other	175,414	196,174	99,281	**272,307**	175,414
Commercial loans	242,287	68,674	-	**310,961**	242,287
	$ 700,591	$ 304,352	$ 99,281	$ **905,662**	$ 700,591
Percentage of total loans and accrued interest				**0.56%**	0.44%

6. Loans (continued)

Impaired loans and related allowances

	Loan balances	Specific allowances	2009 Carrying amount	2008 Carrying amount
Personal loans				
Mortgages	$ 2,429,684	$ 54,750	**$ 2,374,934**	$ 1,507,979
Other	211,617	150,912	**60,705**	126,438
	$ 2,641,301	$ 205,662	**$ 2,435,639**	$ 1,634,417

7. Investments and other

	2009	2008
Shares		
Central 1 Credit Union	**$ 453,360**	$ 444,425
Stabilization Central	**204**	204
BC Cooperative Association	**1,200**	1,200
CUPP Services Ltd.	**65,935**	59,081
Property held for resale	**331,223**	237,539
Receivables and prepaids	**129,067**	185,848
Future income taxes (Note 17)	**73,972**	77,325
	$ 1,054,961	$ 1,005,622

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

8. Premises and equipment

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Data processing	$ 1,178,556	$ 845,029	**$ 333,527**	$ 201,249
Furniture and equipment	1,274,945	1,016,747	**258,198**	303,580
Leasehold improvements	1,787,210	1,181,880	**605,330**	704,570
	$ 4,240,711	$ 3,043,656	**$ 1,197,055**	$ 1,209,399

9. Deposits		**2009**		2008
Demand	$	**51,089,693**	$	34,265,612
Membership equity shares (Note 11)		**1,997,951**		2,000,206
Term		**101,935,384**		108,415,722
Registered savings plans		**28,206,988**		27,630,703
Accrued interest and dividends		**1,575,321**		2,540,934
	$	**184,805,337**	$	174,853,177

Demand deposits include $569,763 (2008: $621,814) of Class A savings shares.

Under agreements with the trustee of the registered savings plans, members' contributions to the plans are deposited with the credit union at rates of interest determined by the credit union.

10. Borrowings

The credit union has operating lines of credit with Central 1 Credit Union for $6,000,000 CDN and $75,000 USD. The credit union has a term loan arrangement with Central 1 Credit Union for $6,000,000. At December 31, 2009, there were $Nil (2008: $Nil) borrowed under the agreements. A debenture charge on certain assets of the credit union has been provided as security.

11. Equity shares

Capital of the credit union is divided into three classes of equity shares designated as follows:

- Class B equity shares (membership)
- Class C preferred equity shares (voluntary)
- Class P patronage equity shares

The credit union is authorized to issue an unlimited number of non-transferable, voting equity shares, with a par value of $1. With certain exceptions, all members are required to own twenty-five membership equity shares which, under certain occurrences, are redeemable.

Equity shares are not guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia; Class P shares are redeemable only with the consent of the Board of Directors of the credit union.

Equity shares issued

		2009		2008
Class B shares	$	**616,888**	$	588,697
Class C shares		**1,381,063**		1,411,509
Class P shares		**513,081**		516,022
		2,511,032		2,516,228
Class B and C shares included as liabilities (Note 9)		**(1,997,951)**		(2,000,206)
Equity shares	$	**513,081**	$	516,022

12. Capital requirements and management

The credit union is required under governing 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 December 31, 2009, the credit union had a capital base approximating 14.4% (2008: 13.8%) of the risk-weighted value.

The credit union's capital consists of retained earnings and equity shares.

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.

Management will continue to develop business plans targeting capital adequacy ratio which exceed the minimum ratio established by legislation or regulations. Capital adequacy ratio is driven by the risk weighting of the credit union's assets. Accordingly, capital adequacy objectives must take into account factors such as loan mix, investment quality and the level of fixed assets. Decisions relating to strategic objectives that impact the risk weighting of the credit union's assets are analyzed by management to determine their effect on the credit union's capital adequacy ratio.

13. Interest rate sensitivity

The credit union is exposed to interest rate risk as a consequence of the mismatch or gap between the assets and liabilities scheduled to reprice on particular dates. The table below details the credit union's exposure to interest rate risk as defined and prescribed by The Canadian Institute of Chartered Accountants Handbook Section 3862 *Financial Instruments – Disclosures.*

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within one year, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity.

The table below does not incorporate management's expectation of future events where repricing or maturity dates of certain loans and deposits differ significantly from the contractual dates.

13. Interest rate sensitivity (continued)

	Average rates	Interest sensitive balances: Within 3 months	4 months to 1 year	Over 1 to 5 years	Over 5 years	Not interest sensitive	Total
Assets							
Cash resources	1.63%	$ 8,115,504	$ 9,829,700	$ 11,219,800	$ -	$ 241,418	$ 29,406,422
Loans	5.20%	26,361,800	29,530,147	104,741,153	355,793	456,780	161,445,673
Other	4.33%	453,360	-	331,223	-	1,467,433	2,252,016
		34,930,664	39,359,847	116,292,176	355,793	2,165,631	193,104,111
Liabilities							
Deposits	2.77%	80,537,071	60,072,030	42,620,915	-	1,575,321	184,805,337
Other		-	-	-	-	8,298,774	8,298,774
		80,537,071	60,072,030	42,620,915	-	9,874,095	193,104,111
Interest sensitivity position 2009		$ (45,606,407)	$ (20,712,183)	$ 73,671,261	$ 355,793	$ (7,708,464)	$ -
Interest sensitivity position 2008		$ (12,588,336)	$ (45,829,175)	$ 66,357,870	$ -	$ (7,940,359)	$ -

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 $29,000 (2008: $177,000). A 100 basis point decrease in the prime rate would decrease the financial margin by $137,000 (2008: $207,000).

14. Fair values 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.

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

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

14. Fair values of financial instruments (continued)

	2009			2008
	Book value	Fair value	**Difference**	Difference
Assets				
Cash resources - held for trading	$ 6,077,000	$ 6,077,000	**$ -**	$ -
Cash resources - loans and receivables	23,330,000	23,523,000	**193,000**	1,324,000
Loans - loans and receivables	161,446,000	164,819,000	**3,373,000**	344,000
Investments - available for sale	521,000	521,000	**-**	-
			3,566,000	1,668,000
Liabilities				
Deposits - other financial liabilities	184,805,000	186,699,000	**(1,894,000)**	(936,000)
Payables and accruals - other financial liabilities	365,000	365,000	**-**	-
			(1,894,000)	(936,000)
Net difference			**$ 1,672,000**	$ 732,000

15. Other income

	2009	2008
Account service fees	**$ 488,267**	$ 522,528
Loan administration fees	**114,306**	78,968
Other	**97,347**	136,806
Foreign exchange	**51,802**	74,454
Insurance commissions and fees	**36,527**	50,821
	$ 788,249	$ 863,577

16. Operating expense

	2009	2008
Salaries and benefits	**$ 2,344,630**	$ 2,204,113
Premises, equipment and supplies	**939,270**	931,477
Data processing	**391,632**	320,919
Amortization	**243,660**	241,923
Other	**171,781**	177,728
Dues and assessments	**170,920**	163,626
Advertising and member relations	**166,703**	178,786
Service charges	**158,781**	158,827
Professional services	**75,639**	85,721
Board and committee meetings	**41,332**	37,163
Staff and other meetings	**10,977**	8,574
Member meetings	**9,057**	9,195
	$ 4,724,382	$ 4,518,052

17. Income taxes

The components of income tax expense are as follows:

	2009	2008
Current	**$ 126,736**	$ 88,898
Future	**3,353**	(5,249)
	$ 130,089	$ 83,649

The total income taxes in the statement of earnings is at a rate less than the combined federal and provincial statutory tax rates for the following reasons:

	2009	2008
Combined federal and provincial statutory income tax rate	**30.5 %**	30.5 %
Credit union rate reduction	**(17.0)%**	(15.0)%
Other	**0.9 %**	1.2 %
	14.4 %	16.7 %

The components of future income tax balances are as follows:

	2009	2008
Allowance for credit losses	**$ 97,836**	$ 85,416
Premises and equipment	**(35,370)**	(27,465)
Other	**11,506**	19,374
Net future income tax asset	**$ 73,972**	$ 77,325

18. Commitments

Premises

The credit union is committed to leasing branch premises with the following minimum lease payments over the next five years:

2010	$	**617,974**
2011		**631,701**
2012		**638,161**
2013		**650,819**
2014		**650,819**

Computer services

The credit union is committed to pay the following minimum bank service charges over the next five years:

2010	$	**201,948**
2011		**201,948**
2012		**201,948**
2013		**201,948**
2014		**201,948**

Letters of credit

In the normal course of business, the credit union enters into off-balance sheet commitments such as letters of credit. The letters of credit reported below are not reflected on the balance sheet.

At December 31, 2009, the credit union has outstanding letters of credit on behalf of members in the amount of $244,451 (2008: $331,105).

19. Guarantees

The credit union guarantees credit limits on MasterCard credit card applications that fall under the Credit Approved Program (CAP) monitored by CUETS Financial. These applications would normally be declined under the standard approval terms of MasterCard.

At December 31, 2009, the credit union guarantees credit limits in the amount of $64,000 (2008: $93,000).

20. Other information

At December 31, 2009, loans to employees, directors, officers, members of a committee of the credit union and their respective family members amounted to $1,489,005 (2008: $1,629,807). All such loans were granted in accordance with normal lending terms.

Directors, in their capacity as directors, received $25,000 (2008: $19,500).