2014

ANNUAL REPORT

GVC credit union
GREATER VANCOUVER COMMUNITY
For Real People

GVC MEMBERS

GVC credit union
GREATER VANCOUVER COMMUNITY
For Real People
75 YEARS 1940-2015

BOARD OF DIRECTORS (2014 to 2015)

Glenn McLaughlin, *Chair*
Herb Gill, *1st Vice Chair*
John Schretlen, *2nd Vice Chair*
Judi Corra
Gilles Deschenes
Les Hausch
Shaun Olafson
Rick Orford
Ken Sherwood

COMMITTEES

EXECUTIVE COMMITTEE
Glenn McLaughlin, *Chair*
Herb Gill
John Schretlen
Ken Sherwood

AUDIT COMMITTEE
Ken Sherwood, *Chair*
Judi Corra
Gilles Deschenes
John Schretlen

NOMINATING COMMITTEE
Shaun Olafson, *Chair*
Judi Corra
Gilles Deschenes
Ken Sherwood

CREDIT COMMITTEE
Glenn McLaughlin, *Chair*
Herb Gill
John Schretlen
Phil Moore

INVESTMENT & LENDING COMMITTEE
Judi Corra, *Chair*
John Schretlen
Ken Sherwood
Gilles Deschenes

CONDUCT REVIEW COMMITTEE
Gilles Deschenes, *Chair*
Les Hausch
Shaun Olafson

GOVERNANCE REVIEW COMMITTEE
Les Hausch, *Chair*
Gilles Deschenes
Shaun Olafson
Rick Orford

EXTERNAL AUDITOR

MNP LLP
Chartered
Accountants

HEAD OFFICE

Phil Moore, *General Manager*
Balbir Bains, *Operations Manager*
Colleen Colonna, *Controller*

Brad Campeau
Cindy Candusso
Pouneh Hakimi-Sohrabi
Victoria Kowalski
Hong Liu
Amber Marcheen
Theresa Van Grol
Todd Wade

BRANCHES

BRENTWOOD BRANCH

Nick Wong, *H.O.Branch Manager*
Kevin Heaney
David Masi
Donald Murray
Monika Nosal
Farnoosh Shirmohammad
Harj Wahid

LOUGHEED BRANCH

Tracy Sparkes, *Branch Manager*
Isse Ali
Sabena Jellali
Jason Kainth
Mark Turnbull
Amanda Waymen

KINGSGATE BRANCH

Eszter Nemeth, *Branch Manager*
Virginia Agujo
Michelle Dela Luna
Sandeep Grewal
Nicole Manuel
Vikash Parekh
Michael Tran

SURREY BRANCH

Mary van Someren, *Branch Manager*
Neena Grewal
Coy Guerrero
Emilee Imhof
Arina Kaur
Kuldeep Sahota
Daniel Suk

ROYAL SQUARE BRANCH

Greta Munro, *Branch Manager*
Melissa De Jeu
Marisa Freitas
Alan Gunadio
Tyler Hall
Margaret Lau
Yogita Tiwari

2015

Board of Directors Report

2015 is the 75th anniversary of the formation of our credit union. We were formed to help ordinary Vancouver residents build savings to manage their finances. Initially this meant simple savings accounts and small loans to help members buy the necessities of life. In time this expanded to the provision of mortgages to buy homes and later to mortgages and loans to assist with financing various small businesses.

As part of our 75th anniversary celebration we commissioned a history of the credit union and we are very happy to have the author, Patrick Dunae with us today. We believe Patrick has done an excellent job and thank him on behalf of all of us. A complimentary copy of the history is available to all members in attendance.

In 2014 GVC continued to focus on providing personal financial services to our members. We recognize the way in which these services are delivered is changing. Technology, record low interest rates and the re-regulation of the financial services industry are all impacting how we provide services to our members.

Your board conducted a full review of our governance practices. The chair of our Governance Committee, Les Hausch, will speak to this later in the meeting.

In keeping with our moves to adapt to the changing way members access their services we are merging our Lougheed branch with our Brentwood branch later this summer. We are accomplishing this without staff layoffs and have planned to minimise member inconvenience. Our Lougheed branch was the first one we opened in Burnaby back in 1982. Many of its staff will be moving just down the street to our Brentwood branch where they will be available to serve you into the future.

This move will help us adapt to the much lower interest rate environment and much lower financial margins that we now operate in. Overall in 2014 our credit union grew its assets by $5.6 million or 2.7%. Loan growth was particularly strong, growing by 3.3% or $6.0 million during the year. Deposit growth was slower at $5.1 million or 2.6%. However, we had entered the New Year with surplus deposits so we had excess funds available to fund future loan growth.

Also the board had a rare opportunity to enhance the management of the credit union upon the retirement of our General Manager, Phil Moore after 39 years at the helm. After a full search the board interviewed two candidates and offered the position to Ms. Balbir Bains. Balbir has been with the credit union since 1981 and most recently has been the credit unions operations manager and as such the #2 officer in the credit union. I am sure we all wish Balbir every success in her new position. Phil has agreed to provide transition assistance to Balbir for the next twelve months.

During the year, your credit union continued its tradition of giving back to the community. Among the charities we support are, The World Council of Credit Unions (which supports credit unions in developing countries), as well as Burnaby Seniors Outreach, Marguerite Dixon Transition Society, Mount Pleasant House and our own GVC Christmas Hamper program. We made a special donation to the Credit Union Foundation of BC (which supports post-secondary education in BC) in September in honour of Phil's wife Rose who was the administrator to the foundation for over 25 years. Rose passed away suddenly in September of 2014.

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

Glenn McLaughlin, Chair
June 13th 2015

General Managers Report

All good things must come to an end. This is my 39^{th} General Managers report to the Annual General Meeting and it is an honour to be presenting it on our 75^{th} anniversary.

Patrick Dunae in his excellent history charts the changes that have taken place since we were formed back in 1940. One of the key ingredients of our success has been our ability to adapt to the changing market place. I say success, as while we are a small credit union, we are one of only 40 survivors of the well over 300 credit unions that received charters to operate in B.C. over the last 75 years.

Adapting to the changing way our members access their accounts saw us successfully relocate our Surrey branch to smaller, more compact premises in the spring of 2014. Currently we are in the process of merging our Lougheed branch in Burnaby with our Brentwood branch also in Burnaby. We hope this will be complete later this summer.

As advised last year our banking system provider decided to buy its rival and require all its Canadian clients to move to its rival’s product. This faced us with an unexpected conversion. We had hoped to complete this in 2014 but could not fit it in before the industry’s Christmas “black out” period from November to January.

Our conversion took place February 28^{th} and was intense…as these things always are. We thank all of our members for their patience and understanding during this period. We also thank our staff for the total effort they put into the conversion. Conversions get more of a challenge as our banking goes electronic and more options are available for members to connect to their banking information,.

Net earnings in 2014 were $532,688, up from $470,153 in 2013. This brought our retained earnings to $10.975 million or 5.1% of assets. The provincial government is preparing to review credit union legislation and our healthy capital position places us in a strong position in this regard.

It gives me great pleasure to be handing over to Ms. Bains as General Manager. I have every confidence she will help steer GVC forward and on to better things in the future.

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 last 39 years! Thank you… this has been a great career.

Respectfully submitted

Phil

Phil Moore, General Manager

Greater Vancouver Community Credit Union
Financial Statements
December 31, 2014

Contents

For the year ended December 31, 2014

Management's Responsibility

To the Members of Greater Vancouver Community Credit Union

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

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

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

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

March 25, 2015

General Manager

Independent Auditors' Report

To the Members of Greater Vancouver Community Credit Union

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

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Greater Vancouver Community Credit Union as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

MNP LLP

March 25, 2015
Abbotsford, BC

Chartered Accountants

Greater Vancouver Community Credit Union
Statement of Financial Position
As at December 31, 2014

	2014	2013
Assets		
Cash and cash equivalents (Note 4)	**23,263,381**	23,841,399
Investments and other (Note 5)	**1,393,714**	1,271,818
Member loans receivable (Note 6)	**189,295,128**	183,293,433
Property, plant and equipment (Note 7)	**759,856**	825,646
Intangible assets (Note 8)	**224,906**	27,596
	214,936,985	209,259,892
Liabilities		
Member deposits (Note 9)	**202,986,338**	197,820,408
Payables and accruals	**531,870**	538,945
	203,518,208	198,359,353
Commitments and contingencies (Note 19)		
Members' equity		
Retained earnings	**10,974,796**	10,442,128
Equity shares (Note 10)	**443,981**	458,411
	11,418,777	10,900,539
	214,936,985	209,259,892

Approved on behalf of the Board

Director

Ken Sherwood

Director

Greater Vancouver Community Credit Union
Statement of Comprehensive Income
For the year ended December 31, 2014

	2014	*2013*
Financial income		
Member loans	**7,713,492**	7,641,526
Investments	**359,183**	348,695
	8,072,675	7,990,221
Financial expense		
Member deposits	**3,258,352**	3,211,715
Share dividends	**56,380**	55,897
	3,314,732	3,267,612
Financial margin	**4,757,943**	4,722,609
Provision for credit losses (Note 6)	**(47,763)**	(1,834)
Other Income (Note 11)	**668,255**	692,973
Operating margin	**5,378,435**	5,413,748
Operating expenses (Note 12)	**4,756,501**	4,849,614
Earnings from operations before patronage rebate and income taxes	**621,934**	564,134
Patronage rebate	**13,800**	15,329
Earnings before income taxes	**608,134**	548,805
Income taxes (Note 14)		
Current	**107,466**	78,652
Deferred tax	**(32,000)**	-
	75,466	78,652
Total comprehensive income	**532,668**	470,153

The accompanying notes form part of the financial statements

Greater Vancouver Community Credit Union
Statement of Changes in Members' Equity
For the year ended December 31, 2014

	Equity shares	Retained Earnings	Total
Balance, December 31, 2012	**474,727**	**9,971,975**	**10,446,702**
Net income	-	470,153	470,153
Issuance of equity shares	15,329	-	15,329
Redemption of equity shares	(31,645)	-	(31,645)
Balance, December 31, 2013	**458,411**	**10,442,128**	**10,900,539**
Net income	-	532,668	532,668
Issuance of equity shares	13,800	-	13,800
Redemption of equity shares	(28,230)	-	(28,230)
Balance, December 31, 2014	**443,981**	**10,974,796**	**11,418,777**

	2014	2013
Cash provided by (used for) the following activities		
Operating		
Net income	**532,668**	470,153
Adjustments:		
Depreciation	**281,706**	314,061
Change in interest accruals	**(36,052)**	85,836
Provision for credit losses	**47,763**	1,834
Provision for deferred income taxes	**(32,000)**	-
Write-down of property held for resale	**-**	47,030
Other	**(51,641)**	(237,179)
	742,444	681,735
Financing		
Net change in member deposits	**5,138,068**	4,233,881
Net change in equity shares	**(14,430)**	(16,316)
	5,123,638	4,217,565
Investing		
Change in loans, net of repayments	**(5,985,545)**	(8,903,019)
Purchase of investments	**(45,329)**	20,346
Purchases of property, plant and equipment and intangibles	**(413,226)**	(29,762)
Proceeds on disposal of property held for resale	**-**	61,968
	(6,444,100)	(8,850,467)
Decrease in cash resources	**(578,018)**	(3,951,167)
Cash resources, beginning of year	**23,841,399**	27,792,566
Cash resources, end of year	**23,263,381**	23,841,399

1. Reporting entity information

Entity information

Greater Vancouver Community Credit Union (the "Credit Union") was formed pursuant to the Credit Union Incorporation Act of British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia. The Credit Union serves members in the Greater Vancouver area of British Columbia. The address of the Credit Union's registered office is 1801 Willingdon Avenue, Burnaby, British Columbia, Canada.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared in accordance with all IFRS issued and effective as at December 31, 2014. These financial statements for the year ended December 31, 2014 were approved and authorized for issue by the Board of Directors on March 25, 2015.

Basis of measurement

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

Functional and presentation currency

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

2. Significant accounting policies

Cash and cash equivalents

Cash consists of cash on hand and demand deposits. Other investments (term deposits and certificates of deposit) purchased are also reported as cash.

Investments and other

Central 1 term deposits

Central 1 term deposits are accounted for as loans and receivables, and are carried at amortized cost.

Other Investments

Other investments which meet the definition of financial instruments are measured and recorded on a basis consistent with the appropriate financial instrument designation.

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

Property held for resale

Property held for resale are initially recorded at the lower of cost and estimated net realizable value. Cost comprises the balance of the loan at the date on which the Credit Union obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received. Property held for resale is subsequently valued at the lower of their carrying amount and fair value less cost to sell. Losses arising on reduction of the net realizable value are charged to income. Property held for resale is recorded in investments and other.

Member loans receivable

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

2. Significant accounting policies *(continued)*

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Property, plant and equipment are recorded at cost. Depreciation is provided using the following methods and rates intended to depreciate the cost of the assets over their estimated useful lives:

Data processing equipment	10% per quarter, declining balance
Furniture and equipment	5% per quarter, declining balance
Leasehold improvements	term of lease up to 10 years
Automated bank machines	5 years, straight-line
Automobile	5 years, straight-line

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

Impairment of financial assets

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

If there is objective evidence that an impairment loss on a financial asset has occurred, the amount of the loss is measured as the difference between the financial assets carrying amount and the present value of expected cash flows discounted at the financial assets original effective interest rate. Short-term balances are not discounted.

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

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

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

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

2. Significant accounting policies *(continued)*

Intangible assets

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

Banking system	5 years

Intangible assets with finite useful lives are depreciated on a systematic basis over their useful lives. The depreciation period and depreciation method for an intangible asset with a finite useful life reflects the pattern in which the assets' future economic benefits are expected to be consumed. The depreciation period and method is reviewed at least at each financial year end.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Payables and accruals

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

Member deposits

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

Member shares

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

2. Significant accounting policies *(continued)*

Revenue recognition

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

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

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

Other revenue is recognized as services are provided to members.

Income taxes

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

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

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

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

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

Foreign currency translation

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

2. Significant accounting policies *(continued)*

Financial instruments

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

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

Available-for-sale financial assets are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income. The Credit Union's investments classified as available-for-sale are Central 1 shares, Stabilization Central Credit Union shares, BC Cooperative Association shares, and CUPP Services Ltd. shares and their respective accrued dividends.

The financial assets classified as loans and receivables are subsequently carried at amortized cost. The Credit Union's financial instruments classified as loans and receivables include all member loans, accrued interest, bid and liquidity deposits with Central 1 and accrued interest, and other receivables balances.

Financial instruments classified as other financial liabilities include all member deposits and payables and accruals. Other financial liabilities are subsequently carried at amortized cost.

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. The Credit Union had $NIL (2013: $NIL) other comprehensive income during the year and has $NIL accumulated other comprehensive income at December 31, 2014 (2013: $NIL).

De-recognition of financial assets

De-recognition of a financial asset occurs when:

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

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

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

2. Significant accounting policies *(continued)*

Accounting standards and amendments adopted

The following new or amended standards, and their resulting consequential amendments, were applied for the first time in the current year:

IAS 36 Impairment of Assets

In May 2013, the International Accounting Standards Board (IASB) issued an amendment, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in September 2013, to IAS 36. These narrow-scope amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments are effective for annual periods beginning on or after January 1, 2014.

IAS 39 Financial Instruments: Recognition and Measurement

In June 2013, the International Accounting Standards Board (IASB) issued an amendment, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in September 2013, to IAS 39. The amendments clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments are effective for annual periods beginning on or after January 1, 2014.

New IFRS standards and interpretation issued but not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2015 or later periods. The standards impacted that are applicable to the Company are as follows:

IFRS 9 Financial instruments (Amendment)

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

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

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

IAS 24 Related Party Disclosures (Amendment)

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

2. Significant accounting policies *(continued)*

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers* and SIC-31 *Revenue – barter transactions involving advertising services*. The standard provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:

1. Identify the contract(s) with the customer.
2. Identify the performance obligation(s) in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to each performance obligation in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Credit Union is currently assessing the impact of this standard on its financial statements.

IFRS 13 Fair value measurement

The Credit Union applies the "portfolio exception." Accordingly, it measures fair value of financial assets and liabilities, with offsetting positions in market and counterparty risk, consistently with how market participants would price the net risk exposure. The amendments to IFRS 13, issued in December 2013, clarify that the portfolio exception applies to all contracts within the scope of IFRS 9 Financial instruments or IAS 39 Financial instruments: Recognition and measurement, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial instruments: Presentation. The amendments are effective for the annual periods beginning on or after July 1, 2014. The Credit Union is currently assessing the impact of this amendment on its financial statements.

3. Significant accounting judgments, estimates and assumptions

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

Allowance for credit losses

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

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

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

4. Cash and cash equivalents

	2014	2013
Cash and current accounts	**7,313,662**	8,614,233
Deposits on account with Central 1, Callable or maturing in less than three months	**797,874**	414,209
Cash and cash equivalents	**8,111,536**	9,028,442
Deposits on account with Central 1, maturing in greater than three months	**15,151,845**	14,812,957
	23,263,381	23,841,399

Under government legislation, the Credit Union must maintain, for liquidity purposes, deposits with Central 1 of at least 8% of deposits and borrowings. At December 31, 2014, the Credit Union deposits exceeded the minimum required by $6,577,426 (2013 - $7,097,636).

5. Investments and other

	2014	2013
Shares:		
Central 1	**758,796**	713,466
Stabilization Central	**204**	204
BC Cooperative Association	**1,200**	1,200
CUPP Services Ltd.	**77,346**	77,346
Ficanex Services limited partnership	**33,764**	33,764
Deferred income taxes (Note 14)	**202,000**	170,000
Receivables and prepaids	**320,404**	275,838
	1,393,714	1,271,818

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

6. Member loans receivable

	2014	2013
Personal loans:		
Residential mortgages	**135,624,370**	128,660,236
Other	**2,913,118**	3,674,707
Commercial loans:		
Mortgages	**50,801,195**	51,013,636
Other	**596,883**	642,516
Accrued interest	**394,785**	330,871
	190,330,351	184,321,966
Allowance for credit losses:		
Specific	**(109,512)**	(59,049)
Collective	**(925,711)**	(969,484)
	(1,035,223)	(1,028,533)
	189,295,128	183,293,433

6. Member loans receivable *(continued)*

Principal and allowance by loan type

					2013
	Principal Performing	*Principal Impaired*	*Allowance Specific*	*Allowance Collective*	*Net carrying Value*
Personal and other	3,613,395	70,994	54,967	17,960	3,611,462
Real estate secured	128,844,184	-	-	751,378	128,092,806
Commercial	51,784,740	8,653	4,082	200,146	51,589,165
	184,242,319	79,647	59,049	969,484	183,293,433
Total allowance			1,028,533		

					2014
	Principal Performing	***Principal Impaired***	***Allowance Specific***	***Allowance Collective***	***Net carrying Value***
Personal and other	**2,830,330**	**92,644**	**79,512**	**28,120**	**2,815,342**
Real estate secured	**135,271,072**	**576,712**	**30,000**	**744,742**	**135,073,042**
Commercial	**51,559,593**	**-**	**-**	**152,849**	**51,406,744**
	189,660,995	**669,356**	**109,512**	**925,711**	**189,295,128**
Total allowance			**1,035,223**		

Loan allowance details

	2014	2013
Balance, beginning of year	**1,028,533**	1,111,540
Provision for credit losses	**47,763**	1,834
Write-offs less recoveries	**(41,073)**	(84,841)
Balance, end of year	**1,035,223**	1,028,533

6. Member Loans Receivable *(continued)*

Loans past due but not impaired

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

2013	*1-30 days*	*31-60 days*	*61-90 days*	*91 days and greater*	*Total*
Personal and other	8,558,260	1,116,922	24,419	51,163	9,750,764
Commercial	2,710,271	330,677	232,482	394,975	3,668,405
	11,268,531	1,447,599	256,901	446,138	13,419,169

2014	***1-30 days***	***31-60 days***	***61-90 days***	***91 days and greater***	***Total***
Personal and other	**7,661,476**	**1,122,251**	**299,379**	**1,230,100**	**10,313,206**
Commercial	**2,274,277**	**220,919**	**-**	**536,360**	**3,031,556**
	9,935,753	**1,343,170**	**299,379**	**1,766,460**	**13,344,762**

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

7. Property, plant and equipment

	Data processing equipment	*Furniture and equipment*	*Leasehold improvements*	*Automated bank machines*	*Automobile*	*Total*
Cost						
Balance at December 31, 2012	488,316	1,127,118	1,822,429	329,503	7,500	3,774,866
Additions	28,271	1,491	-	-	-	29,762
Disposals	-	-	-	-	-	-
Balance at December 31, 2013	516,587	1,128,609	1,822,429	329,503	7,500	3,804,628
Additions	4,991	33,155	150,174	-	-	188,320
Disposals	-	(3,614)	(293,490)	-	-	(297,104)
Balance at December 31, 2014	**521,578**	**1,158,150**	**1,679,113**	**329,503**	**7,500**	**3,695,844**

7. **Property, plant and equipment** *(continued)*

	Data processing equipment	*Furniture and equipment*	*Leasehold improvements*	*Automated bank machines*	*Automobile*	*Total*
Depreciation and impairment losses						
Balance at December 31, 2012	(437,509)	(802,803)	(1,268,417)	(190,086)	(7,500)	(2,706,315)
Additions	(20,976)	(61,551)	(150,957)	(39,183)	-	(272,667)
Disposals	-	-	-	-	-	-
Balance at December 31, 2013	(458,485)	(864,354)	(1,419,374)	(229,269)	(7,500)	(2,978,982)
Additions	(20,801)	(52,102)	(142,028)	(39,180)	-	(254,111)
Disposals	-	3,614	293,491	-	-	297,105
Balance at December 31, 2014	**(479,286)**	**(912,842)**	**(1,267,911)**	**(268,449)**	**(7,500)**	**(2,935,988)**
Net book value						
At December 31, 2013	58,102	264,255	403,055	100,234	-	825,646
At December 31, 2014	**42,292**	**245,308**	**411,202**	**61,054**	**-**	**759,856**

8. **Intangible Assets**

	Assets not in use	*Computer Software*	*Total*
Cost			
Balance at December 31, 2012	-	*203,124*	*203,124*
Additions	-	-	-
Disposals	-	-	-
Balance at December 31, 2013	-	203,124	203,124
Additions	224,906	-	224,906
Disposals	-	-	-
Balance at December 31, 2014	**224,906**	**203,124**	**428,030**
Depreciation and impairment losses			
Balance at December 31, 2012	-	(134,134)	(134,134)
Additions	-	(41,394)	(41,394)
Disposals	-	-	-
Balance at December 31, 2013	-	(175,528)	(175,528)
Additions	-	(27,596)	(27,596)
Disposals	-		
Balance at December 31, 2014	-	**(203,124)**	**(203,124)**
Net book value			
At December 31, 2013	-	27,596	27,596
At December 31, 2014	224,906	**-**	**224,906**

9. Member deposits

	2014	2013
Demand	**60,028,350**	58,489,616
Member shares (Note 10)	**1,843,997**	1,887,976
Term deposits	**110,622,200**	107,176,229
Registered savings plans	**29,152,142**	28,954,799
	201,646,689	196,508,620
Accrued interest and dividends	**1,339,649**	1,311,788
	202,986,338	197,820,408

10. Equity shares

The Credit Union has 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 on 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 at the option of the member.

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:

	2014	2013
Class B shares	**638,065**	643,744
Class C shares	**1,205,932**	1,244,232
Class P shares	**443,981**	458,411
	2,287,978	2,346,387
Class B and C shares included as liabilities (Note 9)	**(1,843,997)**	(1,887,976)
Equity shares (Class P)	**443,981**	458,411

11. Other Income

	2014	2013
Account service fees	**427,937**	458,669
Loan administration fees	**34,671**	59,314
Other	**145,774**	105,802
Foreign exchange	**32,117**	45,107
Insurance commissions and fees	**27,756**	24,081
	668,255	692,973

12. Operating Expenses

	2014	*2013*
Advertising and member relations	**132,180**	142,576
Board and committee meetings	**65,160**	59,400
Data processing	**337,167**	331,779
Depreciation	**281,706**	314,061
Dues and assessments	**226,362**	230,822
Member meetings	**11,033**	10,201
Other	**190,041**	149,873
Premises, equipment and supplies	**893,040**	1,001,160
Professional services	**64,483**	63,994
Salaries and benefits	**2,417,072**	2,362,499
Service charges	**121,584**	123,191
Staff and other meetings	**16,673**	13,028
Write-down of property held for resale	**-**	47,030
	4,756,501	4,849,614

13. Borrowings

The Credit Union has operating lines of credit available with Central 1 for $1,900,000 CDN and $100,000 USD. The Credit Union has a term loan arrangement with Central 1 for $2,000,000. At December 31, 2014, there were $NIL (2013 - $NIL) funds borrowed under the agreements. A debenture charge on certain assets of the Credit Union has been provided as security.

14. Income taxes

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

	2014	*2013*
Combined federal and provincial statutory income rate	**26.0%**	26.0%
Reduction for small business deduction limit	**(10.0)%**	(11.1)%
Non-deductible and other items	**(3.6)%**	(0.6)%
	12.4%	14.3%

The tax effects of temporary differences which give rise to the deferred tax liability reported in the statement of financial position is from differences between accounts deducted for accounting and income tax purposes for equipment and the allowance for impaired loans.

The components of deferred income tax balances are as follows:

	2014	*2013*
Allowance for credit losses	**159,000**	132,000
Property, plant, and equipment	**3,000**	15,000
Other	**40,000**	23,000
Net deferred income tax asset	**202,000**	170,000

15. Related party transactions

Directors and key management personnel

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

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

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

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

The aggregate value of loans outstanding to Directors and KMP (and their respective related parties) amounted to:

	2014	2013
Lines of Credit	**9,881**	6,801
Mortgages	**586,013**	792,446
Loans	**833**	12,010
	596,727	811,257

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

	2014	2013
Mortgages	-	-
Loans	-	2,500
	-	2,500

During the year the interest earned on loans and paid on deposits to Directors and KMP amounted to:

	2014	2013
Interest and other revenue earned on loans to Directors and KMP	**33,578**	35,400
Interest paid on deposits to Directors and KMP	**46,390**	48,777

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

	2014	2013
Chequing and demand deposits	**432,818**	341,274
Term deposits	**577,783**	462,112
Registered plans	**1,376,888**	1,286,717
Total value of member deposits due to Directors and KMP	**2,387,489**	2,090,103

Aggregate compensation of KMP during the year consisted of:

	2014	2013
Salary and short-term benefits	**331,347**	318,951

Directors in their capacity as Directors, received $35,000 (2013 - $35,000).

16. Capital requirements and management

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

In the management of capital, the Credit Union includes retained earnings and equity shares totaling $11.4 million (2013 - $10.9 million).

The Credit Union is required under provincial legislation to maintain a capital base equal to 8% of the total risk-weighted value of assets; each asset being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset. At December 31, 2014, the Credit Union had a capital base approximating 15.67% (2013 – 16.00%) of the risk-weighted value.

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

There has been no change in the overall capital requirements strategy employed during the year ended December 31, 2014.

17. Risk management

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

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

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

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

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

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

Credit risk

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

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

17. Risk management *(continued)*

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such funding for operating and regulatory purposes. See Notes 4 and 16 for further information about the Credit Union's funding requirement and management.

The Credit Union manages its liquidity position from three perspectives:

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

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

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

The primary liquidity risk policies and procedures include the following:

- Measurement of cash flows;
- Maintain a line of credit and borrowing facility with Central 1;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits; and
- Monitoring of term deposits.

Market risk

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

Interest rate risk

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

17. Risk management *(continued)*

Contractual repricing and maturity

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

	Within 3 months	Four months to 1 year	Over one to five years	Non-interest sensitive	2014 Total	2013 Total
Assets						
Cash resources	7,067,718	4,469,400	10,576,360	1,149,903	**23,263,381**	23,841,399
Avg yield	1.39%	1.52%	1.34%	-	-	-
Member loans receivable	27,504,143	46,138,594	115,186,583	465,808	**189,295,128**	183,293,433
Avg yield	4.37%	4.11%	3.87%	-	-	-
Investments and other	-	-	-	1,148,649	**1,148,649**	930,732
	34,571,861	50,607,994	125,762,943	2,764,360	**213,707,158**	208,065,564
Financial liabilities						
Member deposits	77,646,523	71,829,431	37,439,563	16,070,821	**202,986,338**	197,820,408
Avg yield	1.50%	2.03%	2.21%	-		
Other	-	-	-	531,870	**531,870**	538,945
	77,646,523	71,829,431	37,439,563	16,602,691	**203,518,208**	198,359,353

Based on the current financial instruments, it is estimated that a 50 basis point increase in the prime rate would decrease the financial margin by $17,000 (2013 - $48,000). A 50 basis point decrease in the prime rate would decrease the financial margin by $9,000 (2013 - $107,000).

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Credit Union incurs fair value risk on it loans, term deposits, and investments held. The Credit Union does not hedge its fair value risk. See Note 18 for further information on fair value of financial instruments.

18. Fair value measurements

The Credit Union as part of its operations carries a number of financial instruments. It is management's opinion that the Credit Union is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

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.

18. Fair value measurements *(continued)*

The fair value of the financial instruments and their related carrying values has been summarized and included in the table below.

(in thousands)		2014		2013
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	**7,314**	**7,314**	8,614	8,614
Available-for-sale financial assets				
Investments and other	**760**	**760**	826	826
Loans and receivables				
Cash and cash equivalents	**15,590**	**16,016**	15,227	15,324
Investments and other	**388**	**388**	105	105
Member loans receivable	**189,295**	**189,486**	183,293	183,910
Financial liabilities				
Financial liabilities measured at amortized cost				
Member deposits	**202,986**	**203,272**	197,820	198,246
Payable and accruals	**532**	**532**	539	539

The Credit Union classifies fair value measurements recognized on the balance sheet using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Credit Union to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

18. Fair value measurements *(continued)*

The financial instruments measured at fair value on the statement of financial position have been classified in the fair value hierarchy as follows:

				2014
	Fair Value	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	**7,314**	**7,314**	-	-
Available-for-sale financial assets				
Investments and other	**760**	**760**	-	-
Loans and receivables				
Cash and cash equivalents	**16,016**	**-**	**16,016**	-
Investments and other	**388**	**388**	**-**	-
Member loans receivable	**189,486**	**-**	**189,486**	-

				2013
	Fair Value	*Level 1*	*Level 2*	*Level 3*
Financial assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	8,614	8,614	-	-
Available-for-sale financial assets				
Investments and other	826	826	-	-
Loans and receivables				
Cash and cash equivalents	15,324	-	15,324	-
Investments and other	105	105	-	-
Member loans receivable	183,910	-	183,910	-

Valuation techniques and inputs for recurring level 2 fair value measurements are as follows:

Investments and other – Fair value is determined using the net present value of cash flows attributable to the investment.

19. Commitments and contingencies

Premises

The Credit Union is committed to leasing branch premises with the following lease terms:

	Start	Finish	
Kingsgate	01-Sep-10	31-Aug-17	With one right of renewal for further five years
Burnaby *	01-Sep-12	31-Aug-17	With one right of renewal for further five years
Surrey	01-May-14	30-Apr-24	With two right of renewal for further ten years
Brentwood	01-Aug-00	31-Jul-15	With one right of renewal for further five years
Royal Square	01-Oct-07	30-Sep-17	With one right of renewal for further five years

* Includes option to terminate lease effective August 31, 2015 subject to a 6 month notice and 3 month lease penalty

The Credit Union's lease payments for the year ended December 31, 2014 amounted to $590,381 (2013 - $595,544).

The Credit Union's total minimum lease payments in each of the next five years are as follows:

2015	$545,647
2016	$549,261
2017	$549,261
2018	$549,261
2019	$551,251

19. Commitments and contingencies *(continued)*

Banking system and network

The Credit Union is committed to pay for banking system and network charges pertaining to its current banking system of $289,177 in 2015. The Credit Union banking system and network charges for the year ended December 31, 2014 amounted to $246,142 (2013 - $236,345). The Credit Union has committed to pay for the implementation of a new banking system in the amount of $345,950 in 2015.

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, 2014 the Credit Union has outstanding letters of credit on behalf of members in the amount of $180,978 (2013 - $158,420).

Commitments to extend credit

At December 31, 2014 the Credit Union has unadvanced loans and commitments to extend credit totaling $9,256,054 (2013 - $7,435,489).

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 terms of MasterCard.

At December 31, 2014, the credit union guaranteed credit limits in the amount of $62,400 (2013 - $59,500).