

2015

ANNUAL REPORT

GVC credit union
GREATER VANCOUVER COMMUNITY
For Real People

2015-2016

Board of Directors

Glenn McLaughlin, Chairperson
Herb Gill, 1st Vice Chairperson
Shaun Olafson, 2nd Vice Chairperson
Judi Corra, Director
Gilles Deschenes, Director
John Schretlen, Director
Ken Sherwood, Director
Lorena Spencer, Director
Richard Thomas, Director

Committees

Audit Committee

Ken Sherwood, Chairperson
Judi Corra
Glenn McLaughlin
Richard Thomas

Nominating Committee

Judi Corra, Chairperson
Lorena Spencer
Richard Thomas

Credit Committee

Glenn McLaughlin, Chairperson
Herb Gill
Shaun Olafson
Balbir Bains

Investment & Lending Committee

Judi Corra, Chairperson
Glenn McLaughlin
Ken Sherwood
Richard Thomas

Conduct Review Committee

John Schretlen, Chairperson
Herb Gill
Shaun Olafson

Governance Review Committee

Shaun Olafson, Chairperson
Herb Gill
John Schretlen
Les Hausch (non-directorial member)

Employees

Administration

Balbir Bains, General Manager
Colleen Colonna, Controller
Nick Wong, Lending Services Manager

Isse Ali
Brad Campeau
Pouneh Hakimi-Sohrabi
Victoria Kowalski
Hong Liu
Amber Marcheen
Eszter Nemeth
Theresa Van Grol
Todd Wade

Brentwood Branch

Tracy Sparkes, Branch Manager
Anna Camele
Kevin Heaney
Sabena Jellali
David Masi
Farnoosh Shirmohammad
Harj Wahid
Amanda Waymen

Surrey Branch

Mary van Someren, Branch Manager
Melissa De Jeu
Neena Grewal
Coy Guerrero
Kuldeep Sahota
Daniel Suk
Chelsey Wilson

Kingsgate Branch

Cindy Candusso, Branch Manager
Virginia Agujo
Michelle Dela Luna
Sandeep Grewal
Nicole Manuel
Donald Murray
Vikash Parekh
Michael Tran

Royal Square Branch

Greta Munro, Branch Manager
Tyler Hall
Monika Kaczorowska
Jason Kainth
Margaret Lau
Leny Tica
Yogita Tiwari

Board of Directors Report

Last year was a year of transition for the board and credit union as our General Manager of 39 years retired and was succeeded by Ms. Balbir Bains who has been with GVC Credit Union for the past 33 years.

Any change in the leadership of an organization is challenging. However, I am pleased to advise this transition has been smooth and wish to congratulate Ms. Bains and her team on their professionalism which contributed to a successful transition.

Your board recognizes that as the industry adjusts to the new world of electronic banking, members do not need to visit branches as often as in the past. While we pride ourselves on our personal "in branch" service we recognize the costs associated with branches and that members will not happily pay for services they rarely use. With that in mind, in the summer we merged our Lougheed branch with our Brentwood branch. We are very pleased that the merger went smoothly.

In 2015, our credit union grew its assets by \$12.9 million or 6.0%. Loan growth was 3.6% or \$6.8 million in the year. Deposit growth was very strong at \$12.4 million or 6.1%. This allowed us to enter the New Year with surplus deposits so we have funds available for future loan growth.

During the year, your board and senior management participated in the credit union systems discussions with our provincial government about potential revisions to the credit union legislation. With an election due next year, we have the sense that changes will not be finalized until after the election, perhaps in 2018.

As 2015 was our 75th anniversary we celebrated by donating \$75,000 to local charities. Guided by you, our members we donated \$12,500 to each of the Mount Pleasant Neighbourhood House, Credit Union Foundation of B.C., Burnaby Seniors Outreach Services Society, L'Arche Foundation of Greater Vancouver, Evergreen and Virginia Sam Transition House and the Dixon Transition Society.

In closing, I wish to thank my fellow board members for the time and effort they have devoted over the last year in guiding the credit union. On behalf of the directors, I thank our dedicated employees for their work in providing services to our members. And most importantly, 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
Chairperson

General Managers Report

2015 was a year of growth with assets climbing 6.0% to \$227.8 million. We also adapted to the changing reality of our market, a new banking system and celebrated our 75th anniversary in June. There was also a change in leadership!

I assumed the General Manager's position mid-year and began to learn the difference between being #1 and #2. I have had fabulous support from our management team and the Board. For this, I wish to thank them.

In the early spring of last year your credit union converted to a new "made in Canada" banking system. This was our focus for most of the year as we sorted out reporting issues and got used to the new way of doing things. In 2016 we expect to welcome two or three additional Vancouver area smaller credit unions to the same system. This will allow us to cooperate on changes and enhancements in the future.

Our 75th anniversary celebrations last June were well received. As was our history "Common Bonds, A History of Greater Vancouver Community Credit Union" book; it helped remind readers of where we, and all credit unions came from. A particularly useful reminder at a time when the provincial government is reviewing legislation governing the credit union system.

In July, we merged our Lougheed branch with our Brentwood branch. First opened in 1982, Lougheed was the first branch GVC opened outside the City of Vancouver. Merging it with Brentwood allowed us to reduce costs. We are pleased to advise that we were able to retain all of our valuable staff.

Deposit growth was \$12.4 million and was a response to our summer promotion when we were seeking to fund an influx of new loans. However, in the late fall we had some long-standing commercial loans paid out, in some cases as members moved into retirement, and so we ended the year with excess deposits available to lend in 2016.

Net earnings in 2015 were \$686,170 up from \$532,668 in 2014. Earnings were negatively affected by the costs of our conversion and branch merger, but positively impacted by our ability to reduce our Collective Provision for loans thanks to the significant increase in home prices that provided members with greater equity. This brought our retained earnings to \$11.66 million or 5.1% of assets.

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.

Respectfully submitted

Balbir Bains
General Manager

Greater Vancouver Community Credit Union
Financial Statements
December 31, 2015

Greater Vancouver Community Credit Union

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For the year ended December 31, 2015

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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 judgments 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 judgment 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 are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and 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 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 Committee and management to discuss their audit findings.

March 23, 2016



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, 2015, and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Abbotsford, British Columbia

March 23, 2016

MNP LLP

Chartered Professional Accountants

Greater Vancouver Community Credit Union
Statement of Financial Position

As at December 31, 2015

	2015	2014
Assets		
Cash and cash equivalents (Note 5)	29,065,993	23,263,381
Investments and other (Note 6)	1,270,492	1,220,584
Member loans receivable (Note 7)	196,166,312	189,295,128
Income taxes recoverable	55,510	-
Property, plant and equipment (Note 8)	557,397	759,856
Intangible assets (Note 9)	530,970	224,906
Deferred income tax assets (Note 10)	121,000	202,000
	227,767,674	214,965,855
Liabilities		
Member deposits (Note 11)	215,383,585	202,986,337
Income taxes payable	-	28,871
Payables and accruals	299,430	531,870
	215,683,015	203,547,078
Commitments and contingencies (Note 20)		
Members' equity		
Equity shares (Note 12)	423,693	443,981
Retained earnings	11,660,966	10,974,796
	12,084,659	11,418,777
	227,767,674	214,965,855

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Greater Vancouver Community Credit Union
Statement of Comprehensive Income

For the year ended December 31, 2015

	2015	2014
Financial income		
Member loans	7,589,539	7,713,492
Investments	293,839	359,183
	7,883,378	8,072,675
Financial expense		
Member deposits	3,038,532	3,258,352
Share dividends	45,624	56,380
	3,084,156	3,314,732
Financial margin	4,799,222	4,757,943
Other income (Note 13)	563,212	668,256
	5,362,434	5,426,199
Operating expenses (Note 14)	4,757,118	4,756,502
Operating income	605,316	669,697
Provision for (recovery of) credit losses (Note 7)	(229,381)	47,763
Patronage rebate	15,300	13,800
	819,397	608,134
Income before income taxes		
Income taxes (Note 10)		
Current	52,227	107,466
Deferred (recovery)	81,000	(32,000)
	133,227	75,466
Comprehensive income	686,170	532,668

The accompanying notes are an integral part of these financial statements

Greater Vancouver Community Credit Union
Statement of Changes in Members' Equity

For the year ended December 31, 2015

	<i>Equity shares</i>	<i>Retained earnings</i>	<i>Total equity</i>
Balance December 31, 2013	458,411	10,442,128	10,900,539
Comprehensive 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
Comprehensive income	-	686,170	686,170
Issuance of equity shares	15,300	-	15,300
Redemption of equity shares	(35,588)	-	(35,588)
Balance December 31, 2015	423,693	11,660,966	12,084,659

The accompanying notes are an integral part of these financial statements

Greater Vancouver Community Credit Union

Statement of Cash Flows

For the year ended December 31, 2015

	2015	2014
Cash provided by (used for) the following activities		
Operating activities		
Comprehensive income	686,170	532,668
Depreciation	253,577	281,707
Deferred income tax	81,000	(32,000)
Provision for (recovery of) credit losses	(229,381)	47,763
Loss on disposal of property, plant and equipment	22,269	-
Changes in working capital accounts:		
Income taxes payable (recoverable)	(84,381)	111,606
Payables and accruals	(232,438)	(7,075)
Accrued interest on member loans	593	(63,914)
Accrued interest on member deposits	(42,522)	27,862
	454,887	898,617
Financing activities		
Net change in member deposits	12,439,768	5,138,068
Net change in equity shares	(20,288)	(14,430)
	12,419,480	5,123,638
Investing activities		
Net change in investments	(49,908)	(201,502)
Net change in member loans receivable	(6,642,396)	(5,985,545)
Purchases of property, plant and equipment	(39,718)	(188,320)
Proceeds from disposal of property, plant and equipment	1,351	-
Purchases of intangible assets	(341,084)	(224,906)
	(7,071,755)	(6,600,273)
Increase (decrease) in cash and cash equivalents	5,802,612	(578,018)
Cash and cash equivalents, beginning of year	23,263,381	23,841,399
Cash and cash equivalents, end of year	29,065,993	23,263,381

The accompanying notes are an integral part of these financial statements

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

1. Reporting entity

Greater Vancouver Community Credit Union (the "Credit Union") was formed pursuant to the Credit Union Incorporations Act of British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia ("the Act").

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.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

These financial statements for the year ended December 31, 2015 were approved by the Board of Directors on March 23, 2016.

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. Change in accounting policies

Standards and interpretations effective in the current period

The Credit Union adopted amendments to the following standards, effective January 1, 2015. Adoption of these amendments had no effect on the Credit Union's financial statements.

- IFRS 13 *Fair value measurement*
- IAS 24 *Related party disclosures*

3. Summary of significant accounting policies

The following principle accounting policies have been adopted in the preparation of these financial statements.

Cash and cash equivalents

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

Investments

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

Central 1 term deposits

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

Portfolio investments

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

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

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

3. Summary of significant accounting policies (Continued from previous page)

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.

Member loans receivable

Loans are initially recognized at their fair value and subsequently measured at 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.

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.

Depreciation is provided using the following methods and rates intended to depreciate the cost of the assets over their estimated useful lives:

	Method	Years
Automotive	straight-line	5 years
Data processing equipment	declining balance	10 %
Furniture and equipment	declining balance	5 %
Automated bank machines	straight-line	5 years
Leaseholds	straight-line	10 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Intangible assets

The Credit Union's only intangible asset is the banking system which is amortized to income on a straight-line basis over 10 years. The useful life of the banking system will be reviewed on an annual basis and the useful life is altered if estimates have changed significantly.

Gains or losses on the disposal of intangible assets will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognised in income as other operating income or other operating costs, respectively.

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 the 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 has occurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows. The carrying amount of the financial asset is reduced through the use of the provision for impaired financial assets and the amount of the impairment loss is recognized in income.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

3. Summary of significant accounting policies *(Continued from previous page)*

Financial assets, together with the associated provision for impairment are reported as a credit loss when there is no realistic prospect of future recovery and when the Credit Union is in possession of the loan. Interest income is accrued until the financial asset becomes a credit loss.

The present value of the estimated future cash flows is discounted at the financial assets' 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in income.

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 the period.

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 income.

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 income.

Member deposits

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

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

3. Summary of significant accounting policies *(Continued from previous page)*

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. Shares redeemable at the discretion of the Credit Union board of directors are classified as equity. Shares redeemable subject to regulatory restrictions are accounted for using the criteria set out in IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*.

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 in 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.

Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

Income taxes

Current tax and deferred tax are recognized in income 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

Transactions denominated in foreign currencies are translated into the functional currency of the Credit Union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in income for the current period.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

3. Summary of significant accounting policies (Continued from previous page)

Financial instruments

Classification and measurement

All financial instruments are initially recognized 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, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities as described below. During the year, there has been no reclassification of financial instruments.

Financial instruments classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through income. The Credit Union's financial instruments classified as fair value through profit or loss include cash and cash equivalents.

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Certain equity instruments which do not trade in an open market and whose fair value cannot be reliably measured are recorded at cost. Transactions to purchase or sell these items are recorded on the settlement date. The Credit Union's financial instruments classified as available-for-sale include Central 1 shares, Stabilization Central Credit Union share, BC Cooperative Association shares, and CUPP Services Ltd. shares and their respective accrued dividends.

Financial assets classified as held-to-maturity are subsequently measured at amortized cost using the effective interest rate method. The Credit Union's does not have any financial assets classified as held-to-maturity.

Financial assets classified as loans and receivables are subsequently measured at amortized cost. The Credit Union's financial instruments classified as loans and receivables include all members' loans receivable, 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.

Derecognition of financial assets

Derecognition 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 of 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in income.

Fair value measurements

The Credit Union classifies fair value measurements recognized in the statement of financial position 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.

3. **Summary of significant accounting policies** (Continued from previous page)

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.

Standards issued but not yet effective

The Credit Union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2015 but are not yet effective. Unless otherwise stated, the Credit Union does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 9 Financial instruments

The final version of IFRS 9 (2014) was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS 9 (2014) will replace IAS 39 *Financial instruments: recognition and measurement*. IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018. The Credit Union is currently assessing the impact of the standard on its financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including 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*.

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.

4. **Significant accounting judgements, estimates and assumptions**

The preparation of the Credit Union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

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 judgments 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.

Member loans 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 is disclosed in more detail in Note 7.

Greater Vancouver Community Credit Union
Notes to the Financial Statements

For the year ended December 31, 2015

4. **Significant accounting judgements, estimates and assumptions** *(Continued from previous page)*

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

5. **Cash and cash equivalents**

	2015	2014
Cash and current accounts	11,773,402	7,313,662
Deposits maturing in less than three months	2,652,990	797,874
Deposits maturing in greater than three months	14,639,601	15,151,845
	29,065,993	23,263,381

Total cash and cash equivalents include \$3,481,230 (2014 - \$3,719,439) denominated in US dollars.

Liquidity reserve deposit

The Credit Union is required to always maintain on deposit at Central 1 an amount equal to 8% of the Credit Union's total deposits and borrowings less cash holdings of up to 1% of the Credit Union's aggregate deposit and other debt liabilities. The liquidity reserve deposit bears interest at a rate which is fixed periodically and is callable by the Credit Union on ninety days notice. At December 31, 2015, the Credit Union deposits exceeded the minimum required by \$11,368,654 (2014 - \$6,577,426).

6. **Investments and other**

	2015	2014
Shares:		
Central 1	818,989	758,795
Stabilization Central	204	52,290
BC Cooperative Association	1,200	1,200
CUPP Services Ltd.	77,346	77,346
Ficanex Services limited partnership	33,764	33,764
Receivables and prepaids	338,989	297,189
	1,270,492	1,220,584

Greater Vancouver Community Credit Union
Notes to the Financial Statements
For the year ended December 31, 2015

7. Member loans receivable

Principal and allowance by loan type:

	2015				
	Principal performing	Principal impaired	Allowance specific	Allowance collective	Net carrying value
Personal and other	2,949,476	75,226	75,387	25,418	2,923,897
Real estate secured	147,451,398	261,341	20,000	502,074	147,190,665
Commercial	46,176,466	-	-	124,716	46,051,750
Total	196,577,340	336,567	95,387	652,208	196,166,312

	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
Total	189,660,995	669,356	109,512	925,711	189,295,128

The allowance for credit losses changed as follows:

	2015	2014
Balance, beginning of year	1,035,223	1,028,533
Provision for (recovery of) credit losses	(229,381)	47,763
	805,842	1,076,296
Less: accounts written off, net of recoveries	58,247	41,073
Balance, end of year	747,595	1,035,223

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

7. **Member loans receivable** (Continued from previous page)

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.

	1-30 days	31-60 days	61-90 days	91 days and greater	2015
Personal and other	4,534,622	1,077,024	1,040,750	1,289,898	7,942,294
Commercial	1,760,542	102,460	-	143,125	2,006,127
Total	6,295,164	1,179,484	1,040,750	1,433,023	9,948,421

	1-30 days	31-60 days	61-90 days	91 days and greater	2014
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
Total	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 of indemnitors. 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.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

8. Property, plant and equipment

	<i>Automotive</i>	<i>Data processing equipment</i>	<i>Furniture and equipment</i>	<i>Automated bank machines</i>	<i>Leaseholds</i>	<i>Total</i>
Cost						
Balance at January 1, 2014	7,500	516,587	1,128,608	329,504	1,822,429	3,804,628
Additions	-	4,991	33,155	-	150,174	188,320
Disposals	-	-	(3,614)	-	(293,490)	(297,104)
Balance at December 31, 2014	7,500	521,578	1,158,149	329,504	1,679,113	3,695,844
Balance at January 1, 2015	7,500	521,578	1,158,149	329,504	1,679,113	3,695,844
Additions	-	6,258	33,460	-	-	39,718
Disposals	-	-	(239,809)	-	(1,341)	(241,150)
Balance at December 31, 2015	7,500	527,836	951,800	329,504	1,677,772	3,494,412
Depreciation						
Balance at January 1, 2014	7,500	458,485	864,352	229,270	1,419,375	2,978,982
Depreciation charge for the year	-	20,801	52,102	39,180	142,028	254,111
Disposals	-	-	(3,614)	-	(293,491)	(297,105)
Balance at December 31, 2014	7,500	479,286	912,840	268,450	1,267,912	2,935,988
Balance at January 1, 2015	7,500	479,286	912,840	268,450	1,267,912	2,935,988
Depreciation charge for the year	-	14,560	47,107	31,947	124,943	218,557
Disposals	-	-	(217,530)	-	-	(217,530)
Balance at December 31, 2015	7,500	493,846	742,417	300,397	1,392,855	2,937,015
Net book value						
At December 31, 2014	-	42,292	245,309	61,054	411,201	759,856
At December 31, 2015	-	33,990	209,383	29,107	284,917	557,397

Greater Vancouver Community Credit Union
Notes to the Financial Statements
For the year ended December 31, 2015

9. Intangible assets

	<i>Banking system</i>
Cost	
Balance at January 1, 2014	203,124
Additions	224,906
<hr/>	
Balance at December 31, 2014	428,030
Balance at January 1, 2015	428,030
Additions	341,084
Disposals	(203,124)
<hr/>	
Balance at December 31, 2015	565,990
Depreciation	
Balance at January 1, 2014	175,528
Depreciation for the year	27,596
<hr/>	
Balance at December 31, 2014	203,124
Balance at January 1, 2015	203,124
Depreciation for the year	35,020
Disposals	(203,124)
<hr/>	
Balance at December 31, 2015	35,020
Net book value	
At December 31, 2014	224,906
<hr/>	
At December 31, 2015	530,970

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

10. Income tax

The significant components of income tax expense included in income are composed of:

	2015	2014
Current income tax expense		
Based on current year taxable income	52,227	107,466
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	81,000	(32,000)
	133,227	75,466

Reasons for the difference between income tax expense for the year and the expected income taxes based on the statutory tax rate of 26% are as follows:

	2015	2014
Net income before income taxes	819,397	608,134
Income tax expense on the statutory rate	213,043	158,115
Small business deduction	(19,511)	(26,061)
Additional deduction - credit unions	(19,790)	(57,258)
Items not deductible for tax purposes	120,709	163,931
Items deductible for tax purposes	(242,224)	(131,261)
Income tax expense	52,227	107,466

The movement in 2015 deferred income tax assets are:

	Jan 1, 2015	Recognized in income	Dec 31, 2015
Deferred income tax assets (liabilities):			
Allowance for credit losses	159,000	(47,000)	112,000
Property, plant, and equipment	3,000	(7,000)	(4,000)
Other	40,000	(27,000)	13,000
	202,000	(81,000)	121,000

The movement in 2014 deferred income tax assets are:

	Jan 1, 2014	Recognized in income	Dec 31, 2014
Deferred income tax assets:			
Allowance for credit losses	132,000	27,000	159,000
Property, plant, and equipment	15,000	(12,000)	3,000
Other	23,000	17,000	40,000
	170,000	32,000	202,000

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

11. Member deposits

	2015	2014
Demand	60,581,508	60,028,349
Term deposits	124,088,996	110,622,200
Member shares (Note 12)	1,731,162	1,843,997
Registered savings plans	27,684,792	29,152,142
Accrued interest and dividends	1,297,127	1,339,649
	215,383,585	202,986,337

Total member deposits include \$3,525,047 (2014 - \$3,720,300) denominated in US dollars.

12. Member 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

Issued:

	2015	2014
Member shares classified as equity		
Class P shares	423,693	443,981
Member shares classified as liabilities		
Class B shares	622,365	638,065
Class C shares	1,108,797	1,205,932
	1,731,162	1,843,997
	2,154,855	2,287,978

Member shares are classified as liabilities in accordance with IFRIC 2 are redeemable at the option of the member, either on demand or on withdrawal from membership. The total amount of shares that are redeemable at December 31, 2015 as part of the Credit Union's regulatory capital requirements are classified as liabilities.

Terms and conditions

The Credit Union is authorized to issue an unlimited number of non-transferable, voting membership shares, redeemable at 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 consent of the Board of Directors of the Credit Union.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

13. Other income

	2015	2014
Account service fees	380,330	427,937
Loan administration fees	62,991	34,671
Other	79,406	145,775
Foreign exchange	19,818	32,117
Insurance commissions and fees	20,667	27,756
	563,212	668,256

14. Operating Expenses

	2015	2014
Advertising and member relations	85,895	132,180
Board and committee meetings	59,297	65,160
Data processing	345,016	337,167
Depreciation	253,577	281,707
Dues and assessments	323,169	226,362
Member meetings	8,929	11,033
Other	204,393	190,042
Premises, equipment and supplies	942,805	893,040
Professional services	69,150	64,483
Salaries and benefits	2,319,293	2,417,072
Service charges	133,568	121,584
Staff and other meetings	12,026	16,672
	4,757,118	4,756,502

15. 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 \$4,000,000. At December 31, 2015, there were \$nil (2014 - \$nil) funds borrowed under the agreements. A debenture charge on certain assets of the Credit Union has been provided as security.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

16. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union are defined by IAS 24 *Related Party Disclosures* as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

Key management personnel ("KMP") remuneration includes the following expenses:

	2015	2014
Salaries and short-term benefits	303,674	331,347

Directors in their capacity as Directors, received \$35,000 (2014 - \$35,000).

Transactions with key management personnel

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

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

	2015	2014
Lines of credit	1,955	9,881
Mortgages	87,531	586,013
Loans	13,563	833
	103,049	596,727

	2015	2014
During the year the aggregate value of loans disbursed to KMP amounted to:		
Loans	19,000	2,500

	2015	2014
Interest and other revenue earned on loans and revolving credit facilities to KMP	7,445	33,578
Interest paid on deposits to KMP	55,254	46,390

	2015	2014
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	1,830,676	432,818
Term deposits	427,198	577,783
Registered plans	1,024,900	1,376,888
Total value of member deposits due to KMP	3,282,774	2,387,489

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

17. Capital management

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

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, 2015, the Credit Union had a capital base approximating 16.27% (2014 - 15.67%) 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, 2015.

	2015	2014
Primary capital		
Retained earnings	11,660,966	10,974,796
Equity shares	1,060,179	1,100,063
Deferred income tax asset	(121,000)	(202,000)
	12,600,145	11,872,859
Secondary capital		
Share of system retained earnings	1,584,000	1,502,489
Other equity shares	1,108,797	1,205,932
	2,692,797	2,708,421
Deductions from capital	(530,970)	(224,906)
Capital base	14,761,972	14,356,374

18. Fair value measurements

Recurring fair value measurements

The Credit Union's assets and liabilities measured at fair value on a recurring basis have been categorized into the fair value hierarchy as follows:

	2015 <i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	11,773,402	11,773,402	-	-
Available-for-sale financial assets				
Investments and other	931,504	-	931,504	-
	12,704,906	11,773,402	931,504	-
Liabilities	-	-	-	-
Total recurring fair value measurements	12,704,906	11,773,402	931,504	-

Greater Vancouver Community Credit Union
Notes to the Financial Statements
For the year ended December 31, 2015

18. Fair value measurements (Continued from previous page)

	2014 Fair Value	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	7,313,662	7,313,662	-	-
Available-for-sale financial assets				
Investments and other	871,310	-	871,310	-
	8,184,972	7,313,662	871,310	-
Liabilities				
	-	-	-	-
Total recurring fair value measurements	8,184,972	7,313,662	871,310	-

Valuation techniques and inputs for recurring and non-recurring level 2 fair value measurements is as follows:

Fair value measurement	Fair Value	Valuation technique(s)	2015 Inputs
Investments and other	931,504	Fair value approximates par value for shares as transactions occur at par value on a regular and recurring basis.	Value of shares.
Fair value measurement	Fair Value	Valuation technique(s)	2014 Inputs
Investments and other	871,310	Fair value approximates par value for shares as transactions occur at par value on a regular and recurring basis.	Value of shares.

Asset and liabilities for which fair value is only disclosed

The following table analyses within the fair value hierarchy the Credit Union's assets and liabilities (by class) not measured at fair value at December 31, 2015 but for which fair value is disclosed:

	2015 Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	17,356,606	-	17,356,606	-
Investments and other	255,228	-	255,228	-
Member loans receivable	196,621,547	-	196,621,547	-
Total assets	214,233,381	-	214,233,381	-
Liabilities				
Member deposits	215,992,827	-	215,992,827	-
Payables and accruals	299,430	-	299,430	-
Total liabilities	216,292,257	-	216,292,257	-

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

18. Fair value measurements (Continued from previous page)

	2014 Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	16,015,765	-	16,015,765	-
Investments and other	225,254	-	225,254	-
Member loans receivable	189,485,792	-	189,485,792	-
Total assets	205,726,811	-	205,726,811	-
Liabilities				
Member deposits	203,263,423	-	203,263,423	-
Payables and accruals	531,870	-	531,870	-
Total liabilities	203,795,293	-	203,795,293	-

19. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Credit Union are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from loans receivable. Management and the Board of Directors review and update the credit risk policy annually. The Credit Union's maximum credit risk exposure before taking into account any collateral held is the carrying amount of loans as disclosed on the statement of financial position.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographical region. Geographical risk exists for the Credit Union due to its primary service area being Burnaby, British Columbia and surrounding areas.

The Credit Union uses a risk management process for its credit portfolio. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. Management of credit risk is established in policies and procedures by the Board of Directors.

The primary credit risk management policies and procedures include the following:

- Loan security (collateral) requirements;
- Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge;
- Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security;
- Borrowing member capacity (repayment ability) requirements;
- Borrowing member character requirements;
- Limits on aggregate credit exposure per individual and/or related parties;
- Limits on concentration to credit risk by loan type, industry and economic sector;
- Limits on types of credit facilities and services offered;
- Internal loan approval processes and loan documentation standards;
- Loan re-negotiation, extension and renewal processes;
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors;
- Control and monitoring processes including portfolio risk identification and delinquency tolerances;
- Timely loan analysis processes to identify, access and manage delinquent and impaired loans;
- Collection processes that include action plans for deteriorating loans;
- Overdraft control and administration processes; and
- Loan syndication processes.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

19. Financial instruments (Continued from previous page)

Credit commitments

The Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. These are subject to normal credit standards, financial controls, risk management and monitoring procedures. The contractual amounts of these credit instruments represent the maximum credit risk exposure without taking into account the fair value of any collateral, in the event other parties fail to perform their obligations under these instruments.

The Credit Union makes the following instruments available to its members:

- (a) guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party;
- (b) commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans, lines of credit, guarantees or letters of credit.

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

As at year-end, the Credit Union had the following outstanding financial instruments subject to credit risk:

	2015	2014
Guarantees and standby letters of credit	255,843	180,978
Commitments to extend credit	7,519,149	9,256,054
	7,774,992	9,437,032

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices and credit spreads. The Credit Union's exposure changes depending on market conditions. Market risks that have a significant impact on the Credit Union include 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.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

19. Financial instruments (Continued from previous page)

Contractual repricing and maturity

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

					2015	2014
	<i>Within three months</i>	<i>Four months to one year</i>	<i>Over one year to five years</i>	<i>Non-Interest Sensitive</i>	<i>Total</i>	<i>Total</i>
Assets						
Cash and cash equivalents	13,465,405	6,567,040	8,002,980	1,030,568	29,065,993	23,263,381
Average yield %	0.95	0.93	1.08	-	-	-
Investments and other	-	-	-	1,186,732	1,186,732	1,148,649
Member loans receivable	33,021,628	38,543,948	124,154,451	446,285	196,166,312	189,295,128
Average yield %	4.29	3.87	3.67	-	-	-
	46,487,033	45,110,988	132,157,431	2,663,585	226,419,037	213,707,158
Liabilities						
Member deposits	72,761,825	75,112,403	50,590,782	16,918,575	215,383,585	202,986,337
Average yield %	1.09	1.64	1.93	-	-	-
Payables and accruals	-	-	-	299,430	299,430	531,870
	72,761,825	75,112,403	50,590,782	17,218,005	215,683,015	203,518,207
Net sensitivity	(26,274,792)	(30,001,415)	81,566,649	(14,554,420)	10,736,022	10,188,951

Based on the current financial instruments, it is estimated that a 0.5% increase in the interest rate would decrease financial margin by \$19,758 (2014 - \$21,177). A 0.5% decrease in the interest rate would increase financial margin by \$5,244 (2014 - \$9,353).

Liquidity risk

Liquidity risk arises from the inability to generate or obtain the necessary cash or cash equivalents in a timely manner, at a reasonable price, to meet commitments as they come due. In particular, the risk arises from failure to meet the Credit Union's day-to-day obligations, including claims on the Credit Union and operational demands.

The Credit Union uses different risk management processes to manage liquidity risk. The acceptable amount of risk is defined by policies approved by the board and monitored by the Investment & Lending Committee.

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgment pertaining to current and prospective specific and market conditions and the related behaviour of its members and counterparties.

The Credit Union manages its liquidity position from three perspectives:

- 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;
- Tactical liquidity risk, which addresses the day-to-day funding requirements;
- 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:

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

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the year ended December 31, 2015

20. Commitments and contingencies

Premises

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

Kingsgate	01-Sep-10	31-Aug-17	With one right of renewal for further five years
Surrey	01-May-14	30-Apr-24	With two rights of renewal for further ten years
Brentwood	01-Aug-15	31-Jul-20	With no renewal periods
Royal Square	01-Oct-07	30-Sep-17	With one right of renewal for further five years

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

2016	\$ 467,767
2017	\$ 467,767
2018	\$ 467,767
2019	\$ 467,767
2020	\$ 470,999

Guarantees

The Credit Union guarantees credit limits on MasterCard credit cards that are monitored by CUETS Financial. These applications would normally be declined under the standard terms of MasterCard.

At December 31, 2015, the credit union guaranteed credit limits in the amount of \$37,025 (2014 - \$63,225).

21. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.



Chequing, Savings, Mortgages, Loans and Friendly Advice.
www.gvccu.com

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