

# 2017

## ANNUAL REPORT

**GVC credit union**  
GREATER VANCOUVER COMMUNITY  
**For Real People**

Chequing, Savings, Mortgages, Loans and Friendly Advice.  
[www.gvccu.com](http://www.gvccu.com)

## Employees

### **Administration**

Balbir Bains, General Manager  
Nick Wong, Operations Manager  
Brad Campeau, Controller

Isha Gill  
Pouneh Hakimi-Sohrabi  
Victoria Kowalski  
Amber Marcheen  
David Masi  
Greg Moore  
Eszter Nemeth  
John Szucs  
Theresa Van Grol

### **Brentwood Branch**

Julian Beckett, Retail Credit Manager  
Anna Camele, Office Manager  
Joann Andalis  
Kevin Heaney  
Margaret Lau  
Anna Necka  
Kabita Pathak  
Harj Wahid

### **Surrey Branch**

Mary van Someren, Branch Manager  
Monira Ahmadi  
Melissa Lavergne  
Gurlraj Dhaliwal  
Coy Guerrero  
Emilee Imhoff  
Kuldeep Sahota  
Shaf Satari

### **Kingsgate Branch**

Cindy Candusso, Branch Manager  
Virginia Agujo  
Michelle Dela Luna  
Sandeep Grewal  
Dinece Lau  
Donald Murray  
Leny Tica  
Michael Tran

### **Royal Square Branch**

Tracy Sparkes, Branch Manager  
Taye Brewster  
Marisa Freitas  
Wayne Huynh  
Baldeep Jagpal  
Yogita Tiwari  
Amanda Waymen

## Board of Directors

Glenn McLaughlin, Chairperson  
Herb Gill, 1<sup>st</sup> Vice Chairperson  
Richard Thomas, 2<sup>nd</sup> Vice Chairperson  
Argundas Bartas, Director  
Judi Corra, Director  
Shaun Olafson, Director  
Ken Sherwood, Director  
Lorena Spencer, Director  
Stacy Wilson, Director

## Committees

### **Executive Committee**

Glenn McLaughlin, Chairperson  
Judi Corra  
Herb Gill  
Richard Thomas

### **Audit Committee**

Ken Sherwood, Chairperson  
Judi Corra  
Herb Gill  
Richard Thomas

### **Credit Committee**

Glenn McLaughlin, Chairperson  
Herb Gill  
Richard Thomas  
Balbir Bains

### **Conduct Review Committee**

Stacy Wilson, Chairperson  
Glenn McLaughlin  
Shaun Olafson

### **Investment & Lending Committee**

Judi Corra, Chairperson  
Herb Gill  
Ken Sherwood  
Richard Thomas

### **Nominating Committee**

Stacy Wilson, Chairperson  
Argundas Bartas  
Shaun Olafson

# Report of the Directors

It is my pleasure to provide the strategic updates for GVC Credit Union for 2017. This is our opportunity to share with you the progress we have made on our vision of improving our financial health and building communities.

GVC Credit Union had a strong financial year as you will note when you hear our General Manger speak to those details. With our asset growth and increased retained earnings, we do so with a view for consistency and moderation, as those characteristics indicate stability and strength and provide a healthy capital level well above the regulatory threshold.

Financial Institutions operate in a complex and continually changing industry. As such, your board continues to apply a forward-thinking approach to address increased regulations, narrower margins, heightened competition, technological changes and housing market volatility. To support our direction, we ensure the whole board has the skills to move your credit union forward, and with our senior management team we will continue to participate in various system discussions and initiatives.

Our member service approach continues to focus on delivering helpful products and advice, along with convenience and accessibility. Supported by significant projects undertaken over the past couple of years including a management transition, incorporation of several senior staff into the management team and implementation of a new banking system will allow us to

continue in this vein. With our new banking system, we are pleased to note several other credit unions in the area have also converted to the same banking system, providing us with collaborative opportunities.

Your credit union continued the tradition of giving back to our community. We are pleased to advise in 2017 your credit union made contributions to The World Council of Credit Unions, The Credit Union Foundation, The Youth Excellence Society, Burnaby Seniors Outreach, Marguerite Dixon Transition Society, The Mount Pleasant Neighbourhood House and our own GVC Christmas Hamper program.

As always, 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 our directors, I thank our dedicated employees for their work in providing quality services to our members. More importantly, on behalf of our directors and staff, I wish to thank you, our members, for your support. As without you, we would not be here.

Respectfully submitted on behalf of the Board of Directors  
Glenn McLaughlin, Chairperson

# Report of the General Manager

I am pleased to announce GVC's financial results for 2017. We ended the year with total assets of \$246.77 million. This is an increase of 6.7% over 2016. Unlike the previous years, the start to 2017 was slower, but growth accelerated during the second half of the year. The lending portfolio grew by \$12.60 million or 6.2%. This growth was funded through deposits which grew by \$14.72 million or 6.8%.

In 2017, we implemented a variety of solutions to stay ahead of the changing landscape. We launched new technologies, enhanced some of our key service platforms, and further strengthened our employee skills and leadership. We continue to adapt to the changing reality of our market with the continued low interest rate environment, regulatory requirements and technology changes.

For the last few years, various levels of government have been implementing policy measures to cool the real estate market. The latest changes with restrictive mortgage qualification criteria, which came into effect Jan 1, 2018, have decreased some buyers' purchasing power. With these changes, housing sales appear to have softened, especially in the higher end of the market. However, demand and prices remain strong in the entry level market. Home ownership and rental costs remain historically high across the region.

During the year, a number of technology initiatives were undertaken. This included upgrading our IT infrastructure and the Automated Teller Machines while replacing other equipment.

Additionally, MemberDirect (internet banking) was upgraded to introduce some new features. These features included the Mobile App, Deposit Anywhere and Member Alerts. Thanks to the team and the energy they bring, we were able to complete these initiatives seamlessly with minimal impact to our members.

The financial industry continues to evolve. Members are serving themselves electronically instead of visiting their branch. With this change, the need for support functions has increased. We, therefore, leased additional space at our Brentwood location to support administration functions. In addition, the existing premises received a refresh with new carpet and a coat of paint.

Net earnings in 2017 were \$972,799, up from \$797,485 in 2016. Earnings in 2017 were positively affected by prudent steps taken by your credit union over the last few years to control costs. The growth experienced during the second half of 2017 provided an additional boost to the margin. We ended the year with retained earnings of \$13.43 million or 5.4% of total 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, 2017*

# Greater Vancouver Community Credit Union

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*For the year ended December 31, 2017*

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## **Management's Responsibility**

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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 21, 2018



General Manager

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## Independent Auditors' Report

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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, 2017, 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, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Abbotsford, British Columbia

March 21, 2018

**MNP** LLP

Chartered Professional Accountants

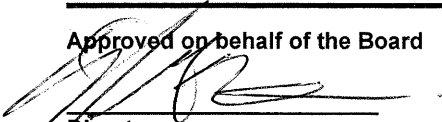



**Greater Vancouver Community Credit Union**  
**Statement of Financial Position**

*As at December 31, 2017*

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and cash equivalents <i>(Note 5)</i>	28,240,832	25,124,956
Investments and other <i>(Note 6)</i>	1,359,085	1,358,487
Member loans receivable <i>(Note 7)</i>	216,389,914	203,783,357
Property, plant and equipment <i>(Note 8)</i>	355,864	388,166
Intangible assets <i>(Note 9)</i>	257,493	376,341
Deferred income tax assets <i>(Note 10)</i>	168,000	143,000
	<b>246,771,188</b>	<b>231,174,307</b>
<b>Liabilities</b>		
Member deposits <i>(Note 11)</i>	232,423,559	217,708,304
Income taxes payable	28,485	140,566
Payables and accruals	483,941	456,008
	<b>232,935,985</b>	<b>218,304,878</b>
<b>Commitments and contingencies</b> <i>(Note 20)</i>		
<b>Members' equity</b>		
Equity shares <i>(Note 12)</i>	403,953	410,978
Retained earnings	13,431,250	12,458,451
	<b>13,835,203</b>	<b>12,869,429</b>
	<b>246,771,188</b>	<b>231,174,307</b>

Approved on behalf of the Board

  
 Director

  
 Director

**Greater Vancouver Community Credit Union**  
**Statement of Comprehensive Income**

*For the year ended December 31, 2017*

	2017	2016
<b>Financial income</b>		
Member loans	7,945,647	7,787,644
Investments	361,271	252,722
	<b>8,306,918</b>	<b>8,040,366</b>
<b>Financial expense</b>		
Member deposits	2,942,693	2,946,931
Share dividends	41,136	42,936
	<b>2,983,829</b>	<b>2,989,867</b>
<b>Financial margin</b>	<b>5,323,089</b>	<b>5,050,499</b>
<b>Other income</b> (Note 13)	<b>611,550</b>	<b>597,018</b>
	<b>5,934,639</b>	<b>5,647,517</b>
<b>Operating expenses</b> (Note 14)	<b>4,688,437</b>	<b>4,619,096</b>
<b>Operating income</b>	<b>1,246,202</b>	<b>1,028,421</b>
<b>Provision for credit losses</b> (Note 7)	<b>65,000</b>	<b>50,288</b>
<b>Patronage rebate</b>	<b>12,703</b>	<b>10,892</b>
<b>Income before income taxes</b>	<b>1,168,499</b>	<b>967,241</b>
<b>Income taxes (recovery)</b> (Note 10)		
Current	220,700	191,756
Deferred	(25,000)	(22,000)
	<b>195,700</b>	<b>169,756</b>
<b>Comprehensive income</b>	<b>972,799</b>	<b>797,485</b>

*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, 2017*

	<i>Equity shares</i>	<i>Retained earnings</i>	<i>Total equity</i>
<b>Balance December 31, 2015</b>	<b>423,693</b>	<b>11,660,966</b>	<b>12,084,659</b>
Comprehensive income	-	797,485	797,485
Net redemption of equity shares	(12,715)	-	(12,715)
<b>Balance December 31, 2016</b>	<b>410,978</b>	<b>12,458,451</b>	<b>12,869,429</b>
Comprehensive income	-	972,799	972,799
Net redemption of equity shares	(7,025)	-	(7,025)
<b>Balance December 31, 2017</b>	<b>403,953</b>	<b>13,431,250</b>	<b>13,835,203</b>

*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, 2017*

	<b>2017</b>	<b>2016</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Comprehensive income	972,799	797,485
Depreciation	283,650	332,901
Deferred income tax	(25,000)	(22,000)
Provision for credit losses	65,000	50,288
Changes in working capital accounts:		
Income taxes payable	(112,081)	196,076
Payables and accruals	27,933	156,574
Accrued interest on member loans receivable	(25,630)	94,676
Accrued interest on member deposits	154,205	(100,824)
	<b>1,340,876</b>	<b>1,505,176</b>
<b>Financing activities</b>		
Net change in member deposits	14,561,050	2,425,544
Net change in equity shares	(7,025)	(12,715)
	<b>14,554,025</b>	<b>2,412,829</b>
<b>Investing activities</b>		
Net change in investments	(598)	(87,995)
Net change in member loans receivable	(12,645,927)	(7,762,006)
Purchases of property, plant and equipment	(132,500)	(9,041)
	<b>(12,779,025)</b>	<b>(7,859,042)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>3,115,876</b>	<b>(3,941,037)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>25,124,956</b>	<b>29,065,993</b>
<b>Cash and cash equivalents, end of year</b>	<b>28,240,832</b>	<b>25,124,956</b>

*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, 2017

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### 1. Reporting entity

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 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, 2017 were approved by the Board of Directors on March 21, 2018.

#### **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, 2017. Adoption of these amendments had no effect on the Credit Union's financial statements.

- IAS 1 Presentation of financial statements
- IAS 16 Property, plant and equipment
- IAS 38 Intangible assets

### 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) maturing in less than three months or that are cashable at the Credit Union's discretion 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.

##### *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.

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, 2017*

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

***Property held for resale***

Property held for resale is 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 comprehensive 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:

	<b><i>Method</i></b>	<b><i>Years</i></b>
Automotive	straight-line	5 years
Data processing equipment	straight-line	5 years
Furniture and equipment	straight-line	5 years
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 comprehensive income on a straight-line basis over 5 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 recognized in comprehensive 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 comprehensive income.

**Greater Vancouver Community Credit Union**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2017*

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**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 real estate values, 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 comprehensive 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 comprehensive 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 comprehensive income.

**Greater Vancouver Community Credit Union**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2017*

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

***Member deposits***

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

***Payables and accruals***

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

***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.

Interest income is recognized in 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.

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 comprehensive 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.



**Greater Vancouver Community Credit Union**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2017*

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

***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 comprehensive income for the current period.

***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 comprehensive 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 shares, 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 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, certain 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 comprehensive income.

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

***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.

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, 2017 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.

IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 is substantially the same as was previously included in IAS 39.

IFRS 9 also introduces an expected credit loss impairment model for all financial assets not measured at fair value through profit or loss. The model has three stages: (1) on initial recognition, a loss allowance is recognized and maintained equal to 12 months of expected credit losses; (2) if credit risk increases significantly relative to initial recognition, the loss allowance is increased to cover full lifetime expected credit losses; and (3) when a financial asset is considered credit-impaired, the loss allowance continues to reflect lifetime expected credit losses and interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Changes in the loss allowance, including the movement between 12 months and lifetime expected credit losses, is recorded in profit or loss.

The Credit Union is currently assessing the impact of this standard on its financial statements. The new impairment and classification and measurement requirements will be applied by adjusting the Credit Union's Statement of Financial Position on January 1, 2018, the date of initial application of IFRS 9, with no restatement of comparative periods.

The adoption of IFRS 9 is expected to result in certain differences in the classification of financial assets when compared to the Credit Union's classification under IAS 39.

The Credit Union continues to monitor and refine certain elements of its analysis of classification and measurement differences and the impairment assessment in advance of the Credit Union's December 31, 2018 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, 2018. The Credit Union is currently assessing the impact of this standard on its financial statements.

# Greater Vancouver Community Credit Union

## Notes to the Financial Statements

*For the year ended December 31, 2017*

#### 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, inflated real estate values and industry economic outlook. The impairment loss on member loans is disclosed in more detail in Note 7.

##### **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

	2017	2016
Cash and current accounts	9,845,921	3,291,552
Deposits maturing in less than three months	1,875,407	2,569,369
Cashable deposits maturing in greater than three months	16,519,504	19,264,035
	<b>28,240,832</b>	<b>25,124,956</b>

Total cash and cash equivalents include \$2,739,097 (2016 - \$2,929,753) 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, 2017, the Credit Union deposits exceeded the minimum required by \$9,778,511 (2016 - \$6,690,882).

**Greater Vancouver Community Credit Union**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2017*

**6. Investments and other**

	2017	2016
Shares:		
Central 1	846,808	895,482
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
Receivables and prepaids	399,763	350,491
	<b>1,359,085</b>	1,358,487

**7. Member loans receivable**

*Principal and allowance by loan type:*

	2017				
	Principal performing	Principal impaired	Allowance specific	Allowance collective	Net carrying value
Personal and other	2,405,912	28,973	25,139	57,002	2,352,744
Real estate secured	167,546,859	1,625,375	45,000	537,944	168,589,290
Commercial	45,603,143	8,543	4,256	159,550	45,447,880
<b>Total</b>	<b>215,555,914</b>	<b>1,662,891</b>	<b>74,395</b>	<b>754,496</b>	<b>216,389,914</b>

	2016				
	Principal performing	Principal impaired	Allowance specific	Allowance collective	Net carrying value
Personal and other	2,666,763	59,304	65,095	16,834	2,644,138
Real estate secured	156,762,121	314,904	10,000	575,859	156,491,166
Commercial	44,759,856	-	-	111,803	44,648,053
<b>Total</b>	<b>204,188,740</b>	<b>374,208</b>	<b>75,095</b>	<b>704,496</b>	<b>203,783,357</b>

*The allowance for credit losses changed as follows:*

	2017	2016
Balance, beginning of year	779,591	747,595
Provision for credit losses	65,000	50,288
	<b>844,591</b>	797,883
Less: accounts written off, net of recoveries	15,700	18,292
<b>Balance, end of year</b>	<b>828,891</b>	779,591

**Greater Vancouver Community Credit Union**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2017*

**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	2017
Personal, real estate and other	3,213,446	7,394	344,607	-	<b>3,565,447</b>
Commercial	24,413	148,858	-	-	<b>173,271</b>
<b>Total</b>	<b>3,237,859</b>	<b>156,252</b>	<b>344,607</b>	<b>-</b>	<b>3,738,718</b>

	1-30 days	31-60 days	61-90 days	91 days and greater	2016
Personal, real estate and other	4,008,962	840,603	265,876	330,099	5,445,540
Commercial	-	158,308	-	-	158,308
<b>Total</b>	<b>4,008,962</b>	<b>998,911</b>	<b>265,876</b>	<b>330,099</b>	<b>5,603,848</b>

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, 2017*

**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>
<b>Cost</b>						
Balance at January 1, 2016	7,500	527,836	951,800	329,504	1,677,772	<b>3,494,412</b>
Additions	-	7,748	1,293	-	-	<b>9,041</b>
<b>Balance at December 31, 2016</b>	<b>7,500</b>	<b>535,584</b>	<b>953,093</b>	<b>329,504</b>	<b>1,677,772</b>	<b>3,503,453</b>
Balance at January 1, 2017	7,500	535,584	953,093	329,504	1,677,772	<b>3,503,453</b>
Additions	-	84,121	14,448	-	33,931	<b>132,500</b>
Disposals	-	(535,583)	-	-	-	<b>(535,583)</b>
<b>Balance at December 31, 2017</b>	<b>7,500</b>	<b>84,122</b>	<b>967,541</b>	<b>329,504</b>	<b>1,711,703</b>	<b>3,100,370</b>
<b>Depreciation</b>						
Balance at January 1, 2016	7,500	493,846	742,417	300,397	1,392,855	<b>2,937,015</b>
Depreciation	-	12,804	39,153	17,478	108,837	<b>178,272</b>
<b>Balance at December 31, 2016</b>	<b>7,500</b>	<b>506,650</b>	<b>781,570</b>	<b>317,875</b>	<b>1,501,692</b>	<b>3,115,287</b>
Balance at January 1, 2017	7,500	506,650	781,570	317,875	1,501,692	<b>3,115,287</b>
Depreciation	-	36,598	33,411	11,629	83,164	<b>164,802</b>
Disposals	-	(535,583)	-	-	-	<b>(535,583)</b>
<b>Balance at December 31, 2017</b>	<b>7,500</b>	<b>7,665</b>	<b>814,981</b>	<b>329,504</b>	<b>1,584,856</b>	<b>2,744,506</b>
<b>Net book value</b>						
At December 31, 2016	-	28,934	171,523	11,629	176,080	388,166
<b>At December 31, 2017</b>	<b>-</b>	<b>76,457</b>	<b>152,560</b>	<b>-</b>	<b>126,847</b>	<b>355,864</b>

**Greater Vancouver Community Credit Union**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2017*

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9. Intangible assets

	<i>Banking system</i>
<b>Cost</b>	
Balance at January 1, 2016	565,990
Balance at December 31, 2016	565,990
Balance at January 1, 2017	565,990
Balance at December 31, 2017	565,990
<b>Depreciation</b>	
Balance at January 1, 2016	35,020
Depreciation	154,629
Balance at December 31, 2016	189,649
Balance at January 1, 2017	189,649
Depreciation	118,848
Balance at December 31, 2017	308,497
<b>Net book value</b>	
At December 31, 2016	376,341
<b>At December 31, 2017</b>	<b>257,493</b>

## Greater Vancouver Community Credit Union

### Notes to the Financial Statements

*For the year ended December 31, 2017*

#### 10. Income tax

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

	2017	2016
<b>Current income tax expense</b>		
Based on current year taxable income	220,700	191,756
<b>Deferred income tax recovery</b>		
Origination and reversal of temporary differences	(25,000)	(22,000)
	195,700	169,756

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:

	2017	2016
Net income before income taxes	1,168,499	967,241
Income tax expense at the statutory rate	303,810	251,483
Small business deduction	(4,708)	(21,245)
Additional deduction - credit unions	(118,784)	(72,209)
Items not deductible for tax purposes	149,438	167,628
Items deductible for tax purposes	(109,056)	(133,901)
Income tax expense	220,700	191,756

The movement in 2017 deferred income tax assets (liabilities) are:

	Jan 1, 2017	Recognized in income	Dec 31, 2017
<b>Deferred income tax assets (liabilities):</b>			
Allowance for credit losses	121,000	9,000	130,000
Property, plant, and equipment	(7,000)	22,000	15,000
Other	29,000	(6,000)	23,000
	143,000	25,000	168,000

The movement in 2016 deferred income tax assets (liabilities) are:

	Jan 1, 2016	Recognized in income	Dec 31, 2016
<b>Deferred income tax assets (liabilities):</b>			
Allowance for credit losses	112,000	9,000	121,000
Property, plant, and equipment	(4,000)	(3,000)	(7,000)
Other	13,000	16,000	29,000
	121,000	22,000	143,000



# Greater Vancouver Community Credit Union

## Notes to the Financial Statements

*For the year ended December 31, 2017*

### 11. Member deposits

	2017	2016
Demand	66,639,304	62,848,980
Term deposits	132,942,848	122,341,740
Member shares (Note 12)	1,629,490	1,686,121
Registered savings plans	29,861,409	29,635,160
Accrued interest and dividends	1,350,508	1,196,303
	232,423,559	217,708,304

Total member deposits include \$2,735,163 (2016 - \$2,938,191) 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:

	2017	2016
<b>Member shares classified as equity</b>		
Class P shares	403,953	410,978
	403,953	410,978
<b>Member shares classified as liabilities</b>		
Class B shares	610,728	606,974
Class C shares	1,018,762	1,079,147
	1,629,490	1,686,121
	2,033,443	2,097,099

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, 2017 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, 2017*

#### 13. Other income

	2017	2016
Account service fees	366,947	381,657
Foreign exchange	30,860	35,875
Insurance commissions and fees	16,927	17,437
Loan administration fees	129,111	83,878
Other	67,705	78,171
	611,550	597,018

#### 14. Operating Expenses

	2017	2016
Advertising and member relations	73,086	47,675
Board and committee meetings	55,236	56,023
Data processing	308,929	321,708
Depreciation	283,650	332,901
Dues and assessments	265,636	261,767
Member meetings	9,510	10,341
Other	233,271	229,916
Premises, equipment and supplies	773,914	796,193
Professional services	105,070	98,120
Salaries and benefits	2,424,603	2,316,838
Service charges	145,003	139,902
Staff and other meetings	10,529	7,712
	4,688,437	4,619,096

#### 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, 2017, there were \$nil (2016 - \$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, 2017*

**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:

	2017	2016
Salaries and short-term benefits	<b>350,828</b>	325,620

Directors in their capacity as Directors, received \$35,000 (2016 - \$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.

	2017	2016
Lines of credit	<b>2,704</b>	-
Mortgages	<b>240,035</b>	246,600
	<b>242,739</b>	246,600

	2017	2016
During the year the aggregate value of loans disbursed to KMP amounted to:		
Mortgages	-	246,600

	2017	2016
Interest and other revenue earned on loans and revolving credit facilities to KMP	<b>7,963</b>	4,740
Interest paid on deposits to KMP	<b>56,149</b>	26,583

	2017	2016
The total value of member deposits from KMP as at the year-end:		
Demand	<b>946,240</b>	1,007,710
Term deposits	<b>2,741,907</b>	2,083,870
Registered savings plans	<b>978,896</b>	933,526
	<b>4,667,043</b>	4,025,106

# Greater Vancouver Community Credit Union

## Notes to the Financial Statements

*For the year ended December 31, 2017*

### 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, 2017, the Credit Union had a capital base approximating 17.09% (2016 - 17.13%) 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, 2017.

	2017	2016
<b>Primary capital</b>		
Retained earnings	13,431,250	12,458,451
Member equity shares	1,029,737	1,031,536
Deferred income tax asset	(168,000)	(143,000)
	14,292,987	13,346,987
<b>Secondary capital</b>		
Share of system retained earnings	1,834,000	1,624,000
Other equity shares	1,018,762	1,079,147
	2,852,762	2,703,147
Deductions from capital	(257,493)	(376,341)
Capital base	16,888,256	15,673,793

### 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:

	2017 <i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Cash and cash equivalents	9,845,921	9,845,921	-	-
<b>Available-for-sale financial assets</b>				
Investments and other	959,322	-	959,322	-
	10,805,243	9,845,921	959,322	-
<b>Liabilities</b>				
	-	-	-	-
<b>Total recurring fair value measurements</b>	10,805,243	9,845,921	959,322	-

**Greater Vancouver Community Credit Union**  
**Notes to the Financial Statements**

*For the year ended December 31, 2017*

**18. Fair value measurements** *(Continued from previous page)*

	2016 Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Cash and cash equivalents	3,291,552	3,291,552	-	-
<b>Available-for-sale financial assets</b>				
Investments and other	1,007,996	-	1,007,996	-
	4,299,548	3,291,552	1,007,996	-
<b>Liabilities</b>				
	-	-	-	-
<b>Total recurring fair value measurements</b>	4,299,548	3,291,552	1,007,996	-

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)	2017 Inputs
Investments and other	959,322	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)	2016 Inputs
Investments and other	1,007,996	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 analyzes within the fair value hierarchy the Credit Union's assets and liabilities (by class) not measured at fair value at December 31, 2017 but for which fair value is disclosed:

	2017 Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	18,274,048	-	18,274,048	-
Investments and other	327,933	-	327,933	-
Member loans receivable	216,338,949	-	216,338,949	-
<b>Total assets</b>	<b>234,940,930</b>	<b>-</b>	<b>234,940,930</b>	<b>-</b>
<b>Liabilities</b>				
Member deposits	233,016,087	-	233,016,087	-
Payables and accruals	483,941	-	483,941	-
<b>Total liabilities</b>	<b>233,500,028</b>	<b>-</b>	<b>233,500,028</b>	<b>-</b>

**Greater Vancouver Community Credit Union**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2017*

**18. Fair value measurements** (Continued from previous page)

	2016 Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	21,840,443	-	21,840,443	-
Investments and other	273,531	-	273,531	-
Member loans receivable	204,019,186	-	204,019,186	-
<b>Total assets</b>	<b>226,133,160</b>	<b>-</b>	<b>226,133,160</b>	<b>-</b>
<b>Liabilities</b>				
Member deposits	218,236,455	-	218,236,455	-
Payables and accruals	456,008	-	456,008	-
<b>Total liabilities</b>	<b>218,692,463</b>	<b>-</b>	<b>218,692,463</b>	<b>-</b>

**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, 2017*

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**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:

	<b>2017</b>	<b>2016</b>
Guarantees and standby letters of credit	<b>203,278</b>	144,978
Commitments to extend credit	<b>6,403,856</b>	6,738,765
	<b>6,607,134</b>	6,883,743

***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**  
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**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.

					2017	2016
	<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>
<b>Assets</b>						
Cash and cash equivalents	15,545,702	4,389,210	7,382,915	923,005	<b>28,240,832</b>	25,124,956
Average yield %	0.85	0.94	1.48	-	1.01	0.94
Investments and other	-	-	-	1,287,255	<b>1,287,255</b>	1,281,528
Member loans receivable	25,964,148	46,910,370	143,124,953	390,443	<b>216,389,914</b>	203,783,357
Average yield %	4.48	3.77	3.68	-	3.79	3.72
	<b>41,509,850</b>	<b>51,299,580</b>	<b>150,507,868</b>	<b>2,600,703</b>	<b>245,918,001</b>	230,189,841
<b>Liabilities</b>						
Member deposits	84,095,266	73,236,784	56,391,501	18,700,008	<b>232,423,559</b>	217,708,304
Average yield %	0.92	1.74	2.08	-	1.37	1.36
Payables and accruals	-	-	-	483,941	<b>483,941</b>	456,008
	<b>84,095,266</b>	<b>73,236,784</b>	<b>56,391,501</b>	<b>19,183,949</b>	<b>232,907,500</b>	218,164,312
<b>Net sensitivity</b>	<b>(42,585,416)</b>	<b>(21,937,204)</b>	<b>94,116,367</b>	<b>(16,583,246)</b>	<b>13,010,501</b>	12,025,529

Based on the current financial instruments, it is estimated that a 0.5% increase in the interest rate would decrease financial margin by \$18,500 (2016 - \$19,000). A 0.5% decrease in the interest rate would increase financial margin by \$5,000 (2016 - \$5,000).

**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 & Loan 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.



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