

2015

Annual
Report



**CREDIT
UNION**

TIGNISH

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Mission

The mission of Tignish Credit Union is to provide competitive financial services tailored to meet the needs of our owners and their communities.

We pride ourselves in directing the organization we control and in the equality of services provided.

Tignish Credit Union is a community-minded Co-operative that helps build through its involvement, its leadership, and the retention of financial resources in the community.

Values

Honest

Passionate

Holistic

Spiritual

Evolutionary

Simplistic

Inclusive



Board of Directors



Larry Drouin, President



Clifford Doucette



Mona Jeffery



Brenda Doyle



Walter Callaghan



Michael Gaudet



Robert Carruthers



Janet Hackett



Ann Marie McInnis

Staff



President's Report

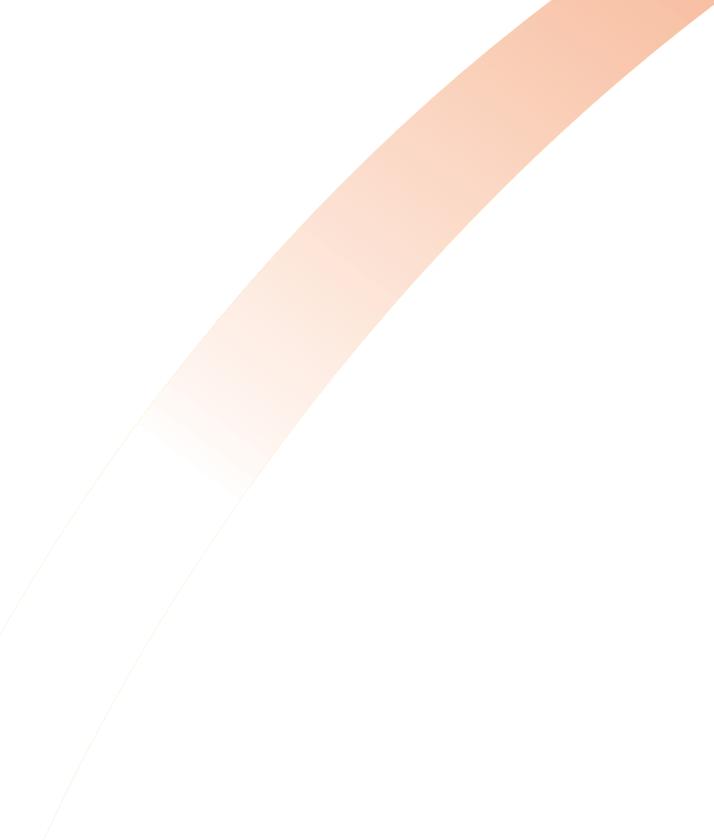


It is my pleasure to report to you on behalf of the Board of Directors of Tignish Credit Union, for the year ending December 31, 2015. With the change to our year end as announced at our 2014 annual general meeting, it has been roughly 15 months since we last reported to you.

Your credit union continues to enjoy favorable growth, with our assets now at \$146,000,000. The board is pleased to declare a share dividend rate of 1.50%, which remains above the competitive rate in today's marketplace. We are in the position because of our positive bottom line to also declare rebates on loans, deposits and service Charges.

The Board remains ultimately responsible to the owners for the success of the Credit Union. Through the by-laws it is given the authority and responsibility to make decisions on behalf of owners. From the year-end reports presented, owners are able to judge whether or not the Board controlled the business successfully within its authority and responsibility.

Your Board holds regular monthly meetings, committee and



other meetings. Each year we hold a strategic planning session with Management to review the direction where we are headed and to discuss the opportunities and challenges that your credit union faces.

Board and Management represented our credit union at the Atlantic Central, League Savings and League Data AGMs last spring as well as the semi-annual meetings this past October in Halifax. These opportunities allow us to hear what is happening in other areas of the financial services industry and to meet with like minded credit union individuals to plan how we, as a larger group, can improve our levels of services. With the different forms of technology available to allow access to our accounts and products that are ever changing, we are no longer a small credit union on the western most tip of PEI but part of a large system.

By working together with credit unions across Atlantic Canada, Canada and indeed the world, we can provide you, our members, with every service that you might want or need. This allows us to offer members the strength and

connectivity of a multinational organization. PEI credit unions continue to be held up as models when it comes to working together for the betterment of all members. Efforts have continued to align as many services as possible between credit unions so you can receive similar service regardless of which office you are in. This network of partners will continue to be important in the future as we see changes to the financial services industry.

The Credit Union recognizes and thanks our Manager, Louis, for his leadership and for the excellent staff that serves our owners. He and they are a very big reason that our credit union is recognized for its success and why your credit union shows the results of 2015. In addition to the 1.5% dividend, the Board is decided to hold monies in equity to ensure the credit union remains strong and to return the rest of the net income to our members. Our Manager will give a breakdown later but in total more than \$1.4 million is being returned directly to owners. This is done because you, as owners, should benefit from the extra income while we keep our credit union strong.

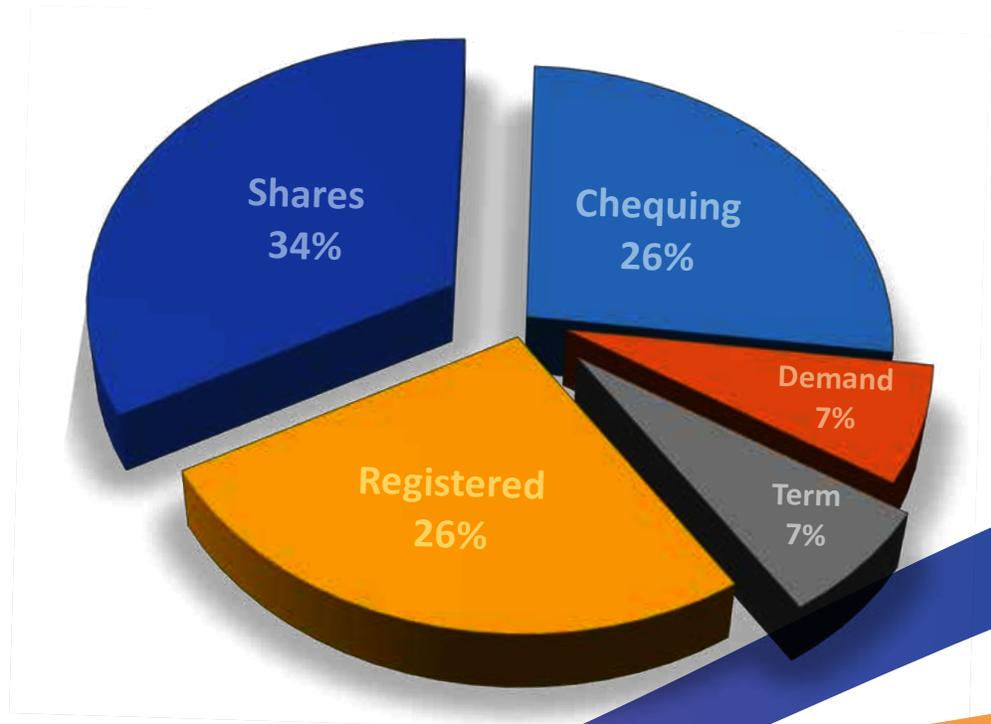
Tignish Credit Union continues to be active and supportive of organizations in the West Prince area. I would like to recognize and thank the staff for giving their time to support different organizations. We try to support activities that impact our communities and larger groups of people in ways that will carry forth into the future. For example, by joining with Evangeline-Central Credit Union to support the Credit Union Wellness Centre at Westile, we saw an opportunity to help our young students develop good fitness skills which will ultimately lead to better learning. The report in your booklet explains our community involvement in more detail and hi-lights other assistance given. Please share that report with other owners so they too can take pride in their organization.

Once again, your Credit Union has experienced a successful year. This success can be attributed to a number of things or people. As noted earlier, the manager and staff including the

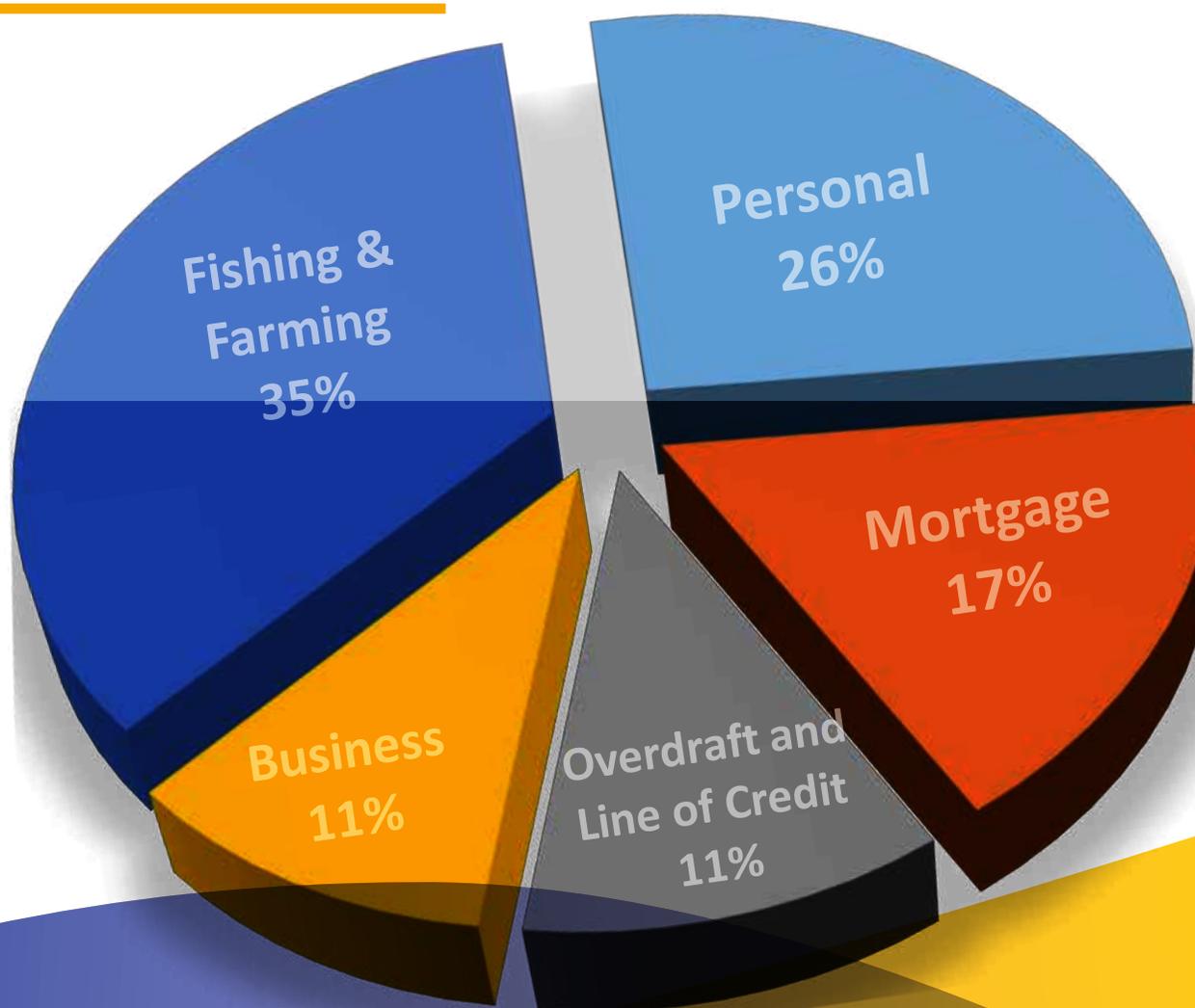
Credential Financial Services (CFS) team has contributed greatly to the success and the Board thanks them for the fine service they offer. All members of the Board of Directors take their role very seriously and it has made the role of President a much easier one. The credit union exists because of its owners. It is successful when owners support it. Thank you for your support this year and please be proud of your business.

Larry Drouin
President

Member Deposits



Member Loans



Manager's Report



As the manager of Tignish Credit Union it is my pleasure to speak to this past fiscal year and the upward trend of success the credit union has seen.

This year we have seen great growth in our mobile services and our ability to be the most convenient banking choice. With help from Atlantic Central and other credit unions in the Atlantic region we have been able to collaboratively remain competitive in a broader marketplace. Working with other credit unions has allowed us to keep up with consumer demands and to deliver many new technologies such as Deposit Anywhere and our mobile banking app for both Apple and Android. As we continue to compete with banks, our ability to adapt to newer technologies has allowed us to remain user-friendly but to also provide our members with the advice and information they need, when they need it.

I want to review the financial statements with you to hi-light the changes or items of significance. This year is a little different with our year end change from September to December. I will be comparing the Balance Sheet for December 2015 with September

2014 and the 12-month period for the income statement as at the same dates. We do also show the 15-month period October 2013 to December 2014 in the statements for the purpose of complete transparency.

- Assets have reached \$146.1 million level at year-end, which is growth of \$13.6 million or 8.2% annualized.
- Loans increased by \$9.5 million and are at 71% of assets and that means we are making better use of the funds held on deposit.
- Member Deposits grew by \$11.7 million or 7.7% this year: Deposits make up 91% of assets. Between direct deposit products and what is offered through Sharon Gallant with Credential Financial Strategies, the credit union can provide any investment option needed.
- Since our deposits continue to increase faster than our loans, we have put more money into investments

with our partners through term deposits with Atlantic Central, League Savings and Concentra Financial. Our main effort however continues to be in increasing our loans to members.

- Undistributed Income increased by \$838,000. This is the income remaining after dividends, interest rebates and taxes for the year.

There are really no other significant changes to income or expenses during the past year for a credit union of our size and comparing the 12 month periods our incomes and expenses are only up or down marginally. The one major positive this year is the strength of our loan portfolio and our risk expense is just over \$54,000 on such a large portfolio. The net result is that we are able to pay back \$850,000 to you our members in the form of rebates. These rebates will be paid to loan and savings interest and chequing service charges. In total, this means that your credit union has paid an extra \$1.2 million that could have gone to bank shareholders or



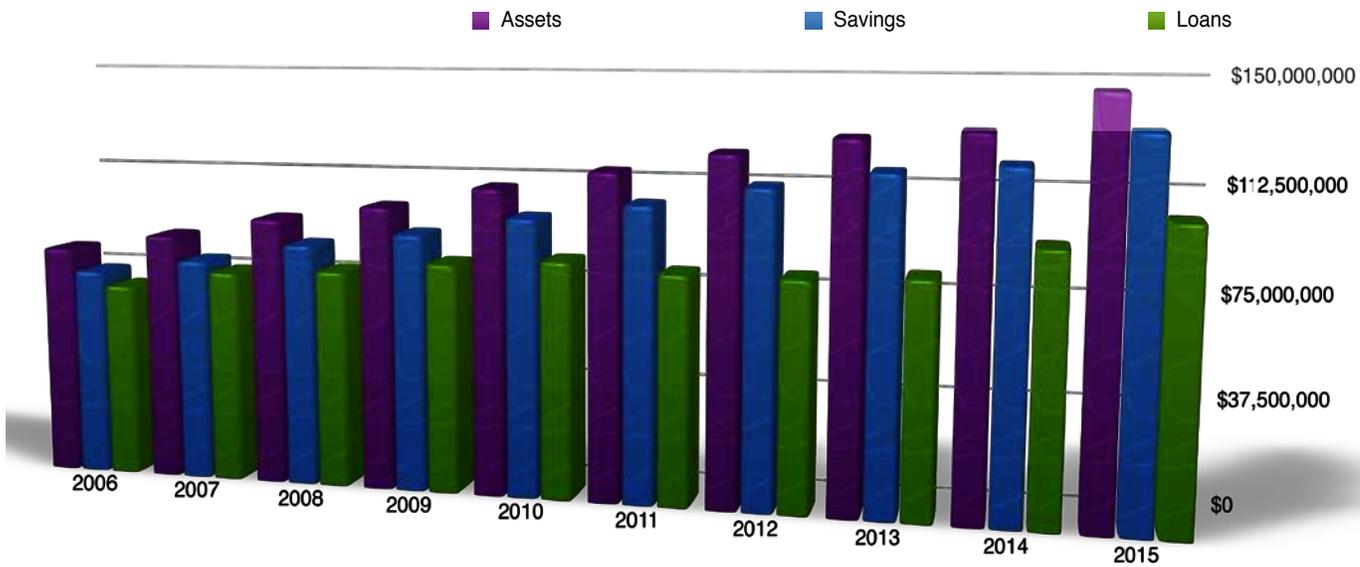
executive bonuses if we were a bank.

We have identified several ambitious goals for the upcoming year. With the acquisition of our new mobile features, one goal for this year is to make our members aware, and also comfortable of these new beneficial offerings. As I told you last year, I only manage this business on your behalf so I will continue to look for ways to provide the best service that we can while being always mindful of the costs of doing so. We will continue to do things with other credit unions through out our region where it helps us to do that. Much of the success of the last year can be contributed to our members. Without your constant support and input we would not be able to easily achieve our set goals for the year. It is your business and you should be using as many of its services as you can while encouraging others to do the same. As much as your credit union is able to do, I can not even imagine what it could accomplish if 100% of its members did 100% of their business with it.

Much like our members, we are heavily reliant on our staff and they have been nothing short of exceptional. The work of the staff has been influential on the credit union, from their positive attitudes to their adaptability to change in this ever growing market. We are very fortunate to also have the expertise of our numerous board members. Their willingness to volunteer their time has been essential to our success as a financial institution. Again this year, I will lose the guidance that I have relied on for the past nine years from three board members who are retiring and I am most thankful to them. I am confident though that you will replace them with others who will provide different but just as important leadership just as you have every time that I lose an excellent board member. Finally, I want to recognize a young lady who I graduated high school with and who was here to help me when I joined the credit union staff in 1980 and who has been a big part of the staff of this credit union until September 2015. Linda Richard, I thank you for everything that you did for me and more importantly everything that you did for our members.

Louis Shea
General Manager

10 Year Growth



In our Community

Tignish credit union continued to be strong supporters of our communities this past year and this report will cover a few of the high-lights of that involvement. This report doesn't change very much from year to year but we feel that it's very important to let our members know how much of an impact your credit union continues to have in our communities.

Donations of \$71,735.00 were made during the year. Donations throughout the year were given the same considerations as in the past. Decisions are based on how many members are benefiting from the donation and whether this event will bring people to the area, which in turn benefits local businesses. The Credit Union was a major sponsor for the Red Clay Blue Grass Festival, The Irish Folk Festival, The Tuna Cup Challenge, Alberton Business Assn. Christmas Sponsorship and the Parade Sponsor of the Prince County Exhibition. It also contributed to the St. Louis Bluegrass Festival, Irish Moss Festival and the West Prince Music Festival.

The Credit Union continues to help local organizations such as minor hockey programs, volleyball, golf,

curling, & winter carnivals. Donations were made to the following: Huntington's, CNIB, Special Olympics, Canadian Mental Health, Children's Wish, Autism, Jr. Achievers and Big Brothers-Big Sisters to name a few.

We continued our partnership with Evangeline-Central Credit Union to fund the Amateur Sport Fund. This fund was designed by the West Prince Sports Council to provide funding to athletes who compete at a National Level and has been very successful. We also partnered with Evangeline-Central Credit Union to help fund The Westisle Fitness Centre which recently held its' official opening. As the major contributor, we were awarded naming rights and we are proud to say that it has been officially named the Credit Union Westisle Fitness Centre. It's a great facility that is available for all students and has 3 separate areas that can accommodate yoga, power lifting and cardio.

The Credit Unions of P.E.I. also continue to come together to sponsor larger events that affect all of P.E.I. The Island Credit Unions were again this year, Provincial Event Sponsor for Relay for Life. In addition to this monetary funding credit union employees

volunteer to work bank nights in their local areas. Our staff attended the Westisle bank night. Employees also participated in the relay for life for the 9th year in a row with our team raising over \$5,000.

The island Credit Unions are still in partnership with Ronald McDonald House which provides accommodations for families that have a sick child at the IWK Hospital. The island credit unions have agreed to pay the cost of staying at Ronald McDonald house for all its members. This way they can concentrate on their sick child and have one less financial concern to deal with. We also continued our partnership with the 3 other Prince County Credit Unions as the main sponsor for the Prince County Hospital Festival of Lights Campaign.

Staff continued with our own fundraising efforts that have been ongoing for many years. From our casual day Friday's fund, in conjunction with Kids West, we were able to provide Xmas dinners and gifts for 3 families. The second fundraiser is the IWK Fun Day. This fundraiser is a community effort and it's held in May. Staff raised money by selling 50-50 tickets and also helped at the Fun Day by selling tickets, barbequing and working in the canteen. This year this

community raised over \$5,000.00 for the IWK Children's Hospital.

Our weekly 50-50 draw is our largest fundraiser and continues to be a huge success. In keeping with the credit union philosophy, again, this money is given back to the communities in areas that benefit a large number of people. In the past year, the following donations were made: \$5,000 to Tignish & Alberton Minor Hockey Associations, \$1500 to Tignish and Alberton Figure Skating Clubs, \$5,000 to each Fire Department – Alberton, Tignish and Miminegash; \$5,000 to both Tignish & Alberton rinks; \$5000 to the West Prince Caring Cupboard, \$1,000 to each elementary school to help with their lunch programs, \$3,000 to Westisle's breakfast program, \$2,500 to Callaghan's breakfast program, \$4,000 to Relay for Life, \$1,000 to Victoria's Quilts Canada, \$1,000 for the IWK, \$2,000 to the Assn. for Community Living to name a few. Throughout the year over \$66,000 was donated. To date, over \$520,000 has been donated to our communities through this draw with a similar amount being won by individuals in our communities. A big THANK YOU to all those who take part in this terrific fundraiser.

Scholarships

We are pleased to announce 4 Tignish Credit Union Scholarship Recipients for 2015. Each scholarship recipient received \$1,000 towards furthering their education. In total, Tignish Credit Union distributed \$4,000. We wish everyone all the best in their studies and future endeavors.



Darci A'Hearn

Jake Shea

Laura Ashely

Sami Jo Sentner

Relay For Life

While each credit union on PEI are individually committed to local initiatives, on occasion all credit unions will work together to sponsor larger scale events that affect all of PEI. For the last 10 years we have been the Provincial Sponsor for the Canadian Cancer Society's Relay For Life. Along with the sponsorship of the events themselves, our staff have been willfully involved in fundraising for the event as well as donating their time with numerous collected volunteer hours. Over the last ten years as Provincial Sponsor, PEI Credit Unions has contributed over \$463,000 to the Canadian Cancer Society, more impressively, over \$283,000 of the total was raised by staff themselves.



Focused on Youth

Appealing to the youth market has been of high priority to the credit union over the past year. While tailoring new Spending Accounts to their needs and greatly expanding our mobile and online availability, 2015 marked new territory for engaging our younger members.

The Cash Dash was created out of wanting a more creative way to attain and attract new youth members. Partnering with local radio station Hot 105.5, we created an amazing-race styled event that took place over the better part of the Island. Four teams of two raced across our different services areas completing tasks and different challenges. The prize? \$5,000.00. We had an overwhelming response to the contest both in interest and online through our social pages.

Investing In People

As a cooperative financial institution, credit unions truly believe in empowering the community even in the smallest of actions. This past year marked the inception of Investing In People, a primarily social media based campaign. Investing In People aims to do exactly as you may assume – invest in the local community and more specifically, those who live there and support their own local economy.

Investing In People has been running since early 2015 and already over forty-five individuals and community groups have benefitted from our small purchase gestures. Whether we are surprising a family by purchasing their child a bike or covering the bill for a group of friends at lunch, Investing In People has shown many across the Island that credit unions understand the value of a dollar and realize even the smallest of gestures can mean the most.



#InvestingInPeople

 /PEICreditUnions

Financial Statements





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February 22, 2016

Independent Auditor's Report

To the Members of Tignish Credit Union Ltd.

We have audited the accompanying financial statements of **Tignish Credit Union Ltd.**, 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 15 month period 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.

Auditor's 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 auditor's 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 in our audit 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 **Tignish Credit Union Ltd.** as at December 31, 2015, and the results of its operations and its cash flows for the 15 month period then ended in accordance with International Financial Reporting Standards.

ArsenaultBestCameronEllis

Chartered Professional Accountants

Tignish Credit Union Ltd.

Statement of Financial Position

As at December 31, 2015

	2015 \$	September 30, 2014 \$
Assets		
Cash and cash equivalents	18,752,798	20,422,219
Accounts receivable	220,430	69,379
Loans and mortgages (notes 7 and 18)	104,508,700	94,905,335
Prepaid expenses and other (notes 7 and 8)	154,251	127,621
Property and equipment (note 9)	1,154,124	1,178,458
Investments (note 10)	21,838,708	15,816,688
Deferred income taxes (note 14)	104,000	97,800
	<u>146,733,011</u>	<u>132,617,500</u>
Liabilities		
Member deposits (notes 7, 11 and 13)	133,421,536	121,595,194
Accrued liabilities	1,940,362	997,447
Other liabilities	793,501	648,780
Income taxes payable	50,592	2,634
	<u>136,205,991</u>	<u>123,244,055</u>
Members' Equity		
Undistributed income	10,527,020	9,373,445
	<u>146,733,011</u>	<u>132,617,500</u>

Approved by the Board of Directors

Larry Brown
 _____ Director

Felix Caraculacu
 _____ Director

Tignish Credit Union Ltd.

Statement of Changes in Members' Equity

For the 15 month period ended December 31, 2015

	(15 months) December 31, 2015 \$	(12 months) September 30, 2014 \$
Undistributed income - Beginning of period	9,373,445	8,968,727
Net earnings for the period	1,153,575	404,718
Undistributed income - End of period	<u>10,527,020</u>	<u>9,373,445</u>

Tignish Credit Union Ltd.

Statement of Comprehensive Income

For the 15 month period ended December 31, 2015

	(15 months) December 31, 2015 \$	(12 months) September 30, 2014 \$
Revenue		
Loan interest (note 18)	6,191,462	5,023,107
Investment	1,147,020	633,929
Service fees	1,032,915	564,121
Commissions	925,390	513,006
Other income	81,287	58,593
	<u>9,378,074</u>	<u>6,792,756</u>
Expenses		
Staff (note 16)	2,572,689	1,971,496
Premises	183,422	155,395
Insurance	256,350	201,358
Office	170,291	129,076
Service fees	1,283,546	973,226
General	488,793	429,305
Cost of capital	1,247,106	1,060,990
Amortization	92,909	77,098
	<u>6,295,106</u>	<u>4,997,944</u>
Operating earnings	<u>3,082,968</u>	<u>1,794,812</u>
Other expense		
Share dividends	741,941	548,963
Provision for loan losses (note 7)	222,697	714,174
Loan interest rebate	550,000	-
Interest bonus on savings	250,000	-
Service charge rebate	50,000	-
Write-down on foreclosed properties	16,365	76,665
	<u>1,831,003</u>	<u>1,339,802</u>
	<u>1,251,965</u>	<u>455,010</u>
Provision for (recovery of) income taxes		
Current (note 14)	104,590	59,092
Deferred income taxes (note 14)	(6,200)	(8,800)
	<u>98,390</u>	<u>50,292</u>
Net earnings for the period	<u>1,153,575</u>	<u>404,718</u>

Tignish Credit Union Ltd.

Statement of Cash Flows

For the 15 month period ended December 31, 2015

	(15 months) December 31, 2015 \$	(12 months) September 30, 2014 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the period	1,153,575	404,718
Items not affecting cash		
Amortization	92,909	77,098
Write-down on foreclosed properties	16,365	76,665
Deferred income taxes (recovery)	(6,200)	(8,800)
Provision for loan losses	222,697	714,174
	<u>1,479,346</u>	<u>1,263,855</u>
Net change in non-cash working capital items		
Increase in loans and mortgages	(9,826,062)	(11,441,151)
Increase in accounts receivable	(151,051)	(14,963)
Decrease (increase) in prepaid expenses and other	(42,995)	29,092
Increase in member deposits	11,826,342	3,036,909
Increase (decrease) in accrued interest payable	942,915	(611,365)
Increase (decrease) in other liabilities	144,721	(48,178)
Increase (decrease) in income taxes payable	47,958	(18,065)
	<u>4,421,174</u>	<u>(7,803,866)</u>
Investing activities		
Purchase of property and equipment	(68,575)	(111,216)
Increase in investments	(6,022,020)	(6,414,126)
	<u>(6,090,595)</u>	<u>(6,525,342)</u>
Decrease in cash and cash equivalents	(1,669,421)	(14,329,208)
Cash and cash equivalents - Beginning of period	<u>20,422,219</u>	<u>34,751,427</u>
Cash and cash equivalents - End of period	<u>18,752,798</u>	<u>20,422,219</u>
Supplementary disclosure		
Interest received	6,484,243	5,433,897
Interest paid	2,053,508	1,103,612
Dividends received	438,940	211,929
Dividends paid	741,941	520,061
Income taxes paid	125,858	77,157

Notes to the Financial Statements



Tignish Credit Union Ltd.

Notes to Financial Statements

December 31, 2015

1 General

The Tignish Credit Union Ltd. (the "Credit Union") is incorporated under the Prince Edward Island Credit Unions Act. Its principal business activities include financial and banking services for credit union members.

The Credit Union's head office is located in Tignish, Prince Edward Island.

2 Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been approved for issue by the Board of Directors on February 22, 2016.

(b) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 3.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are detailed in note 4.

Tignish Credit Union Ltd.

Notes to Financial Statements

December 31, 2015

3 Summary of significant accounting policies

(a) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Credit Union at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between cost in the functional currency at the beginning of the period, and the cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on the translation are recognized in the statement of comprehensive income.

(b) Financial instruments

i) Recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued. At initial recognition, the Credit Union classifies its financial instruments as follows:

- Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL through the statement of comprehensive income are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if so designated by management or it is a derivative that is not designated and not effective as a hedging instrument.

Financial assets carried at fair value through the statement of comprehensive income are initially recognized, and subsequently carried at fair value, with changes recognized in the statement of comprehensive income. Transaction costs are expensed.

Assets in this category include cash and cash equivalents and investments in the liquidity reserve deposit.

Tignish Credit Union Ltd.

Notes to Financial Statements

December 31, 2015

- Held to maturity investments

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

Held to maturity investments are carried at amortized cost using the effective interest method. A sale or reclassification of a more than insignificant amount of held to maturity investments would result in the reclassification of all held to maturity investments as available for sale, and would prevent the Credit Union from classifying investment securities as held to maturity for the current and the following two financial years. However sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- ◆ Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value
- ◆ Sales or reclassifications after the Credit Union has collected substantially all of the asset's original principal
- ◆ Sales or reclassifications attributable to non-recurring isolated events beyond the Credit Union's control that could not have been reasonably anticipated.

Assets in this category include investments in term deposits.

- Available for sale ("AFS")

Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are recognized initially at fair value plus transactions costs, and are subsequently carried at fair value, other than the Credit Union's investment in certain shares as their fair value cannot be reliably measured. Upon such time that their fair value can be reliably measured, the carrying amount of these financial assets will be adjusted to fair value. Gains and losses arising from remeasurement are recognized in other comprehensive income. Available for sale investments are classified as non-current unless an investment matures within twelve months, or management expects to dispose of it within twelve months.

Dividends or distributions on available for sale investments are recognized in the statement of comprehensive income as investment income, when the Credit Union's right to receive payment is established.

Assets in this category include investments in credit union and co-operative type shares.

Tignish Credit Union Ltd.

Notes to Financial Statements

December 31, 2015

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recorded at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

Assets in this category include accounts receivable and loans and mortgages.

- Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Liabilities in this category include member deposits, accrued interest payable, and other liabilities.

ii) Impairment of financial assets

The Credit Union assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Credit Union on non-market terms that the Credit Union would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as conditions that correlate with defaults in the group.

- Financial assets classified as loans and receivables

For the purposes of individual evaluation of impairment, the amount of the impairment loss on a loan or receivable is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. The calculation of the carrying value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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For the purposes of a collective evaluation of impairment, financial assets are categorized on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparties' ability to pay all amounts due according to contractual terms of the assets being evaluated. Future cash flows in a 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.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off after all the necessary procedures have been completed and the amount of loss has been determined. 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 by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income in provision for loan loss expense.

Loans that were past due and either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, if the loan becomes past due, this will be disclosed only if renegotiated again.

- Assets classified as available for sale

At each Statement of Financial Position date, the Credit Union assesses if there is objective evidence that an AFS financial asset or a group of AFS financial assets may be impaired. A significant or prolonged decline in the fair value of an AFS security below its costs is considered objective evidence in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is reclassified from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(d) Foreclosed properties

In certain circumstances, the Credit Union may take possession of property held as collateral as a result of foreclosure of loans that are in default. Foreclosed properties are measured at the lower of the carrying amount and the fair value less the costs to sell.

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(e) Property and equipment

Property and equipment are stated at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost can be measured reliably. Repairs and maintenance costs are charged to expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated using the declining balance method at the following annual rates:

Buildings	4%, 5%, 10%
Furniture, equipment and computers	20%, 30%, 45%, 55%
Pavement	8%

Leasehold improvements are amortized using the straight-line method over 16 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment were identified as impaired as at December 31, 2015.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds to the net book value of the asset and are presented as a gain or loss on disposal in the statement of comprehensive income.

(f) Revenue recognition

i) Loan interest

Interest on loans and mortgages is recognized on an amortized cost basis using the effective interest rate method. The effective rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan and mortgage to the net carrying amount of the loan and mortgage. When estimating the future cash flows the credit union considers all contractual terms of the loan and mortgage excluding any future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premium or discounts. Mortgage prepayment fees are recognized in income when received, unless they relate to a minor modification to the terms of the mortgage, in which case the fees are recognized over the expected remaining term of the original mortgage using the effective interest rate method. All interest is recognized on an accrual basis.

ii) Investment and other income

Investment and other income is recognized as revenue on an accrual basis.

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iii) Service fees

Service fees are recognized on an accrual basis in accordance with the service agreement.

iv) Commissions

Commissions income is recognized when the event creating the commission takes place.

(g) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly to equity.

i) Current income tax

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

ii) Deferred income tax

Deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can 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.

(h) Related parties

A related party is a person or an entity that is related to the Credit Union.

A person or a close member of that person's family is related to the Credit Union if that person:

- i) Has control or joint control over the Credit Union, with the power to govern the Credit Union's financial and operating policies;
- ii) Has significant influence over the Credit Union, participating in financial and operating policy decisions, but not control over these policies; or
- iii) Is a member of the key management personnel of the Credit Union. Key management personnel, consistent with the definition under IAS 24, Related Party Disclosures, are persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director of the Credit Union.

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(i) Capital disclosures

The Credit Union considers its capital to be its members' equity. The Credit Union's objectives when managing its capital are to safeguard its ability to continue as a going concern in order to provide services to its members. Capital is under the direction of the Board with the objective of minimizing risk and ensuring adequate liquid investments are on hand to meet the Credit Union's national standards.

(j) Standards issued but not yet effective

As at December 31, 2015, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. These changes are not expected to have a material impact on the financial statements.

4 Critical accounting estimates and judgments

The Credit Union makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions changed. The principal areas involving a higher degree of judgment or complexity and/or area which require significant estimates are described below:

(a) Provision for loan losses

The Credit Union regularly reviews its loan portfolio to assess for impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Credit Union makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of members in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

(b) Estimated useful lives of property and equipment

Management estimates the useful lives of property and equipment based on the period during which assets are expected to be available for use. The amounts and timing of recorded depreciation expense of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal and other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the Credit Union's property and equipment in the future.

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(c) Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using specific valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where market observable data inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management.

For investments in co-operatives and credit unions, consideration was given as to whether or not par value was equal to redemption value and whether the co-operative or credit union had the right to redeem those shares at their discretion. To the extent that the redemption value of those shares is equal to their par value, then these shares will also be designated as AFS at fair value with fair value equal to (or in the case of potential impairment, less than) par value. In certain cases, the fair value of co-operative or credit union investments exceeds par value when applying a discounted cash flow method of valuation and using market rates of return for similar investments available in public markets. Despite fair value exceeding par value, these investments are reported at par value on the basis that they are not liquid investments and have a limited number of potential purchasers. Where fair value cannot be reliably measured, these investments are recorded at cost.

(d) Income taxes

The actual amounts of income tax expense only become final upon filing and acceptance of the tax return by relevant authorities which occur subsequent to the issuance of the financial statements. Estimation of income taxes include evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions, before they expire, against future taxable income. The assessment is based upon enacted tax acts and estimates of future taxable income. To the extent estimates differ from the final tax provision, earnings would be affected in a subsequent period.

5 Risk management

The Credit Union's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board, which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout the Credit Union manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Credit Union's commercial and consumer loans and advances, and loan commitments arising from such lending activities.

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Credit risk is the single largest risk for the Credit Union's business; management therefore carefully manages its exposure to credit risk. Oversight for the credit risk management and control is done by management who report to the Board.

The Credit Union's maximum exposure to credit risk at the reporting date in relation to each class of recognized financial asset is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities or parties fail to perform their obligations under the financial instruments in question. The principal collateral and other credit enhancements the credit union holds as security for loans include (i) insurance and mortgages over residential lots and properties, (ii) recourse to business assets such as an assignment of real estate, equipment, inventory and accounts receivable, and (iii) recourse to liquid assets, guarantees and securities. The value of collateral held against individual exposures is generally only assessed at the time of borrowing and when a specific review of that exposure is undertaken in accordance with policy.

The Credit Union's maximum exposure to credit risk at the reporting date was:

	December 31, 2015	September 30, 2014
	\$	\$
Cash and equivalents	18,752,798	20,422,219
Accounts receivable	220,430	69,379
Loans and mortgages	104,508,700	94,905,335
Investments	21,838,708	15,816,688
	<u>145,320,636</u>	<u>131,213,621</u>

Cash and equivalents and investments have low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio, the Credit Union's underwriting methodologies and risk modelling is customer based rather than product based. The Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing risk.

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities as they come due. Liquidity risk is inherent in any financial institution and could result from entity level circumstances and/or market events.

The Credit Union's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

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Exposure to liquidity risk:

The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to deposits. For this purpose, liquid assets may comprise of the following:

	December 31, 2015	September 30, 2014
	\$	\$
Cash and equivalents	<u>18,752,798</u>	<u>20,422,219</u>

The Credit Union is required to maintain 6% of the prior quarter's assets in liquid investments of which 100% must be held by Atlantic Central. The Credit Union was in compliance with this requirement at December 31, 2015.

Cash flows payable under financial liabilities by remaining contractual maturities are as follows:

	Under 1 year	Over 1 to 5 years	Over 5 years	December 31, 2015 Total
	\$	\$	\$	\$
Member deposits	66,798,969	22,024,476	-	88,823,445
Share accounts	44,598,091	-	-	44,598,091
Accrued interest payable	1,940,362	-	-	1,940,362
Other liabilities	793,501	-	-	793,501
	<u>114,130,923</u>	<u>22,024,476</u>	<u>-</u>	<u>136,155,399</u>

	Under 1 year	Over 1 to 5 years	Over 5 years	September 30, 2014 Total
	\$	\$	\$	\$
Member deposits	58,776,407	23,103,922	-	81,880,329
Share accounts	39,714,865	-	-	39,714,865
Accrued interest payable	997,447	-	-	997,447
Other liabilities	648,780	-	-	648,780
	<u>100,137,499</u>	<u>23,103,922</u>	<u>-</u>	<u>123,241,421</u>

The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

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(c) Market risk

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Credit Union as part of its normal trading activities. As the Credit Union does not deal in foreign exchange contracts or commodities, market risk consists solely of interest rate risk. The objective of market rate risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. For the Credit Union, mismatches in the balances of assets, liabilities and off-balance sheet financial instruments that mature and reprice in varying reporting periods generate interest rate risk. These mismatches will arise through the ordinary course of business as the Credit Union manages member portfolios of loans and deposits with changing term preferences and through the strategic positioning of the credit union to enhance profitability.

The following table provides the potential before-tax impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income, assuming no further hedging is undertaken. These measures are based on assumptions made by management. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Credit Union's management initiatives.

	Net interest income change December 31, 2015 \$	Net interest income change September 30, 2014 \$
Before tax impact of		
1% increase in interest rates	246,117	157,916
1% decrease in interest rates	(420,918)	(119,275)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

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(f) Capital management

The primary objective of the Credit Union's capital management is to ensure that it maintains a healthy financial position in order to support its business. The Credit Union manages its capital structure and makes changes to it in light of changes in economic conditions.

The Credit Union has agreed to maintain an equity level at least equal to 5% of the total assets.

In accordance with the recommendations of the Canadian Institute of Chartered Accountants related to the financial statement presentation of financial instruments, the ownership shares are presented in the balance sheet as financial liabilities. At December 31, 2015, the equity level for regulatory purposes is as follows:

	December 31, 2015	September 30, 2014
	\$	\$
Ownership shares (note 13)	37,605	39,685
Members' equity	10,527,020	9,373,445
Total regulatory equity	<u>10,564,625</u>	<u>9,413,130</u>
Total assets	<u>146,733,011</u>	<u>132,617,500</u>
Equity level	<u>7.1%</u>	<u>7.1%</u>
	#	2015 \$
Opening, October 1, 2014	7,937	39,685
Issued	103	515
Redeemed	(519)	(2,595)
Closing, December 31, 2015	<u>7,521</u>	<u>37,605</u>

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6 Financial instruments

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	December 31, 2015		September 30, 2014	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Assets carried at fair value				
Financial assets held for trading				
- Cash	18,752,798	18,752,798	20,422,219	20,422,219
Liquidity reserve deposit (note 10)	8,529,704	8,529,704	7,912,333	7,912,333
	<u>27,282,502</u>	<u>27,282,502</u>	<u>28,334,552</u>	<u>28,334,552</u>
Assets carried at amortized cost				
Accounts receivable	220,430	220,430	69,379	69,379
Loans and mortgages	104,508,700	104,508,700	94,905,335	94,905,335
Investments - held to maturity	11,439,000	11,439,000	6,000,000	6,000,000
Investments - available for sale (note 10)	1,870,004	1,870,004	1,904,355	1,904,355
	<u>118,038,134</u>	<u>118,038,134</u>	<u>102,879,069</u>	<u>102,879,069</u>
Liabilities carried at amortized cost				
Member deposits	133,421,536	133,421,536	121,595,194	121,595,194
Accrued interest payable	1,940,362	1,940,362	997,447	997,447
Other liabilities	793,501	793,501	648,780	648,780
	<u>136,155,399</u>	<u>136,155,399</u>	<u>123,241,421</u>	<u>123,241,421</u>

The fair value of financial assets held for trading is determined by their quoted market value at the reporting date.

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7 Loans and mortgages

(a) Summary

				December 31, 2015	September 30, 2014
	Total \$	Impaired Loans \$ (included in total)	Specific Provision \$	Net \$	Net \$
Personal	28,377,603	150,740	106,272	28,271,331	30,024,808
Business	9,624,304	3,560,404	1,480,844	8,143,460	14,920,013
Mortgages	17,707,649	54,624	9,624	17,698,025	18,103,412
Lines of credit and overdrafts	12,225,168	155,237	-	12,225,168	12,112,960
Farming and fishing	37,550,205	460,159	108,819	37,441,386	19,100,028
Accrued loan interest	1,026,453	186,450	297,123	729,330	644,114
	<u>106,511,382</u>	<u>4,567,614</u>	<u>2,002,682</u>	<u>104,508,700</u>	<u>94,905,335</u>

Mortgages and loans

Mortgage loans are secured by realty mortgages with interest rates of 3.1% - 6.75% (2014 - 3.1% - 7.5%). The remaining loans are priced at market rates unless circumstances warrant special considerations. The interest rates range from 2.7% - 18.0% (2014 - 2.9% - 18.0%) on personal, business, farming and fishing loans and 0% - 21% (2014 - 0% - 21%) on lines of credit and overdrafts. These loans are secured by an assignment of specific call deposits and share capital of the borrower and other specific assigned securities.

The Credit Union's prime lending rate

The Credit Union's prime lending rate is set by the Board based on the prime interest rate of chartered banks in Canada. The rate as at December 31, 2015 was 2.7% (2014 - 3.0%).

(b) Continuity of allowance for impaired loans

	\$
Balance - September 30, 2014	1,873,933
Increase in allowance for 2015	277,160
Amounts written off during the period	<u>(148,411)</u>
Balance - December 31, 2015	<u>2,002,682</u>

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(c) Provision for loan losses

	December 31, 2015	September 30, 2014
	\$	\$
Increase in allowance	277,160	748,374
Loans directly written off	5,398	-
Recoveries of loans previously written off	(59,861)	(34,200)
	<hr/>	<hr/>
	222,697	714,174
	<hr/>	<hr/>

(d) Members' 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 following table presents the carrying value of loans that are past due but not classified as impaired:

	\$
December 31, 2015	1,250,953
September 30, 2014	1,807,423

(e) Foreclosed properties

During the year, the Credit Union did not foreclose on any mortgages (2014 - nil). Expenses related to the upkeep of the foreclosed properties are added to the cost of the properties and it is management's expectation that the foreclosed properties will be sold in the near future. At December 31, 2015, the Credit Union has \$55,000 (2014 - \$25,000) in foreclosed properties that are included in prepaid expenses and other on the Statement of Financial Position.

8 Prepaid expenses and other

	December 31, 2015	September 30, 2014
	\$	\$
Prepaid expenses	99,251	102,621
Assets held for sale	55,000	25,000
	<hr/>	<hr/>
	154,251	127,621
	<hr/>	<hr/>

Tignish Credit Union Ltd.

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December 31, 2015

9 Property and equipment

	Land \$	Buildings \$	Furniture, equipment and computer \$	Pavement \$	Leasehold improvements \$	Total \$
Cost						
Balance - Beginning of period	231,058	1,382,746	785,304	120,294	40,388	2,559,790
Additions	-	44,835	23,740	-	-	68,575
Balance - End of period	231,058	1,427,581	809,044	120,294	40,388	2,628,365
Accumulated amortization						
Balance - Beginning of period	-	660,201	622,264	59,155	39,712	1,381,332
Current year amortization	-	41,062	45,155	6,016	676	92,909
Balance - End of period	-	701,263	667,419	65,171	40,388	1,474,241
Carrying value						
September 30, 2014	231,058	722,545	163,040	61,139	676	1,178,458
December 31, 2015	231,058	726,318	141,625	55,123	-	1,154,124

10 Investments

	December 31, 2015 \$	September 30, 2014 \$
Financial assets		
<i>Fair value through profit or loss:</i>		
Liquidity reserve deposit	8,529,704	7,912,333
<i>Held to maturity:</i>		
Term deposits	11,439,000	6,000,000
<i>Available for sale:</i>		
Atlantic Central shares	1,573,470	1,606,520
League Data shares	38,010	38,010
League Savings & Mortgage shares	255,930	255,930
Co-operative membership	2,530	2,530
CU PEI Investment Corp.	64	1,365
Total investments	21,838,708	15,816,688

In order to meet Credit Union national standards, the Credit Union is required to maintain on deposit in Atlantic Central an amount equal to 6% of the prior quarter's assets (see note 5b). The deposit bears interest at a variable rate.

No market exists for the available for sale share investments. Certain of the available for sale share investments may be surrendered on withdrawal from membership for proceeds equal to the paid-in value.

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11 Member deposits

	December 31, 2015 \$	September 30, 2014 \$
Ownership shares and share accounts (note 13)	44,598,091	39,714,865
Savings and Plan 24	10,480,400	8,922,736
Chequing accounts	35,390,446	28,814,095
Term deposits	13,479,078	13,026,218
RRSP and RRIF	29,473,521	31,117,280
	133,421,536	121,595,194

Ownership shares and share accounts include the \$5 membership share plus individual members' deposits.

Share accounts pay members a dividend at the discretion of the Board. Privileges of the shares are under the authority of the Board. The dividend rate declared and paid for 2015 was 1.5% (2014 - 1.5%) based on the average minimum monthly share account balance throughout the year.

Savings and Plan 24 are deposits on a call basis that pay the account holders a variable rate of interest ranging from 0% - 1.25% (2014 - 0.1% - 1.25%) and 0.25% - 1.0% (2014 - 0.25% - 1.0%), respectively.

Chequing accounts are held on a call basis and pay the account holders interest at the Credit Union's stated rates.

Term deposits are for periods of one to five years generally may not be withdrawn prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Fixed *term deposits* bear interest at various rates and ranging from 0% - 3.25% (2014 - 0% - 3.45%)

RRSP and RRIF

Concentra Financial is the trustee for the registered savings plans offered to owners. Under an agreement with the trust company, owner's contributions to the plans, as well as income earned on them, are deposited in the credit union. On withdrawal, payment of the plan proceeds is made to owners, or the parties designed by them, by the credit union, on behalf of the trust company. RRSP and RRIF term deposits bear interest at various rates.

Withdrawal privileges on all member deposit accounts are subject to the overriding right of the Board to impose a waiting period.

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December 31, 2015

12 Contingent liability

	December 31, 2015	September 30, 2014
	\$	\$
Outstanding guarantees on behalf of members	200,000	200,000

13 Share accounts

Unlimited membership shares, are available for issuance with a par value of \$5 each. These shares are non-transferable, redeemable by the Credit Union, retractable by shareholders subject to the Credit Union's right to suspend redemption, if the redemption would impair the financial stability of the Credit Union, for a period of up to twelve months by Board resolution and indefinitely by Board resolution with the approval of the Credit Union Deposit Insurance Corporation. Dividends on membership shares are payable at the discretion of the Board.

14 Income taxes

(a) Tax rate reconciliation

	December 31, 2015	September 30, 2014
	\$	\$
Income before income taxes	1,251,965	455,010
Taxes at statutory rates - 31% (2014 - 31%)	388,109	141,053
Impact of the 15.5% small business deduction - current tax	(67,158)	(70,527)
Permanent differences and other	(7,942)	8,575
Impact of non-taxable dividends of \$525,958 (2014 - \$180,740)	(163,046)	(28,809)
	149,963	50,292

(b) Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 15.5% (2014 - 15.5%), as follows:

	December 31, 2015	September 30, 2014
	\$	\$
Balance - Beginning of period	97,800	89,000
Comprehensive income statement expense	6,200	8,800
Balance - End of period	104,000	97,800

Tignish Credit Union Ltd.

Notes to Financial Statements

December 31, 2015

Deferred income tax assets are attributable to the following items:

	December 31, 2015	September 30, 2014
	\$	\$
Deferred income tax assets		
Property and equipment	10,600	10,290
Allowance for impaired loans	29,000	29,040
Retirement allowance	64,400	58,470
	<hr/>	<hr/>
	104,000	97,800
	<hr/>	<hr/>

15 Line of credit availability

In 2015, the Credit Union had an approved line of credit with Atlantic Central of \$3,000,000. As of December 31, 2015, the line of credit was not being utilized.

16 Pension plan

The Credit Union provides employees with a voluntary defined contribution pension plan in which the Credit Union matches employee contributions to the plan, within specified limits. During the year, the Credit Union expensed \$91,131 (2014 - \$70,884) in contributions to the plan. This expense is included with staff expenses on the Statement of Comprehensive Income.

17 Composition of key management

Key management includes the board of directors, general manager, manager of operations, manager of financial service and branch manager - Alberton. Compensation awarded to key management included:

(a) Key management, excluding directors

	(15 months) December 31, 2015	(12 months) September 30, 2014
	\$	\$
Salaries and short-term employee benefits	537,922	421,121
Accrued retirement benefit obligations	9,651	7,426

(b) Directors' remuneration

	(15 months) December 31, 2015	(12 months) September 30, 2014
	\$	\$
Honorariums	10,550	7,900
Payment for expenses while on credit union business	3,028	7,000

Tignish Credit Union Ltd.

Notes to Financial Statements

December 31, 2015

(c) Loans to directors and key management personnel

	(15 months) December 31, 2015 \$	(12 months) September 30, 2014 \$
Loans outstanding - Beginning of period	581,188	564,778
Add: loans issued during the period	221,870	237,500
Less: loan repayments during the period	(235,519)	(221,090)
	<hr/>	<hr/>
Loans outstanding - End of period	567,539	581,188
Interest income earned	15,120	15,120

No provisions have been recognized in respect of loans given to key management (2014 - nil). The loans issued to directors and key management personnel and close family members during the year of \$221,870 (2014 - \$237,500) are repayable over 5 - 20 years and have interest rates ranging from 4.25% to 6.75% (2014 - 4.25% to 6.75%).

18 Related party transactions

The Credit Union provides financial services to members. These members hold the loans and mortgages and member deposits and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

The loans and mortgages balance includes \$1,610,169 (2014 - \$2,890,246) in loans to CU PEI Investment Corp. The loans to CU PEI Investment Corp. bear interest at 1% with no set terms of repayment.

Included in loan interest is \$25,140 (2014 - \$26,457) of interest income and \$525,958 (2014 - \$180,740) of dividend income received from CU PEI Investment Corp.

The Credit Union is a shareholder in CU PEI Investment Corp.

Tignish Credit Union Ltd.

Notes to Financial Statements

December 31, 2015

19 Interest rate sensitivity

The following table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, notes receivable are shown at contractual maturity but certain notes could prepay earlier.

	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	Not interest rate sensitive \$	December 31, 2015 Total \$
Assets					
Cash and equivalents	16,795,296	-	-	1,957,502	18,752,798
Effective interest rate	0.78%				
Accounts receivable	-	-	-	220,430	220,430
Investments	21,438,708	400,000	-	-	21,838,708
Effective interest rate	1.23%	4.65%			
Loans and mortgages	90,529,394	13,249,976	-	729,330	104,508,700
Effective interest rate	4.92%	3.53%			
Prepaid expenses and other	-	-	-	154,251	154,251
Property and equipment	-	-	-	1,154,124	1,154,124
Deferred income tax	-	-	-	104,000	104,000
Total assets	128,763,398	13,649,976	-	4,319,637	146,733,011
Liabilities and surplus					
Member deposits	111,397,060	22,024,476	-	-	133,421,536
Effective interest rate	0.98%	2.19%			
Accrued liabilities	-	-	-	1,940,362	1,940,362
Income taxes payable	-	-	-	50,592	50,592
Other liabilities	-	-	-	793,501	793,501
Undistributed earnings	-	-	-	10,527,020	10,527,020
Total liabilities and surplus	111,397,060	22,024,476	-	13,311,475	146,733,011
Interest rate sensitivity gap	17,366,338	(8,374,500)	-	(8,991,838)	-

Tignish Credit Union Ltd.

Notes to Financial Statements

December 31, 2015

	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	Not interest rate sensitive \$	September 30, 2014 Total \$
Assets					
Cash and equivalents	18,848,667	-	-	1,573,552	20,422,219
Effective interest rate	0.79%				
Accounts receivable	-	-	-	69,379	69,379
Investments	13,816,688	2,000,000	-	-	15,816,688
Effective interest rate	1.34%				
Loans and mortgages	81,617,486	12,643,735	-	644,114	94,905,335
Effective interest rate	5.72%	3.63%			
Deferred income tax	-	-	-	97,800	97,800
Prepaid expenses and other	-	-	-	127,621	127,621
Property and equipment	-	-	-	1,178,458	1,178,458
Total assets	114,282,841	14,643,735	-	3,690,924	132,617,500
Liabilities and surplus					
Member deposits	98,491,272	23,103,922	-	-	121,595,194
Effective interest rate	1.06%	2.51%			
Accrued liabilities	-	-	-	997,447	997,447
Income taxes payable	-	-	-	2,634	2,634
Other liabilities	-	-	-	648,780	648,780
Undistributed earnings	-	-	-	9,373,445	9,373,445
Total liabilities and surplus	98,491,272	23,103,922	-	11,022,306	132,617,500
Interest rate sensitivity gap	15,791,569	(8,460,187)	-	(7,331,382)	-

As at December 31, 2015, the Credit Union's net interest spread was 3.31% (2014 - 3.49%). The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year-end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year-end interest bearing liabilities.

20 Commitment

The Credit Union has lines of credit, loans and mortgages approved but not disbursed as at December 31, 2015 amounting to \$8,535,471 (2014 - \$9,194,682).

21 Comparative figures

Certain comparative figures presented for the 2014 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.

Tignish Credit Union Ltd.

Notes to Financial Statements

December 31, 2015

22 Change in year end

Tignish Credit Union Ltd., in conjunction with the other Prince Edward Island member credit unions, changed its year end from September 30 to December 31 so that the members have the same year end as Atlantic Central Credit Union.

On the change in year end, Tignish Credit Union Ltd. chose to report on a 15 month period from October 1, 2014, the date of the prior year end, to December 31, 2015. These financial statements include a statement of comprehensive income, change in members' equity and cash flows for a 15 month period. The corporation balances for September 30, 2014 include results for a 12 month period and are therefore not for the same reporting period.

The company applied for and received approval from Canada Revenue Agency to change its year end from September 30 to December 31, effective December 31, 2014. A corporate tax return was filed for the October 1, 2014 - December 31, 2014 period. A corporate tax return will be filed for the year ended December 31, 2015.

Credential Financial Strategies



Tignish Credit Union is constantly seeking ways to add quality products, services and convenience to Members' lives. In partnership with Credential Financial Strategies, Tignish Credit Union is very pleased to continue to offer the services of Credential Financial Strategies to our Members.

Sharon Gallant, who is our Representative of Credential Financial Strategies, is available to assist members of Tignish Credit Union with all of your Financial Planning needs. Sharon has over 20 years of experience in the Financial Planning Industry and specializes in the following areas:

Estate Planning
Retirement Planning
Life Insurance

Education Savings Plan
Mutual Funds
Disability Savings Plan
Investment Planning
RRSP/RRIF
Group RRSP's for Businesses
Group Health Plans for Businesses

Sharon will work with our Members of Tignish Credit Union, and provide this service at no cost to the member. You can reach Sharon at the Alberton Branch of the Tignish Credit Union, at 902 853 6020. Raeanne Gallant, who is Sharon's assistant, would be more than happy to assist you in making an appointment should you decide to discuss any of these financial planning areas.



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