

# 2017

Annual  
Report



**CREDIT  
UNION**

TIGNISH

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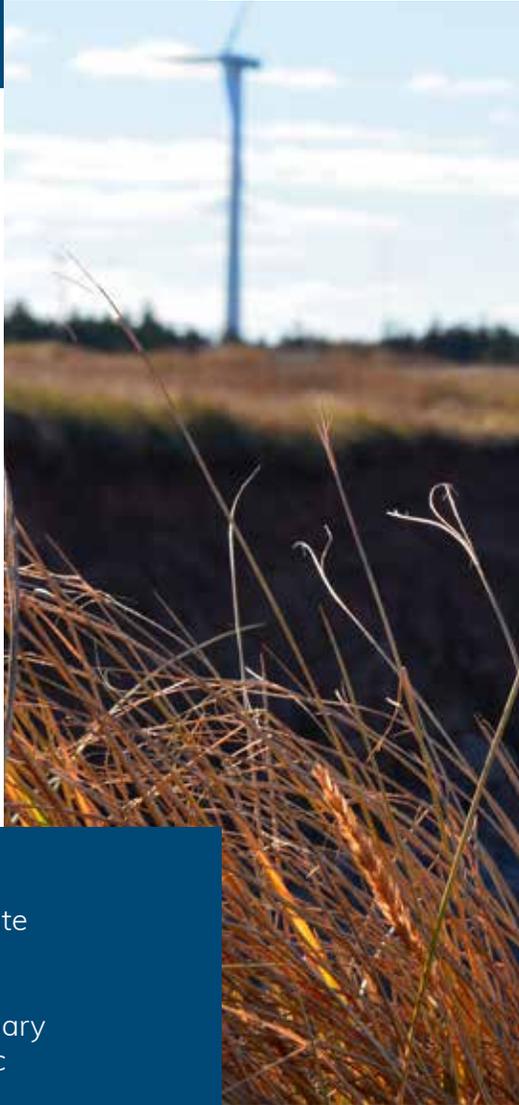
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## Mission

The mission of Tignish Credit Union is to provide competitive financial services tailored to meet the needs of our member-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

2017 Highlights

Assets: **\$183,920,426**  
Deposits: **\$170,041,017**  
Loans: **\$139,419,271**  
Membership: **7,500**

Back to Members

\$  
**1.1M**

Back to Communities

\$  
**51K**



Assets

11.8%

Deposits

12.7%

Loans

21.5%

Avg. Member Savings

13.8%

New Members

247

Members Online

4K

# Board of Directors

**Clifford Doucette**  
President



**Karen Gaudet-Gavin**  
1st Vice Chair



**Trish Shea**  
2nd Vice Chair



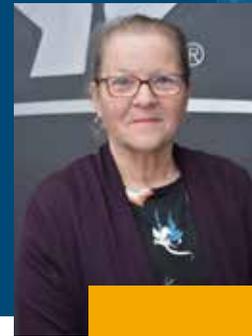
**Mona Jeffery**  
Secretary



**Wendy Profit**



**Janet Hackett**



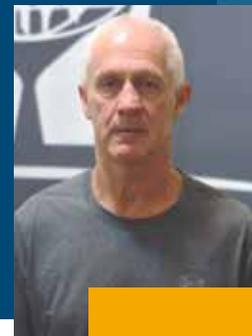
**Michael Gaudet**



**Cletus Dunn**



**Dale Hustler**



Staff

Ted Pahl



Arlene Hackett



John McArthur



John Chisholm



Susan Gaudet



Coralee Stewart



Jenny Bernard



Irene Gallant



Suzanne Murphy



Jody Kenny



Julie DesRoches



Laura Perry



Danielle McRae



Bonnie Arsenault



Charlene Handrahan



Yvette Gaudet



Carol-Ann Arsenault



Jennifer Collicutt



Tina Skerry



Russ Neufeld



Nadine Gaudette



Cindy Gaudet



Jennifer Perry



Jenny K Bernard



Nancy MacLeod



Jaime LeClair



Denise Forsyth



Frances DesRoches



Marlene Handrahan



Sherry Home



Not Pictured: Donna McKay  
Jessie Thibodeau  
Stacey Perry

## President's Report



It is my pleasure to be able to report out to you on behalf of the Board of Directors for the Tignish Credit Union, for the year ending December 31, 2017.

In 2017 Tignish Credit Union, thanks to the support of our membership had another successful financial year in 2017. Assets for 2017 ended the year at \$184 million which represents growth of 9% over 2016. The board is pleased to announce a 1% share dividend rate which equates to \$500,000 in share dividend payouts back to our members. In addition we are also declaring a rebate on loans, deposits and service fees of totaling \$600,000.

As a financial services cooperative Tignish Credit Union operates under the common philosophy of democratic structure, service to members and social responsibility; this is what makes credit unions different from many of our banking competitors. It is the goal of Tignish Credit Union to contribute our time and financial resources back into our local communities. We strive to be the best place to bank and work in the communities we serve.

This board remains ultimately responsible to you the membership owners of Tignish Credit Union, we strive to make sound decisions and provide governance to the best of our abilities. The goal of the board is to ensure this credit union remains a solid corporate citizen, and good employer, and a strong community partner.

The board holds regular board meetings monthly, each



of the four committees meets once per quarter, and we hold an annual strategic planning session with management to review the direction and initiatives set out to continuously improve our service quality to our members. The general manager is the only employee that reports directly to the board, he is tasked with managing the operations of the credit union and ensuring that our credit union is aligned with the strategic plan for the credit union. The general manager keeps the board informed through regular board meetings and monthly board reports.

No one person can run a credit union and Tignish is fortunate to have a management team and staff that ensures this operation runs smoothly. The staff of the Tignish Credit Union and the staff in our Credential Securities office in Alberton take great pride in serving our members and although the staff does not report directly to the board we are well informed of their activities and how they are serving our members.

On behalf of the board I want to extend my sincere thanks to each and every employee of Tignish Credit Union. We appreciate what you all do each and every day for our members.

Each year Atlantic Central Credit Union holds a spring AGM and a fall conference, where all credit

unions in the four Atlantic provinces gather together and discuss how we can work together to improve the credit union system for all Atlantic credit union members. This past April Karen Gaudet Gavin and Cletus Dunn attended the AGM with Ted Pahl and John McArthur. Topics of discussion are types of technology that will impact credit unions, and how we can share services across the larger credit union system. A similar event is held every October; this year Karen Gaudet Gavin and I attended the fall conference along with Ted Pahl, Arlene Hackett and John Chisholm.

Tignish Credit Union continues to be active in our support of local organizations in the west prince area. I would like to thank our staff for giving their time to support to various local organizations. Our staff believes we live in the best place on earth and they support activities that impact where we all live and work. The community report will outline some of these activities and financial support given in more detail.

You will hear shortly from our general manager Ted Pahl as he breaks down the operations and financial results for 2017. Once again Tignish Credit Union had a successful year. This is due completely to the ongoing support of all our members; we could not do this without you.

This credit union exists because of the owners; it is successful because our members continue to support it. Take pride in owning this great organization. Thank you for your continued support.

Respectfully submitted,

**Clifford Doucette**  
President

## Manager's Report



As General Manager of Tignish Credit Union it is my pleasure to review the operational and financial results for the fiscal year 2017.

2017 financial results were very good seeing a total asset growth of 9% and exceptional loan growth of 21% over our previous year end 2016.

This year Tignish again is working closely with the credit unions of PEI and of Atlantic Canada to improve the delivery of our products and services to our members. Working with the other credit unions allows us to leverage the size of the system for purchasing and marketing power and allows us to remain competitive in a highly competitive marketplace. In addition working as a system allows us access to the latest technology and trends impacting and influencing the banking industry.

The credit unions of PEI work together on various initiatives from sharing services to marketing and joint sponsorships to bring higher levels of service and reduced costs to all PEI credit union members.

I would like to take the next few minutes and review the financial statements and results for 2017. You as owners should be proud of the financial position and steady growth of your credit union this past year.

*“In 2017 the credit union was able to payout a total of \$1.13 million back to our members”*

**The statement of financial position or balance sheet you will see:**

- Assets have reached \$184 million which represents growth of 9% up from \$164 million at the end of 2016. 2017 assets grew by \$19.4 million.
- Cash and equivalents which is mainly our deposits with Atlantic central have decreased by \$12,939,897, this amount varies on a daily basis; however you will see that our investments have risen by \$7,656,662 which is the result of moving money from cash to higher yielding investments; with an additional \$10 million in purchased loan syndications as investments totaling almost \$18 million increase in investments.
- These investments are purchased to achieve higher yields and this investment income contributes to our ability to pay back dividends to our members
- Loans increased this year by \$24.7 million and are now 76% of assets.
- All other assets have remained close to

2016 totals.

- Member deposits grew by \$19.1 million in 2017 which represents 8.9% growth for 2017. Deposits make up 92% of our assets. Between our in house investment options and our wealth management services provided by Sharon Gallant in our Credential office Tignish Credit Union can provide the right investment options for all our members.
- Tignish Credit Union is a solid liquidity position and as a result we purchase investment options through our Central and our other partners to ensure your money is making the best returns it can for you.
- Undistributed income increased in 2017 to \$660,000. This is the income remaining after member dividends, rebates and taxes for the year. Given the growth in 2017 this amount was put back into retained earnings. This increase was to offset our growth and keep the credit union in a strong equity position of 6.4% well above regulatory requirement of 5% equity.

(Continued)

### Income Statement:

- Investment income is up slightly over this time last year, trending in the right direction
- Commissions is mostly made up of the investments earned by a holding company owned by 4 PEI credit unions of which Tignish owns 25% share of the company.
- The Change in cost of capital and dividends under expenses came mostly from the increase in loan growth and the capital required for funding this growth.
- The only other significant change you will see here is the provision for loan loss is up \$375,000 over 2016. This is money the credit union sets aside in the event a member loan is unrecoverable.

In 2017 the credit union was able to payout \$528,000 in share dividends and \$600,000 in combined loan, deposit and service fee rebates totaling \$1.13 million paid back in 2017 to our members.

Not included in these numbers but of note are the results of our off-book business conducted through our Credential office in Alberton.

Sharon Gallant offers retirement planning, and a full range of investment and insurance options. In 2017 our credential book grew \$2.2 million to \$38 million in dollars under management. Our credential office also had the highest volume of insurance sales in all of the Atlantic Canada credit union system.

Congratulations and thank you to Sharon and Julie.

At Tignish Credit Union we are committed

to finding the right financial solutions and providing our members with just the right advice to fit their individual needs. Whether it's helping out our local farmers or fisherman with the right loan products or providing you with the right advice at any of our offices. All the staff at Tignish Credit Union and Credential Securities are here working for you. We invite you at any time to seek out any member of our staff to assist you with whatever your financial needs are; we are here to partner with you to help you achieve your financial goals.

I would be remiss if I did not acknowledge the exceptional efforts of all our staff. Without this team I could not bring forward this report. We have the best staff on PEI from their positive attitudes to the tireless hours they put in to ensuring this credit union is supporting our communities and making sure our members feel welcome and at home within our walls. These folks put in the effort required to ensure Tignish Credit Union is the very best place for our members to conduct their financial affairs. My sincerest thank you to each and every one of you for all you do to make our credit union great.

To the board of directors who provide direction and governance to myself and the management team here I thank you for your wisdom and willingness to roll up your sleeves and get things done. These fine people up here do an amazing job representing all of you. I thank each of you for your time and contributions over the year.

**Ted Pahl**  
General Manager





## Report of Community Involvement

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.

Corporate donations of \$51,500.00 were made during the year. Our decisions are still 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 Tuna Cup Challenge 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 Society, Parkinson's, Children's Wish, Diabetes Assn., Special Olympics, Canadian Mental Health, 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 local athletes who compete at a National Level.

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. PEI Credit Unions pay the cost of staying at Ronald McDonald house for all its members. This past year Tignish Credit Union paid for 119 nights of accommodations for our members. While we don't like to see any child sick; when it does happen, it's nice to be able to help out in some way. 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 and we support their annual Dinner Fundraiser.

Staff continued with our own fundraising efforts that have been ongoing for many years. From our casual day Friday's fund, in conjunction with West Prince Caring Cupboard, this year we donated \$1500 to provide gifts for needy families in our area. Unfortunately, the annual IWK Fun Day community fundraiser wasn't held again this year but our staff did go ahead with our 50-50 draw and were able to donate \$2,036.00 to the IWK.

Staff at both locations participated in their community's annual parades – the Irish Moss Festival and The Prince County Exhibition.

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, \$1,000 to Victoria's Quilts Canada, \$1,000 for the IWK, \$5,000 to the Assn. for

Community Living, \$2500 to Kids West for their Healthy Snack Program just to name a few. Throughout the year over \$60,000 was donated. To date, over \$660,000 has been donated back to our communities. A big THANK YOU to all those who support these efforts.

We continue to offer the school credit union program. The schools involved are Tignish, Alberton and St. Louis Elementary and the French School. Our annual fundraiser for the local Home and School organizations which includes St. Louis, Alberton & Tignish Elementary Schools and M E Callaghan Jr. High was a great success with over \$10,000 raised.

The credit union presented 4 x \$1000 bursaries at Westisle again this year. Congratulations to the recipients – Kamryn Shea, Lexin Gaudet, Madilyn Thibodeau & Meghan Keough. Founder awards were presented to graduating students from Tignish, St. Louis, Alberton Elementary and the French schools and M.E. Callaghan Jr. High in addition to prize money given for other grades.

These are a few of the highlights of our donations and sponsorships and as you can see, our employees take their role as contributors to our communities very seriously. I hope this report outlines for you the social side of the business that our staff and credit union have been involved in over the past year.



## Get Active

2017 marked the launch of our new social cause across Island credit unions – where we are committed to more physically active communities on PEI. This initiative was conceptualized around the 2016 Public Health Officer's Report which reported that over half of Islanders consider themselves physically inactive. Physical inactivity leads to a staggering decrease in overall health resulting in a higher risk factor for the development of health conditions including stroke, heart disease, obesity and type 2 diabetes. This decrease in health can negatively impacts a household's finances, especially in the retirement stages where income is fixed.

## Gym Rebate Program



Our commitment to this cause has first been demonstrated by our Get Active Gym Program where we offered \$50 cash back to any of our members who paid gym membership fees in 2017. This resulted in close to \$4,000 being rebated to our members who show a dedication to their physical wellbeing.

# Credit unions are committed to a more physically active

# Physiocity active community on PEI



## Storm Basketball

Continuing with our flagship social cause of inspiring Islanders to get up and get active, Credit Unions signed on as a major sponsor of the Island Storm for the 2017-2018 season.

Teaming up with the professional NBL team has given us many unique opportunities including two Under 25 Free games, where anyone 25 and under was able to attend the Storm game for free. The first of our Under 25 Free game saw 1,028 free tickets distributed to fans – resulting in a savings of \$11,500 for the local community!



## Credit Union Place

Since the opening of Credit Union Place in Summerside in 2007 credit unions on the Island have maintained a strong relationship with the multi purpose facility lead by Consolidated Credit Union.

As a fixture to both the Summerside community and the Island as a whole, 2017 marked a new 10-year agreement that all PEI credit unions have invested in. The naming rights of the facility have been immeasurable in true value as Credit Union Place continues to be a top Atlantic Canadian venue for high-end entertainment and sporting events.

Alongside the naming rights, credit union members receive discounts on services offered by the facility – to date this has saved our membership \$75,000 yearly in user fees. We're thrilled to have signed-on for another 10 years and look forward to our future with Credit Union Place.

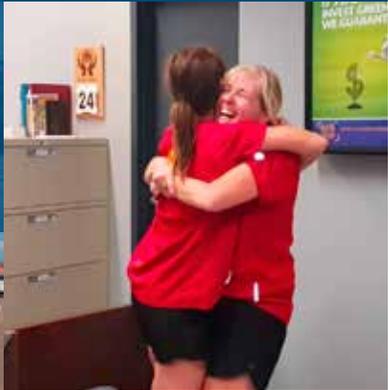


## Cash Dash 3

The Cash Dash, our amazing-race styled summer event, returned for it's third consecutive year!

Continuing with our two-day event, four teams of two raced across the three maritime provinces tackling over 30 different challenge stops.

This year our stops were centered around the Game of Life – and all of the impromptu and sometimes inconvenient challenges that will be thrown your way. With this being our third year under our belt and a \$5,000 grand prize we noticed a strong increase in general interest as well as high numbers in social interactions as people checked in to cheer on their favourite team!



## Commercial Accounts

2017 marked the launch of our new Commercial Accounts, bringing over many of the features of our personal products. Our new Operating and Investment Accounts bring the ease of use, and new money saving features such as free Me-to-Me Online transfers, Merchant discounts, and lower fee options for Not-For-Profits.

Our new accounts also change the way we charge for business deposits. Now, those who don't need the service avoid any overcharges, while still offering the lowest fees in our industry for those that do .

## Scholarships

We are pleased to announce 4 Tignish Credit Union Scholarship Recipients for 2017. Each scholarship recipient received \$1,000 towards furthering their education. In total, Tignish Credit Union distributed \$4,000.

We wish all students the best in their studies and future endeavors.  
(not pictured Lexin Gaudet)



Kamryn Shea



Madilyn Thibodeau



Megan Keough



## Financial Lit. Escape Room

In 2017 we brought financial literacy to life by jumping on the crazed trend of escape rooms.

Our free murder mystery escape room; "Stolen", intertwined the excitement of a frantic mystery plot while subtly teaching the importance of credit reports, using strong passwords and how to spot fraudulent transactions. Stolen operated out of a local warehouse where we were able to transform a portion of their offices into the run-down living quarters of our villain. Stolen functioned as a retail operation for two weeks with our 60 time-slots being 90% booked in the first 24 hours, resulting in more than 220 thrill-seeking individuals visiting the space.

Ultimately, Stolen was a great success in creating a new and innovative way to explain different financial topics.

## Junior Achievement

For the last two years' credit unions on the Island have held a valuable partnership with JA PEI. Working off JA's already well-received programming we teamed up to enhance their Economics for Success program with the additional knowledge of a financial expert.

Economics for Success focuses on the importance of financial literacy and teaches students budgeting skills which they'll need for the future. Through the growing popularity of the program we have currently been able to instruct over 2,400 students at 14 different Island high-schools. With having signed on as a partner again in 2018, we look forward to reaching more students and continuing the conversation about financial literacy!

## Credential Financial Services

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 credit union 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 22 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. We would also like to welcome Julie Ramsay to the Credential team. Julie is the Co-ordinator/Assistant for Sharon with Credential, and Julie brings years of credit union experience.







# Financial Statements



February 26, 2018

## 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, 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.

### 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*ArsenaultBestCameronEllis*

Chartered Professional Accountants

# Tignish Credit Union Limited

## Statement of Financial Position

December 31, 2017

	2017 \$	2016 \$
<b>Assets</b>		
Cash and cash equivalents	9,465,373	22,405,271
Accounts receivable	209,633	168,596
Loans and mortgages (notes 7 and 18)	139,419,271	114,753,830
Prepaid expenses and other (note 8)	156,373	102,656
Property and equipment (note 9)	1,770,543	1,757,108
Investments (note 10)	32,820,233	25,163,571
Deferred income taxes (note 14)	79,000	104,000
	<u>183,920,426</u>	<u>164,455,032</u>
<b>Liabilities</b>		
Member deposits (notes 7, 11 and 13)	170,041,017	150,916,639
Accrued liabilities	1,559,949	1,751,087
Other liabilities	660,928	810,739
Income taxes payable	149,007	126,234
	<u>172,410,901</u>	<u>153,604,699</u>
<b>Members' Equity</b>		
<b>Undistributed income</b>	<u>11,509,525</u>	<u>10,850,333</u>
	<u>183,920,426</u>	<u>164,455,032</u>

Approved by the Board of Directors

  
Director

  
Director

# Tignish Credit Union Limited

## Statement of Changes in Members' Equity

Year Ended December 31, 2017

	2017 \$	2016 \$
<b>Undistributed income - Beginning of period</b>	10,850,333	10,527,020
Net earnings for the period	<u>659,192</u>	<u>323,313</u>
<b>Undistributed income - End of period</b>	<u>11,509,525</u>	<u>10,850,333</u>

# Tignish Credit Union Limited

## Statement of Comprehensive Income

Year Ended December 31, 2017

	2017 \$	2016 \$
<b>Revenue</b>		
Loan interest (note 18)	5,629,903	4,973,742
Investment	535,819	437,442
Service fees	826,783	802,472
Commissions	467,884	502,382
Other income	57,066	65,711
	<hr/> 7,517,455	<hr/> 6,781,749
<b>Expenses</b>		
Staff (notes 16 and 17)	2,190,163	2,159,997
Premises	152,227	168,337
Insurance	255,485	227,178
Office	126,052	118,660
Service fees	1,082,266	1,048,045
General	447,161	405,720
Cost of capital	855,892	859,686
Amortization	96,095	80,239
	<hr/> 5,205,341	<hr/> 5,067,862
<b>Operating earnings</b>	<hr/> 2,312,114	<hr/> 1,713,887
<b>Other expense (income)</b>		
Share dividends	528,125	439,068
Provision for (recovery of) loan losses (note 7)	366,972	(9,008)
Loan interest rebate	450,000	550,000
Interest bonus on savings	100,000	250,000
Service charge rebate	50,000	50,000
Write-down on foreclosed properties	-	55,000
	<hr/> 1,495,097	<hr/> 1,335,060
	<hr/> 817,017	<hr/> 378,827
<b>Provision for income taxes</b>		
Current (note 14)	132,825	55,514
Deferred income taxes (note 14)	25,000	-
	<hr/> 157,825	<hr/> 55,514
<b>Net earnings for the period</b>	<hr/> 659,192	<hr/> 323,313

	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the period	659,192	323,313
Items not affecting cash		
Amortization	96,095	80,239
Write-down on foreclosed properties	-	55,000
Deferred income taxes	25,000	-
Provision for (recovery of) loan losses	366,972	(9,008)
	<hr/> 1,147,259	<hr/> 449,544
Net change in non-cash working capital items		
Increase in loans and mortgages	(25,032,413)	(10,236,122)
Decrease (increase) in accounts receivable	(41,037)	51,834
Increase in prepaid expenses and other	(53,717)	(3,405)
Increase in member deposits	19,124,378	17,495,103
Decrease in accrued liabilities	(191,138)	(189,275)
Increase (decrease) in other liabilities	(149,811)	17,238
Increase in income taxes payable	22,773	75,642
	<hr/> (5,173,706)	<hr/> 7,660,559
<b>Investing activities</b>		
Purchase of property and equipment	(109,530)	(683,223)
Increase in investments	(7,656,662)	(3,324,863)
	<hr/> (7,766,192)	<hr/> (4,008,086)
<b>Increase (decrease) in cash and cash equivalents</b>	(12,939,898)	3,652,473
<b>Cash and cash equivalents - Beginning of period</b>	<hr/> 22,405,271	<hr/> 18,752,798
<b>Cash and cash equivalents - End of period</b>	<hr/> <hr/> 9,465,373	<hr/> <hr/> 22,405,271
<b>Supplementary disclosure</b>		
Interest received	5,772,099	5,469,760
Interest paid	886,062	891,790
Dividends paid	528,125	439,068
Income taxes paid	110,052	77,450

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

## 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 26, 2018.

### (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.

## 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.

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

- 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 an 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. Therefore, the Credit Union's investment in certain shares are carried at cost. 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.

- 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 liabilities, 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.

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

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.

(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, 2017.

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.

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

## 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.

(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, 2017, a number of standards and interpretations had been issued by IASB which are not effective for these financial statements and have not yet been adopted by the Credit Union. Other than the introduction of IFRS 9, these changes are not expected to have a material impact on the financial statements.

#### IFRS 9 - Financial instruments

On July 24, 2014, IASB issued the complete version of IFRS 9. 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 are to be measured at fair value through profit and loss (FVTPL) unless certain conditions are met which permit measurement at amortized cost or fair value through other comprehensive income. The classification and measurement of liabilities remain generally unchanged, with the exception of liabilities recorded at FVTPL.

IFRS 9 also introduces a new loss impairment model for all financial assets not at FVTPL, which results in credit losses being recognized regardless of whether a loss event has occurred. This expected credit loss (ECL) model replaces the current "incurred loss" model and requires an entity to recognize expected credit losses at all times and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of financial instruments.

IFRS 9 is effective January 1, 2018 and will be applied retrospectively. The Credit Union is currently analyzing the potential effects of adopting this new standard.

## 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:

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

## (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.

## (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.

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:

	2017	2016
	\$	\$
Cash and cash equivalents	9,465,373	22,405,271
Accounts receivable	209,633	168,596
Loans and mortgages	139,419,271	114,753,830
Investments	32,820,233	25,163,571
	<u>181,914,510</u>	<u>162,491,268</u>

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

Cash and cash 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.

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:

	2017	2016
	\$	\$
Cash and cash equivalents	9,465,373	22,405,271

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, 2017.

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

	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	2017 Total \$
Member deposits	87,438,569	22,211,910	-	109,650,479
Share accounts	60,390,538	-	-	60,390,538
Accrued interest payable	1,559,949	-	-	1,559,949
Other liabilities	660,928	-	-	660,928
	150,049,984	22,211,910	-	172,261,894

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	2016 Total \$
Member deposits	75,851,162	22,015,452	-	97,866,614
Share accounts	53,050,025	-	-	53,050,025
Accrued interest payable	1,751,087	-	-	1,751,087
Other liabilities	810,739	-	-	810,739
	131,463,013	22,015,452	-	153,478,465

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

(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 2017 \$	Net interest income change 2016 \$
Before tax impact of		
1% increase in interest rates	115,434	106,784
1% decrease in interest rates	(770,686)	(404,464)

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

## (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.

## (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 Chartered Professional Accountants Handbook related to the financial statement presentation of financial instruments, the ownership shares are presented in the balance sheet as financial liabilities. At December 31, 2017, the equity level for regulatory purposes is as follows:

	<b>2017</b>	<b>2016</b>
	\$	\$
Ownership shares (note 13)	39,630	39,820
Members' equity	11,509,525	10,850,333
Total regulatory equity	<u>11,549,155</u>	<u>10,890,153</u>
Total assets	<u>183,920,426</u>	<u>164,455,032</u>
Equity level	<u>6.3%</u>	<u>6.6%</u>
	<b>#</b>	<b>2017</b>
		<b>\$</b>
Opening, January 1, 2017	7,363	39,820
Net decrease	(38)	(190)
Closing, December 31, 2017	<u>7,325</u>	<u>39,630</u>

## 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:

	2017		2016	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Assets carried at fair value</b>				
Financial assets held for trading -				
Cash	9,465,373	9,465,373	22,405,271	22,405,271
Liquidity reserve deposit (note 10)	11,212,819	11,212,819	9,675,273	9,675,273
	<u>20,678,192</u>	<u>20,678,192</u>	<u>32,080,544</u>	<u>32,080,544</u>
<b>Assets carried at amortized cost</b>				
Accounts receivable	209,633	209,633	168,596	168,596
Loans and mortgages	139,419,271	139,419,271	114,753,830	114,753,830
Investments - held to maturity (note 10)	19,059,000	19,059,000	13,052,644	13,052,644
Investments - available for sale (note 10)	2,148,414	2,148,414	2,035,654	2,035,654
	<u>160,836,318</u>	<u>160,836,318</u>	<u>130,010,724</u>	<u>130,010,724</u>
<b>Liabilities carried at amortized cost</b>				
Member deposits	170,041,017	170,041,017	150,916,639	150,916,639
Accrued interest payable	1,559,949	1,559,949	1,751,087	1,751,087
Other liabilities	660,928	660,928	810,739	810,739
	<u>172,261,894</u>	<u>172,261,894</u>	<u>153,478,465</u>	<u>153,478,465</u>

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

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

## 7 Loans and mortgages

### (a) Summary

				2017	2016
	Total \$	Impaired Loans \$ (included in total)	Specific Provision \$	Net \$	Net \$
Personal	28,915,221	96,407	81,107	28,834,114	28,265,600
Business	21,788,665	3,009,464	1,750,993	20,037,672	11,073,686
Mortgages	25,832,372	553,641	191,833	25,640,539	18,207,602
Lines of credit and overdrafts	12,244,694	19,038	-	12,244,694	12,713,511
Farming and fishing	51,395,523	-	-	51,395,523	43,526,044
Accrued loan interest	1,266,729	168,471	-	1,266,729	967,387
	141,443,204	3,847,021	2,023,933	139,419,271	114,753,830

#### *Mortgages and loans*

Mortgage loans are secured by realty mortgages with interest rates of 2.29% - 6.75% (2016 - 3.0% - 6.75%). The remaining loans are priced at market rates unless circumstances warrant special considerations. The interest rates range from 2.2% - 18.5% (2016 - 2.7% - 18.7%) on personal, business, farming and fishing loans and 0% - 21% (2016 - 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, 2017 was 3.2% (2016 - 2.7%).

### (b) Continuity of allowance for impaired loans

	2017 \$	2016 \$
<b>Balance - December 31, 2016</b>	1,843,738	2,002,682
Increase (decrease) in allowance for 2017	366,980	(9,008)
Amounts written off during the year	(256,116)	(149,936)
Recoveries of previous write offs	69,331	-
<b>Balance - December 31, 2017</b>	<b>2,023,933</b>	<b>1,843,738</b>

(c) Provision for loan losses

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Increase in allowance	366,980	(9,008)
Loans directly written off	69,323	-
Recoveries of loans previously written off	(69,331)	-
	<u>366,972</u>	<u>(9,008)</u>

(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:

	<b>\$</b>
December 31, 2017	1,782,970
December 31, 2016	1,048,912

(e) Foreclosed properties

During the year, the Credit Union did not foreclose on any mortgages (2016 - nil). Expenses related to the upkeep of the foreclosed properties are added to the cost of the properties. In 2016, management wrote-down the foreclosed properties to a carrying value of nil. At December 31, 2017, the Credit Union has nil (2016 - nil) in foreclosed properties that are included in prepaid expenses and other on the Statement of Financial Position.

## 8 Prepaid expenses and other

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Prepaid expenses	136,373	82,656
Inventory	20,000	20,000
	<u>156,373</u>	<u>102,656</u>

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

## 9 Property and equipment

	Land \$	Buildings \$	Furniture, equipment and computer \$	Pavement \$	Leasehold improvements \$	Total \$
<b>Cost</b>						
Balance - Beginning of year	231,058	2,110,804	809,044	120,294	40,388	3,311,588
Additions	-	8,855	100,675	-	-	109,530
Balance - End of year	231,058	2,119,659	909,719	120,294	40,388	3,421,118
<b>Accumulated amortization</b>						
Balance - Beginning of year	-	747,505	697,136	69,451	40,388	1,554,480
Current year amortization	-	56,401	34,133	5,561	-	96,095
Balance - End of year	-	803,906	731,269	75,012	40,388	1,650,575
<b>Carrying value</b>						
December 31, 2016	231,058	1,363,299	111,908	50,843	-	1,757,108
December 31, 2017	231,058	1,315,753	178,450	45,282	-	1,770,543

## 10 Investments

	2017 \$	2016 \$
<b>Financial assets</b>		
<i>Fair value through profit or loss:</i>		
Liquidity reserve deposit	11,212,819	9,675,273
<i>Held to maturity:</i>		
Term deposits	19,059,000	13,052,644
<i>Available for sale:</i>		
Atlantic Central shares	1,851,880	1,739,120
Concentra shares	400,000	400,000
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	64
	2,548,414	2,435,654
Total investments	32,820,233	25,163,571

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

## *Liquidity reserve deposit*

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.

## *Term deposits*

Term deposits are invested with the League Savings & Mortgage Company and Atlantic Central, and are carried at cost which approximates fair value. These term deposits have the following maturity dates and rates of return:

	<b>Amount</b> \$	<b>Rate of</b> <b>Return</b>	<b>Maturity</b>
	2,000,000	1.39%	March 12, 2018
	2,000,000	1.39%	March 12, 2018
	2,000,000	1.39%	March 12, 2018
	5,000,000	1.39%	March 12, 2018
	2,030,000	1.50%	September 26, 2018
	2,029,000	1.45%	October 22, 2018
	2,000,000	1.42%	January 30, 2019
	<u>2,000,000</u>	1.75%	October 7, 2019
Total	<u>19,059,000</u>		

## *Available for sale*

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.

## **11 Member deposits**

	<b>2017</b> \$	<b>2016</b> \$
Ownership shares and share accounts (note 13)	60,390,538	53,050,025
Savings	14,404,933	11,239,826
Chequing accounts	49,534,477	42,575,240
Term deposits	17,001,365	14,891,123
RRSP and RRIF	28,709,704	29,160,425
	<u>170,041,017</u>	<u>150,916,639</u>

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

*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 2017 was 1.0% (2016 - 1.0%) based on the average minimum monthly share account balance throughout the year.

*Savings* are deposits on a call basis that pay the account holders a variable rate of interest ranging from 0.15% - 1.25% (2016 - 0.15% - 1.25%).

*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% (2016 - 0% - 3.25%)

## *RRSP and RRIF*

Concentra Financial is the trustee for the registered savings plans offered to members. Under an agreement with the trust company, member'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 members, 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.

## 12 Contingent liability

	2017	2016
	\$	\$
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 per share. 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.

Share accounts are included with Member Deposits on the Statement of Financial Position.

## 14 Income taxes

### (a) Tax rate reconciliation

	2017	2016
	\$	\$
Income before income taxes	817,017	378,827
Taxes at statutory rates - 31% (2016 - 31%)	253,275	117,436
Impact of the 16% (2016 - 16%) small business deduction - current tax	(57,543)	(60,612)
Permanent differences and other	8,301	(1,310)
Reversal of prior year over accrual	(71,208)	-
	<u>132,825</u>	<u>55,514</u>

### (b) Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 15% (2016 - 15%), as follows:

	2017	2016
	\$	\$
Balance - Beginning of period	104,000	104,000
Comprehensive income statement recovery	(25,000)	-
Balance - End of period	<u>79,000</u>	<u>104,000</u>

Deferred income tax assets are attributable to the following items:

	2017	2016
	\$	\$
<b>Deferred income tax assets</b>		
Property and equipment	10,200	10,200
Allowance for impaired loans	30,300	27,600
Retirement allowance	38,500	66,200
	<u>79,000</u>	<u>104,000</u>

## 15 Line of credit availability

In 2017, the Credit Union had an approved line of credit with Atlantic Central of \$4,100,000. As of December 31, 2017, the line of credit was not being utilized.

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

## 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 \$74,900 (2016 - \$76,870) 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

	2017	2016
	\$	\$
Salaries and short-term employee benefits	621,903	422,308
Accrued retirement benefit obligations	28,026	8,320

(b) Directors' remuneration

	2017	2016
	\$	\$
Honorariums	8,650	8,750
Payment for expenses while on credit union business	4,020	6,043

(c) Loans to directors and key management personnel

	2017	2016
	\$	\$
Loans outstanding - Beginning of period	368,560	567,539
Add: loans issued during the period	424,470	304,625
new director balances on appointment	94,432	34,697
Less: loan repayments during the period	(227,113)	(266,224)
transfers out of Directors	(3,364)	(272,077)
Loans outstanding - End of period	<u>656,985</u>	<u>368,560</u>
Interest income earned	18,705	15,638

No provisions have been recognized in respect of loans to key management (2016 - nil). The loans issued to directors and existing loans to new directors and key management personnel and close family members during the year of \$424,470 (2016 - \$312,709) are repayable over 1 - 25 years and have interest rates ranging from 2.95% to 7.45% (2016 - 3.70% to 6.75%).

The Credit Union has approved lines of credit for key management and directors as at December 31, 2017 amounting to \$156,800 (2016 - \$84,800). The balance of the lines of credit included above is \$123,605 (2016 - \$32,505).

## 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 \$2,649,487 (2016 - \$1,999,487) 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 \$24,254 (2016 - \$15,051) of interest income and nil (2016 - nil) of dividend income received from CU PEI Investment Corp.

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

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

## 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 \$	2017 Total \$
<b>Assets</b>					
Cash and cash equivalents	9,080,565	-	-	384,808	9,465,373
Effective interest rate	0.44%				
Accounts receivable	-	-	-	209,633	209,633
Investments	19,816,659	13,003,574	-	-	32,820,233
Effective interest rate	1.46%	1.43%			
Loans and mortgages	114,291,606	25,127,665	-	-	139,419,271
Effective interest rate	4.89%	3.33%			
Prepaid expenses and other	-	-	-	156,373	156,373
Property and equipment	-	-	-	1,770,543	1,770,543
Deferred income tax	-	-	-	79,000	79,000
<b>Total assets</b>	<b>143,188,830</b>	<b>38,131,239</b>	<b>-</b>	<b>2,600,357</b>	<b>183,920,426</b>
<b>Liabilities and surplus</b>					
Member deposits	147,829,107	22,211,910	-	-	170,041,017
Effective interest rate	1.06%	1.55%			
Accrued liabilities	-	-	-	1,559,949	1,559,949
Income taxes payable	-	-	-	149,007	149,007
Other liabilities	-	-	-	660,928	660,928
Undistributed earnings	-	-	-	11,509,525	11,509,525
<b>Total liabilities and surplus</b>	<b>147,829,107</b>	<b>22,211,910</b>	<b>-</b>	<b>13,879,409</b>	<b>183,920,426</b>
<b>Interest rate sensitivity gap</b>	<b>(4,640,277)</b>	<b>15,919,329</b>	<b>-</b>	<b>(11,279,052)</b>	<b>-</b>

# Notes to the Financial Statements

Tignish Credit Union Limited  
Year Ended December 31, 2017

	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	Not interest rate sensitive \$	2016 Total \$
<b>Assets</b>					
Cash and equivalents	20,522,508	-	-	1,882,763	22,405,271
Effective interest rate	0.78%				
Accounts receivable	-	-	-	168,596	168,596
Investments	20,763,571	4,400,000	-	-	25,163,571
Effective interest rate	1.17%	1.76%			
Loans and mortgages	106,221,465	8,532,365	-	-	114,753,830
Effective interest rate	4.65%	4.16%			
Prepaid expenses and other	-	-	-	102,656	102,656
Property and equipment	-	-	-	1,757,108	1,757,108
Deferred income tax	-	-	-	104,000	104,000
<b>Total assets</b>	<b>147,507,544</b>	<b>12,932,365</b>	<b>-</b>	<b>4,015,123</b>	<b>164,455,032</b>
<b>Liabilities and surplus</b>					
Member deposits	128,901,187	22,015,452	-	-	150,916,639
Effective interest rate	0.73%	2.018%			
Accrued liabilities	-	-	-	1,751,087	1,751,087
Income taxes payable	-	-	-	126,234	126,234
Other liabilities	-	-	-	810,739	810,739
Undistributed earnings	-	-	-	10,850,333	10,850,333
<b>Total liabilities and surplus</b>	<b>128,901,187</b>	<b>22,015,452</b>	<b>-</b>	<b>13,538,393</b>	<b>164,455,032</b>
<b>Interest rate sensitivity gap</b>	<b>18,606,357</b>	<b>(9,083,087)</b>	<b>-</b>	<b>(9,523,270)</b>	<b>-</b>

As at December 31, 2017, the Credit Union's net interest spread was 3.07% (2016 - 2.94%). 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, 2017 amounting to \$6,448,051 (2016 - \$6,815,078).

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COB 2B0

566 Main Street  
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