2014 annual report

SHARONS
CREDIT UNION

한 인 신 용 조 합

NOTICE OF 2015 ANNUAL GENERAL MEETING

THE 26TH(2015) ANNUAL GENERAL MEETING OF SHARONS CREDIT UNION WILL BE HELD ON **THURSDAY, APRIL 16, 2015 AT 6:00PM** AT **SURREY BRANCH** LOCATED AT **10541 KING GEORGE BLVD., SURREY, BC.**

1. Call to Order
2. Introduction of Officers
3. Adoption of Agenda
4. Approval of Minutes of the Previous Year
5. Business Arising out of the Minutes
6. Report from the Board & Management
7. Auditor's Report
8. Approval of FInancial Reports
9. Appointment of Auditor
10. Elections
11. Special Resolution
12. Ordinary Resolution
13. Unfinished Business
14. Adjournment

CALL FOR NOMINATION

According to Section 4.4 of the Rules of Sharons Credit Union, term of office of three incumbent directors will expire at the adjournment of 2015 AGM. If you would like to nominate a member to fill the vacating office of directors, please nominate a candidate from good standing members in a written form to the Nominating Committee by 5pm, April 9, 2015.

CHAIR AND CEO'S REPORT

TWENTY FIVE FOUNDING MEMBERS…

It has been 26 years since twenty five founding members gathered together to start up Sharons Credit Union with each contributing $4,000 investment in share deposit. Looking back, since 1988, there have been many ups and downs, but each time, we were able to overcome it and grow stronger because of the selfless devotion of the directors and loyal support from the memberships. We would like this opportunity to thank our first 25 founding members and the past & current directors who have been serving the credit union. We are here because of their dedications and contributions.

OPERATION RESULT… FUTURE FORECAST…

Sharons Credit Union continues to remain in a strong financial position, ending 2014 with a total asset of $281 million, an increase of 4.5% or $12 million from the prior year. This remarkable growth reflect the success of our strategy and have translated into added value for our members despite the current economic conditions with the persistent rock-bottom interest rate in a sluggish local economy environment. The increase was comprised of a net loan portfolio of $15.5 million, partially offset by decreases of $3.4 million in cash and interest bearing deposits.

Net operating income for the year was $1.12 million, a decrease of $394 thousand or 26% from 2013. In 2014, your Board decided to share the profit with our members in the form of divided and patronage refund in the total amount of $620 thousand of which 2% dividend on share deposits and 10% refund on the interest paid on residential and commercial mortgages. The Board is adamant in building values and giving back to the members and the community that we serve even under harsh economic environment. The refund will have a positive financial impact, especially on members navigating through the difficult times harder than others.

It is most likely that the current rock-bottom interest rate will prevail for a while and as experienced early in the year, there is even a forecast that the interest rate may go down further and stay low in the foreseeable future. If the forecasts are right, our bottom line would be hampered even more as our current assets are structured in a way that a declining interest rate affects the earning adversely. With the current assets and liabilities combination, we are expected to face hard time in improving the net operating income unless the interest rate turns around and starts to go up. However, the Board and management together are determined to overcome this hardships by tightening our belts and the restructuring our assets, and we are confident that we will deliver a satisfactory report to you next year again.

CORPORATE GOVERNANCE…

Throughout the year 2014, your directors have been working tremendously hard. Since the financial crisis in 2008, there have been a lot of changes in financial institution regulatory environment and one of the most distinctive changes is a much stronger requirement in corporate governance practice of the Board of Directors in financial institutions. Accordingly, BC credit union regulatory body, FICOM, expects the Board to be more professional and prudent in overseeing the operations of its credit union. In order to cope with this requirement, your directors have attended many meetings and training sessions. They have met at least twice a month during the 2014. The Board will be operating in a similar fashion going forward and they will continuously serve the credit union selflessly and thus, we'd like to thank all directors for their devoted service to the credit union.

We, directors and management, would ask ourselves a question; why we exist? This will remind us of the purpose of our existence and to refresh our determination to fulfill that purpose. We exist for our members and the community the members belong to. It is never enough to stress the importance of the fact that whatever we do must benefit our members and the community. Accordingly, in 2014, we sponsored and supported many events that gave benefit in one way or another to the members and to the community. We are proud that we faithfully served as a leader in promoting the wellness and preserving the cultural heritage in our community. Now, your Board is preparing a "Community Development Plan" to support more efficiently and to develop the various activities in our community. This plan will be presented in our branches and on website during the first half of the year.

TOWARD THE BRIGHTER FUTURE…

The hardship has been being felt by all of us for the last few years. Especially, those who are operating a small business are the ones who seems to suffer the most. We wish we could assist them financially in these difficult times when the help is needed the most. However, because of the regulation and the safety measure we must take, there is only so much we can do in this respect. Even so, we are here to help our members. We will listen to you, we will share the pain with you, and we will seek out the ways to work together.

Credit union is a co-operative financial institution that is built and shared by members. Our dream is to make the world where everyone is helping each other. "One for All and All for One" is the dream we pursue. Now that we have completed our 26th year of operation, we've been working hard to make a credit union that is "Built by You and Works for You". And we have been able to come this far only because of your participation. In order to go forward, your continuous participation is essential and therefore, we would ask you to continuously support your credit union as you have been doing so far. We, the Board and management, will do our best to make the credit union that works for you. When we are going forward with one same vision, we will continually grow and prosper. And at the end of the day, we will be able to pass down to our next generation a stronger credit union that truly testifies the power of co-operative spirit.

Once again, closing the report, we thank you for your support in trust and ask your continuous participation in 2015 as well.

Michael Seong Il Hwang,
Chair, Board of Directors

John KwangIk Suk,
President & CEO

존경하는 조합원 여러분,

스물다섯 분의 창립멤버…

1988년 뜻있는 스물다섯 분의 창립멤버들이 각각 $4,000를 출자하여 시작된 신용조합이 어느덧 26년의 세월을 지내며 성장하여 왔습니다. 돌이켜 보면 많은 우여곡절도 있었지만 그때마다 모든 임직원들의 한마음 된 헌신과 조합원 여러분의 한결같은 성원이 있었기에 신협은 튼튼한 뿌리를 내릴 수 있었습니다. 26년째 경영보고를 드리며 그동안 수고하셨던 모든 임직원 여러분과 특히, 오늘의 신협이 있게 해 주신 스물다섯 분 창립멤버분들께 이 자리를 빌려 감사의 마음을 전합니다. 그분들의 신협에 대한 애틋한 정이 있었기에 오늘의 우리가 이처럼 자랑스러운 신협으로 성장할 수 있었습니다.

경영실적… 향후 전망…

신협은 장기간 경기 침체와 저금리 기조의 열악한 금융환경에도 불구하고, 운영 실적 면에서 2014년은 무척이나 고무적인 한 해였음을 보고드립니다. 비록, 순이익은 전년도에 비해 40여만 달러 줄어든 약 1백12만 달러였지만, 자산은 2억 8천1백만 달러로 2013년 대비 2천6백9십만 달러로 4.5% 성장하였습니다. 특히, 총 대출액이 8% 증가한 약 1,500백만 달러의 성장은 매우 인상적이라 할 수 있습니다.

이러한 순이익 감소에도 불구하고, 이사회는 총이익금의 6십2만 달러를 조합원 이용고 배당으로 책정하였습니다. 주택과 상업용 담보대출의 경우 납입한 이자액의 10%로, 출자배당으로 출자금액의 2%를 조합원에게 각각 상환하였습니다. 이는 경상비 축소 등의 긴축경영과 같은 자구책을 통해 어려운 시기를 보내고 있는 조합원들에게 조금이나마 도움이 되어 드리고 싶은 이사회의 뜻있는 결정이었음을 말씀드립니다.

기존의 저금리 정책은 당분간 지속될 전망이고 금년초 이미 경험한 바와 같이, 현재 수준보다 금리가 더 낮아질 수 있다는 전망도 나오고 있습니다. 이러한 저금리 금융환경은 신협의 정상적 운영에 적잖은 어려움을 초래할 수 있지만, 저희 신협 임직원 일동은 각고의 노력으로 이 난관을 능히 극복하여 차년도에는 보다 내실 있는 경영보고를 드릴 수 있을 것을 확약합니다.

이사회 운용…

2014년은 누구보다도 신협 이사님의 노고가 깃든 한 해였다고 생각합니다. 2008년 금융위기 이후, 금융기관 관리 감독에 큰 변화가 있었고 그중 이사회 운용(Corporate Governance)을 강화시키는데 역점을 두었습니다. BC 주 신협 관리 감독청은 보다 전문적이고 체계적인 이사회 운용을 요구해 왔었습니다. 이에 부합되기 위해 신협 이사회는 수차례에 걸친 이사회 운영 교육과 세미나를 통해 전문성을 강화시켰으며, 매월 두 번 이상의 회의 참석으로 이사회의 효율성을 높였습니다. 생업의 바쁜 일정에도 불구하고 이사회 운영에 적극적으로 동참해주신 모든 이사님의 봉사와 노력에 감사드립니다.

저희 임직원은 신협의 존재에 대해 스스로에게 자문을 구하기도 합니다. 신협의 근본적 설립 취지와 이념을 우리 자신에게 각인시켜 조합원의 귀중한 자산을 내 몸같이 소중히 다루고자 하는 신협인의 올곧은 자세를 유지하기 위함입니다. 신협은 은행과 같이 영리만을 추구하는 기관이 아니라 사회적 환원사업을 통해 더불어 모두가 잘살게 하는 비영리의사회적 운동기관입니다. 그러므로 우리 신협은 대다수 조합원이 소속되어 있는 한인 커뮤니티를 위해 존재하고 한인 커뮤니티를 위해 지금까지 해왔었던 것처럼 앞으로도 무한한 봉사와 공헌할 것을 마음속 깊이 되새깁니다. 실례로, 2014년 한 해 동안 신협은 한인 커뮤니티의 크고 작은 행사와 모임에 아낌없는 후원과 지원을 통해 한인 커뮤니티의 든든한 버팀목 역할을 해왔다고 자부합니다. 향후, 이사회는 금년도 상반기 내에 보다 효율적인 지역사회 환원사업을 위한후원(안)을 수립하여 신협의 각 지점과 저희 웹사이트를 통해 공지할 예정에 있습니다.

밝은 미래를 향하여…

2014년을 포함한 지난 몇 년 동안은 경제적으로 무척이나 어려웠던 시기였음을 우리 모두는 실감하고 있습니다. 특히, 중소규모 자영업 종사 비율이 높은 한인사회에 체감 고충이 가중되었으리라 생각됩니다. 설상가상으로, 금융관리 감독청의 보다 강화된 금융법으로 인해 한시적 경제적 어려움을 겪고 있었던 조합원분들께 신협이 한때는 미온적 역할을 하였지만, 관리 감독기관과의 관계법 개선과 완화를 위한 노력을 통해 각 개인과 자영업을 지원하는데 총력을 다할 것입니다.

신협은 우리 스스로 만들어 가며 우리 스스로 나누는 협동조합 금융기관 입니다. 모두가 더불어 사는 행복한 세상을 만드는 것이 우리의 꿈입니다. “일인은 만인을 위하여, 만인은 일인을 위하여” 생각하고 행동하는 것이 우리가 추구하는 정신입니다. 이제 우리는 창립 이래 스물여섯 해를 마무리했습니다. 지난 26년간 우리는 한결같이 “Built by You and Works for You” 즉 “조합원에 의해 만들어지고 조합원을 위해 일하는” 신협을 만들기 위해 부단히 노력해 왔습니다. 오늘의 이러한 성과는 조합원 여러분의 적극적인 참여와 신협에 대한 애정이 있었기에 가능하였습니다.

앞으로도 조합원 여러분의 지속적인 지원과 참여를 당부드립니다. 저희 임직원 일동은 조합원을 위해 일하는 신협을 만들기 위해 우리의 온 힘을 기울일 것입니다. 이사회와 직원과 조합원들이 한가지 비전으로 하나가 될 때 우리는 의심의 여지없이 계속 성장하고 번영할 것입니다. 그래서 우리 후손에게 자랑스러운 신협과 신협의 상부상조의 정신을 물려줄 것입니다.

다시 한번 신협을 믿고 지원해 주신 여러분께 감사드리고 2015년에도 지속적인 지도편달을 부탁드리며 이사회 보고를 마감합니다.

이사장 **황 승 일**

전무 **석 광 익**

Board of Directors. From left, Ian Insik Kim, Insoon Lee,
Terry Tack Hun Song, Michael Seong Il Hwang,
Jihan Kim, Kyu Tae Kim and Victor Byung Kyu Yoo.

BOARD OF DIRECTORS

01. DIRECTOR BACKGROUND AND COMPENSATION DISCLOSURE

Sharons Board of Directors consists of seven directors that represent Sharons Credit Union membership and work with senior management to determine the direction of the credit union.

The Board is accountable for hiring the Chief Executive Officer, financial statements, corporate strategies, establishing corporate goals and approving major financial decisions. The Board is also accountable for representing the interests of members, overseeing the operations of the credit union and representing Sharons Credit Union in the community.

CURRENT DIRECTORS

As of December 31, 2014, Sharons' directors are:

MICHAEL SEONG IL HWANG	
BACKGROUND	As a lawyer in BC for 23 years, Mr. Hwang is specialized in business, real estate, immigration and non-profit laws. He brings in leadership and valuable experiences in governance to the Board through his active involvement in various organizations and societies as a volunteer and a board member locally and internationally.
POSITION	Board Chair
DIRECTOR SINCE	2012
CURRENT TERM	2013 – 2016
COMMITTEES	Chair, Governance & Human Resources Committee Member, Real Estate Committee

KYU TAE KIM	
BACKGROUND	Being an organizer and general manager for investor groups for more than 20 years, Mr. Kim possesses a strong leadership and innovative ideas in investment. His in-depth knowledge in the business world enriches the future direction and strategies of the credit union.
POSITION	Board Vice Chair
DIRECTOR SINCE	2011
CURRENT TERM	2014 – 2017
COMMITTEES	Chair, Investment and Lending Committee Member, Governance & Human Resources Committee Member, Real Estate Committee

VICTOR BYUNG KYU YOO	
BACKGROUND	Along with his Chartered Professional Accountant designation, Mr. Yoo brings a strong financial background and risk management. His experience with a financial institution as an internal auditor back in homeland also brings invaluable expertise in overlooking credit union's daily operations in terms of risk management.
POSITION	Director
DIRECTOR SINCE	2011
CURRENT TERM	2014 – 2017
COMMITTEES	Chair, Audit and Risk Committee Member, Governance & Human Resources Committee

JIHAN JOHN KIM	
BACKGROUND	Mr. Kim is one of the very well-known person in the community as one of the first Korean immigrants to Vancouver who came in 1968 and once served as the president of Korean Society in 1990's. He brings a great understanding and knowledge of the credit union as he served as a director of the credit union from 2001 to 2011, the last three years of which he served as the Board Chair.
POSITION	Director
DIRECTOR SINCE	2001 – 2011, and 2013
CURRENT TERM	2013 – 2016
COMMITTEES	Chair, Conduct Review Committee Member, Investment and Lending Committee

IAN INSIK KIM	
BACKGROUND	As a professional photographer, Mr. Kim has been running a photo studio for over 30 years during which he has developed a phenomenal people skills. And being a member since the beginning of the credit union, he has a compassion and understanding of the credit union culture more than anybody else.
POSITION	Director
DIRECTOR SINCE	2009
CURRENT TERM	2012 – 2015
COMMITTEES	Member, Conduct Review Committee Member, Investment and Lending Committee Member, Real Estate Committee

TERRY TACK HUN SONG	
BACKGROUND	Mr. Song became a member of the credit union by the influence of his mother who has been a member since the beginning of the credit union. As a pharmacist who serves a number of seniors in the community, he has a passion in seniors' welfare and strongly believes that Sharons should take an important role on the issue as not only the credit union's membership consists of large number of seniors but the majority of the population in our community are aging fast now.
POSITION	Director
DIRECTOR SINCE	2012
CURRENT TERM	2012 – 2015
COMMITTEES	Chair, Audit and Risk Committee Member, Governance & Human Resources Committee

INSOON LEE	
BACKGROUND	Currently serving as the President of Vancouver Korean-Canadian Women's Society and the founder of KOWIN (Korean Women's International Network) Vancouver, Ms. Lee brings a broad knowledge on women movement in our community. She is passionate for more women's involvement in the organizations that exist for and work for the community and Sharons Credit Union is one them.
POSITION	Director
DIRECTOR SINCE	2014
CURRENT TERM	2014 – 2015
COMMITTEES	Member, Audit and Risk Committee

2014 PAST DIRECTOR

The following one director served a partial term until the end of September, 2014. He stepped down from the Board due to a personal reason.

JIN TAEK SHIM	
BACKGROUND	With a degree in economics and work experience in a business consulting firm that provided a restructuring plan and strategy setting, Mr. Shim brought a leadership and future direction setting for the credit union.
POSITION	Director
DIRECTOR SINCE	2010
CURRENT TERM	2012 – 2015
COMMITTEES	Member, Governance and Human Resources Committee Member, Audit and Risk Committee

DIRECTORS MEETING ATTENDANCE

NAME	BOARD MEETING	COMMITTEE MEETING	SPECIAL MEETING & TRAINING	TOTAL
MICHAEL SEONG IL HWANG	6	7	13	26
KYU TAE KIM	6	11	13	30
VICTOR BYUNGKYU YOO	7	12	12	31
JIHAN JOHN KIM	7	8	13	28
IAN INSIK KIM	6	5	12	23
TERRY TACK HUN SONG	6	7	10	23
INSOON LEE	–	–	–	–
JIN TAEK SHIM	4	7	7	18

DIRECTOR COMPENSATION

The Board's compensation is designed to recognize directors' service to Sharons Credit Union. The amount is reviewed every three years by the Board's Governance & Human Resources Committee.

When considering the appropriate level of compensation, the Committee considers:

- Sharons Credit Union's position in the credit union community and its desire to maintain the co-operative spirit of volunteerism, yet recognizing the value of the important position of director,
- the level of responsibility and time commitment required of directors; and
- the need to attract and retain directors with the skills and attributes required to advance Sharons Credit Union's business model and strategic plans, and to manage and control its risks.

Even with these considerations, the most important factor that the Committee takes as a decision making tool is the level that is set by the peer credit unions in the system that can be found in the survey prepared and provided by Central 1.

The current compensation period began on May 2014 and the next compensation review will be presented to the members at the 2016 Annual General Meeting to take effect following the 2017 Annual General Meeting. The current compensation levels are shown below:

Position	Amount
Board Chair	$ 7,000
Committee Chair	$ 4,000
Director	$ 3,000
Per Meeting Fee	$ 200

If either a Vice Chair or Director acts as a Committee Chair, he or she will receive the higher amount, pro-rated in accordance with the term applicable to that role. The Board Chair will not receive additional compensation irrespective of whether he or she serves as a Committee Chair.

DIRECTOR EXPENSES

Sharons Credit Union also recognizes that directors will incur expenses as they carry out their duties during the Board year. The Director Expense Policy sets out the types of expenditure covered by the credit union, and, as contained in that policy, directors are expected to exercise discretion and good judgment in determining what is a reasonable and proper expense to be incurred on behalf of Sharons Credit Union and demonstrate a good example for the use of credit union resources.

SUMMARY OF COMPENSATION AND EXPENSES FOR 2014

As there was no ordinary resolution on the Board compensation in any previous Annual General Meetings, for fiscal year 2014, the Directors are to receive following amount for compensation and per meeting fee upon the approval by the members at 2015 AGM:

Type	Amount
Compensation	$ 28,000
Meeting Fee	$ 35,800
Health Care Benefit	$ 28,564
Expense	$ 6,044
Total	$ 98,408

02. CEO COMPENSATION DISCLOSURE

CEO COMPENSATION PHILOSOPHY

Sharons Credit Union's Employee Compensation Philosophy applies equally to the CEO compensation. The CEO compensation consists of a base salary and benefits and insurance.

CEO COMPENSATION SUMMARY

The CEO's full compensation package is reviewed by the Board annually based on comparison to a peer group. The Board carefully select this peer group through a review of the Compensation Survey in Canadian Credit Union System provided by Central 1. Sharons targets the 50th percentile for base salary when the annual goal of performance is achieved.

For the fiscal year ending December 31, 2014, the CEO earned the following compensation:

Description	Amount
Base Salary	$ 175,000
Benefits and Pension	$ 21,254
Car Allowance	$ 6,000
Total	$ 202,254

BENEFITS, PENSION AND PERQUISITES

The Health and Wellness Benefits provided to the CEO are consistent with those received by all other employee groups within Sharons Credit Union. The pension plan is also consistent with all other employees where a percentile of the previous year's earning prescribed in the HR Policy is being deposited into a RRSP account with the credit union.

No additional benefits and perquisites are provided to the CEO.

03. CREDIT UNION COMPENSATION POLICIES

Compensation for all Sharons Credit Union employee is governed by the Compensation Philosophy set in the credit union's HR Policy. Sharons' compensation practices are as follows:

ANNUAL BASE SALARY

Salary ranges are developed in accordance with our compensation philosophy. Base salary levels are determined by performance, knowledge, skills, and experience of the employee.

BONUS PLAN

The annual Sharons Credit Union bonus plan is set and offered each year at the discretion of CEO and Board of Directors, based on a minimum level of profit being achieved and pay-outs are not guaranteed. Every employee plays an important role in the success of the credit union and through this plan staff is able to share in the success.

HEALTH AND WELLNESS BENEFIT

Sharons Credit Union provides a comprehensive benefit program. Full-time permanent employees are eligible for full benefits coverage at the end of 6 months employment probationary period but dental coverage will be eligible after completing the first year of employment. Part-time employees, once eligible (completed probation and continuous work of 1 year period working days), participate in the benefits plan which will be same as a full timer.

PENSION PLAN

Plan contributions made by Sharons Credit Union are based on the employee's previous year's salary and years of employment and invested in the term deposit type RRSP at the credit union. Contributions made by employee must be matched with credit union's contributions.

INDEPENDENT AUDITOR'S REPORT

LEEJUNG
CHARTERED ACCOUNTANTS & ADVISORS

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TO THE MEMBERS OF SHARONS CREDIT UNION

We have audited the accompanying financial statements of Sharons Credit Union, which comprise the Statement of Financial Position as at December 31, 2014 and the Statements of Comprehensive Income, Changes in Members' Equity and Cash Flow for the years then ended, 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 the 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 an audit to obtain reasonable assurance whether the financial statements are free of 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 Credit Union'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 Credit Union's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sharons Credit Union as at December 31, 2014 and the results of its operations and its cash flow for the years then ended in accordance with International Financial Reporting Standards.

Lee Jung LLP

Chartered Accountants
Burnaby, BC, Canada
March 19, 2015

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Year Ended December 31, 2014)

	2014	2013
ASSETS	$	$
Cash resources (Note 3)	57,230,315	55,972,793
Investments (Note 4)	13,651,084	18,004,802
Member loans (Note 5)	206,588,341	191,216,428
Property and equipment (Note 7)	2,900,441	3,078,306
Other assets (Note 8)	846,557	807,506
	281,216,738	269,079,385
LIABILITIES		
Members' deposits (Note 9)	263,719,642	252,093,455
Accounts payable and other liabilities (Note 10)	1,644,151	1,707,610
Members' shares (Note 12)	2,928,796	2,734,521
	268,292,589	256,535,586
MEMBER'S EQUITY		
Members' equity shares (Note 12)	598,449	555,484
Retained earnings	12,325,700	11,988,315
Accumulated other comprehensive income	-	-
	12,924,149	12,543,799
	281,216,738	269,079,385

Signed on behalf of the Board of Directors' by:

Hwang, Michael Seong Il
Chair, Board of DIrectors

Yoo, Byung Kyu
Board of Director

See accompanying notes to the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(Year Ended December 31, 2014)

		Accumulated Other Comprehensive Income	Members' Share	Retained Earnings	Total
BALANCE AT JANUARY 1, 2013	$	-	512,653	11,405,547	11,918,200
Net Income		-	-	695,063	695,063
Distribution on members' equity shares		-	-	(130,768)	(130,768)
Share addition (redemption) – net		-	42,831	-	42,831
Income tax deduction on dividend		-	-	18,473	18,473
BALANCE ON DECEMBER 31, 2013	$	-	555,484	11,988,315	12,543,799
Net Income		-	-	388,100	388,100
Distribution on members' equity shares		-	-	(59,735)	(59,735)
Share addition (redemption) – net		-	42,965	-	42,965
Income tax deduction on dividend		-	-	9,020	9,020
BALANCE ON DECEMBER 31, 2014	$	-	598,449	12,325,700	12,924,149

See accompanying notes to the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Year Ended December 31, 2014)

	2014	2013
Interest revenue	$	$
Loans	7,623,485	7,634,259
Cash resources and investments	1,114,565	486,299
	8,738,050	8,120,558
Interest expense		
Deposits	3,950,037	3,450,127
Net interest income	4,788,013	4,670,431
Loan impairment expense (Note 6)	(180,000)	(150,000)
Other income	1,548,130	1,545,481
Net interest and other income	6,156,143	6,065,912
Operating expenses		
Advertising and promotion	74,361	78,059
Audit and legal	139,981	106,292
Cheque and mastercard processing	167,502	155,625
Community support	60,500	60,000
Data processing	413,457	361,648
Depreciation of property and equipment	255,141	328,395
Insurance and dues assessment	529,196	339,505
Office	227,253	196,478
Other administrative and management fee	186,664	159,888
Rent and utilities	509,299	513,454
Repairs and maintenance	32,971	22,594
Salaries and benefits	2,438,634	2,228,665
	5,034,959	4,550,603
Income before dividends on member deposit shares	1,121,184	1,515,309
Distribution to members	662,171	665,292
Income before income taxes (Note 11)	457,013	850,017
Income taxes – Current	79,894	118,317
Income taxes – Deferred	(10,981)	36,637
Provision for income taxes	68,913	154,954
Income for the year	388,100	695,063
Other comprehensive income for the year	-	-
Comprehensive income	388,100	695,063

See accompanying notes to the financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

(Year Ended December 31, 2014)

	2014	2013
OPERATING ACTIVITIES	$	$
Income for the year		
Adjustment for:	388,100	695,063
Interest revenue	(7,623,485)	(7,634,259)
Interest expenses	3,950,037	3,450,127
Other non-cash revenue items		
Depreciation	255,141	328,395
Provision for income taxes	68,913	154,954
Provision for loan losses	180,000	150,000
	(2,781,294)	(2,855,720)
Change in other assets	70,328	23,563
Change in accounts payable and other liabilities	(70,170)	433,718
Change in dividend and patronage return accrued	(111,678)	(47,310)
	(2,892,814)	(2,445,749)
Changes in member activities		
Change in member loans	(15,516,447)	2,402,028
Change in member deposits	11,603,920	26,419,145
Cash flows related to interest, dividends and income taxes		
Interest received on member loans	7,588,019	7,619,738
Interest paid on member deposits	(3,927,768)	(3,601,230)
Income taxes paid (recovered)	(109,829)	(88,608)
	(362,105)	32,751,073
Total cash inflows (outflows) from operating activities	(3,254,919)	30,305,324
Investing Activities		
Investments, net	4,353,718	(16,103,449)
Purchase of property and equipment	(81,469)	(133,900)
Total cash inflows (outflows) from investing activities	4,272,249	(16,237,349)
Financing Activities		
Equity shares, net	222,759	222,759
Borrowings	-	-
	222,759	222,759
Cash Position		
Increase (decrease) in cash resources, net	1,240,089	14,290,734
Cash resources, net, beginning of year	55,972,793	41,682,059
Cash resources, net, end of year	57,212,882	55,972,793

See accompanying notes to the financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (AUDITED)

(Year Ended December 31, 2014)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Sharons Credit Union (the Credit Union) is incorporated under the Credit Union Incorporation Act of British Columbia and is member of Central 1 Credit Union Limited (Central 1). The Credit Union operates as one operating segment in the loans, and deposit taking industry in British Columbia. Products and services offered to its members include mortgages, personal, and commercial loans, chequing and savings accounts, term deposits, RRSPs, RRIFs, mutual funds, automated banking machine ("ABMs"), debit and credit cards and internet banking. The Credit head office is located at 1055 Kingsway, Vancouver, BC.

On December 9th, 2004, Sharons Insurance Services Ltd. was incorporated under the Business Corporation Act of British Columbia. Its primary business activity is providing insurance services to the members of the Credit Union. These consolidated financial statements have been authorized for issue by the Board of Directors on March 19, 2015.

BASIS OF PRESENTATION

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

These consolidated financial statements were prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments measured at fair value.

The Credit Union's functional and presentation currency is the Canadian dollar.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

CONSOLIDATION

The consolidated financial statements include the assets and liabilities and results of operation of the Credit Union and its wholly-owned subsidiaries after the elimination of intercompany transactions and balances. These subsidiaries include wholly-owned Sharons Insurance Services Ltd.

SIGNIFICANT ACCOUNTING POLICIES

CASH RESOURCES

Cash resources includes cash on hand, deposits with Central 1, other short-terms highly liquid investments with original maturities of three months or less and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

Cash resources are classified as loans and receivables and are carried at amortized cost, which is equivalent to fair value.

MEMBER LOANS

All member loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivable.

Member loans are initially recorded at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Member loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate, short-term balances are not discounted.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

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

LOANS WRITTEN OFF

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

PROPERTY AND EQUIPMENT

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment (losses), with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Property and equipment	
Building	4%
Computer hardware	33%
Furniture and fixtures	20%
Leasehold improvement	20%

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. The Credit Union has no investment property.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

INCOME TAXES

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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

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

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end and are expected apply when the liabilities/(assets) are settled/(recovered).

MEMBERS' DEPOSITS

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

ACCOUNTS PAYABLE AND OTHER PAYABLES

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

MEMBERS' SHARES

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirement of IFRIC 2 Members' Shares in Cooperative Entities and Similar Instruments.

DISTRIBUTION TO MEMBERS

Patronage distributions related to member equity shares carried as a liability are recognized in net income when circumstances indicate the Credit Union has a constructive obligation, it has little or no discretion to avoid, and it can make a reasonable estimate of the amount required to settle the obligation. Distributions to members related to shares included in members equity are treated as a reduction of equity net of related income tax impact.

REVENUE RECOGNITION

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

Interest on loans is recorded using the effective interest rate method. Investment income is recorded using the effective interest rate method. Commission and service charges are recognized in income when the related service is provided or entitlement to receive income is earned. Loan negotiation fees are recognized using the effective interest rate method with income recorded on prepayment or renegotiation of fixed term loans being recognized when received.

FOREIGN CURRENCY TRANSLATION

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and (losses) arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and (losses) on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

The Credit Union has no foreign non-monetary assets and liabilities.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2014 or later periods. The Credit Union has decided not to early adopt.

New Standards, interpretations and amendments effective from January 1, 2014

i. IAS 32 Financial Instruments: Presentation was amended to clarify the meaning of 'currently has a legally enforceable right to set-off'. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems such as central clearing house systems which apply gross settlement mechanisms that are not simultaneous. The adoption of this standard in the current year did not have a material effect on financial statements.

New Standards, interpretations and amendments not yet effective

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2015 or later periods that the Credit Union has decided not to early adopt.

ii. IFRS 9 Financial Instruments provides a new approach for the classification of financial assets, which shall be based on the cash flow characteristics of the asset and the business model of the portfolio in which the asset is held. IFRS also introduces an expected loss model, entities are required to recognize 12 month expected credit losses from the date of a financial instrument is first recognized and to recognize lifetime expected credit losses when the credit risk on the financial instrument has increased significantly. The standard is effective for annual periods beginning on or after January 1, 2018. The Credit Union is in the process of evaluating the impact of the new standard.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Credit Union's future financial statements.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

JUDGMENTS

Allowance for Loan Losses
In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income the Credit Union makes judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

ESTIMATES

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair Value of Financial Instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

Allowance for Loan Losses

In determining the collective loan loss provision Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. Further details on the estimates used to determine the allowance for impaired loans collective provision are provided in Note 6.

Income Taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probably that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

3. CASH RESOURCES

The Credit Union's cash and current accounts are held with Central 1. The average yield on the accounts at December 31, 2014 is 1.04% (2013 – 1.04%).

Short-term deposits are also held with Central 1. The average yield on the accounts at December 31, 2014 is 1.31% (2013 – 1.40%).

		2014	2013
Cash	$	22,523,695	33,336,089
Short-term deposit – Central 1 Credit Union		34,581,080	22,569,700
Accrued interest		125,540	67,004
	$	57,230,315	55,972,793

In accordance with provincial legislation and the terms of arrangements with Central 1 Credit Union, credit unions are required to maintain deposits with Central 1 Credit Union totalling 8% of their deposit and debt liabilities. Total deposits were 22.11% (2013 – 15%) of its member deposit and debt liabilities in 2014. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total assets or upon withdrawal of membership from Central 1.

4. INVESTMENTS

The following tables provide information on the investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as detailed below.

CENTRAL 1 DEPOSIT

		2014	2013
Term deposit	$	12,531,215	17,000,000
Accrued interest		46,800	65,512
	$	12,578,015	17,065,512

EQUITY INSTRUMENTS

		2014	2013
Central 1 Credit Union – Class A	$	1,011,451	877,672
Central 1 Credit Union – Class E		109	109
Stabilization Central Credit Union		202	202
CUPP Services Ltd.		61,307	61,307
	$	1,073,069	939,290

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Director of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors.

Class A Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

Class E Central 1 shares are issued with a par value however are redeemable at $10,910 at the option of Central 1. There is no separately quoted market value for these shares and the fair value could not be measured reliably. Fair value cannot be determined, therefore, the range of reasonable fair value estimates is significant and the probabilities of various estimates cannot reasonably assessed. Therefore, they are recorded at cost.

The Credit Union is not intending to dispose of any Central 1 shares as the services supplied by Central 1 are relevant to the day to day activities of the Credit Union.

Dividends on these shares are at the discretion of the Board of Directors of Central 1.

5. MEMBER LOANS

		Personal	Commercial	2014 Total	2013 Total
Loans	$	152,255,945	54,384,693	206,640,638	191,254,801
Accrued interest		311,169	171,126	482,295	446,829
		152,567,114	54,555,819	207,122,933	191,701,630
Provision for impaired loans (Note 6)		(361,538)	(173,054)	(534,592)	(485,202)
	$	152,205,576	54,382,765	206,588,341	191,216,428

TERMS AND CONDITIONS

Member loans can have either a variable or fixed rate of interest and they mature within five years.

Variable rate loans are based on a “prime rate” formula, ranging from prime to prime plus 4%. The rate is determined by the type of security offered and the members’ credit worthiness. The Credit Union’s prime rate at December 31, 2014 was 3% (2013 – 3%).

The interest rate offered on fixed rate loans being advanced at December 31, 2014 ranges from 2.6% to 12.25%. The rate offered to a member varies with the type of security offered and the member’s credit worthiness.

Residential mortgages are loans and line of credit secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Personal loans consist of term loans and line of credit that are non real estate secured and, as such, have various repayment terms. Some of the personal loans are secured by wage assignments, charges on specific equipment, and personal guarantees.

Commercial loans consist of term loans, operating line of credit and mortgages to individuals, partnerships and corporations, and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, investment, and personal guarantees.

AVERAGE YIELDS TO MATURITY

Loans bear interest at both variable and fixed rates with the following average yields at:

		Principal	2014 Yield	Principal	2013 Yield
Variable rate	$	70,286,461	4.50%	79,353,367	4.55%
Fixed rate due less than one year		105,707,014	3.42%	54,068,818	3.48%
Fixed rate due between one and five years		31,129,485	3.35%	58,279,445	3.44%
	$	207,122,933	3.78%	191,701,630	3.91%

CREDIT QUALITY OF LOANS

It is not practical to value all collateral as at the year end date due to the variety of assets and conditions.

A breakdown of the security held on a portfolio basis is as follows:

		2014	2013
Unsecured loans	$	12,720,480	12,131,018
Loans secured by cash, member deposits		1,565,664	1,566,611
Otherwise secured mortgage		3,986,007	4,666,896
Realestate secured mortgage		186,826,612	171,389,258
Residential mortgages insured by government	$	2,024,170	1,947,847
		207,122,933	191,701,630

FAIR VALUE

The fair value of member loans at December 31, 2014 was $206,790,884 (December 31, 2013 – $185,249,728).

The estimated fair value of the variable rate loans is assumed to be equal to book value as the interest rates on these loans re-price to market on a periodic basis. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

CONCENTRATION OF RISK

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:

		2014	2013
Residential mortgages	$	143,387,181	97,321,805
Personal loans		9,351,058	43,430,919
Commercial loans		54,384,694	50,948,906
	$	207,122,933	191,701,630

All member loans are with members located in and around British Columbia.

6. PROVISION FOR IMPAIRED LOANS

Total comprises:

		2014	2013
Collective provision	$	180,000	150,000
Individual specific provision		354,592	335,202
Total provision	$	534,592	485,202

Movement in individual specific provision and collective provision for impairment:

2014		Residential Mortgage	Personal	Commercial	Total
Balance at January 1, 2014	$	-	396,372	88,831	485,203
Recoveries of loans previously written off		-	3,186	3,053	6,239
Provision charged to net income		-	60,000	120,000	180,000
Loans written off		-	98,020	38,830	136,850
Balance at December 31, 2014	$	-	361,538	173,054	534,592
Gross principal balance of individually impaired loans	$	-	260,069	92,187	352,256

2013		Residential Mortgage	Personal	Commercial	Total
Balance at January 1, 2013	$	-	404,618	185,809	590,427
Recoveries of loans previously written off		-	3,466	-	3,466
Provision charged to net income		-	100,000	50,000	150,000
Loans written off	$	-	111,712	146,978	258,690
Balance at December 31, 2013		-	396,372	88,831	485,203
Gross principal balance of individually impaired loans		-	301,725	33,477	335,202

Analysis of individual loans that are impaired or potentially impaired based on age of repayments outstanding:

		December 31, 2014		December 31, 2013	
		Carrying Value	Individual Specific Provision	Carrying Value	Individual Specific Provision
Period of delinquency					
Less than 30 days	$	3,578,004	-	5,520,695	-
30 to 90 days		92,361	-	328,785	22,637
Over 90 days		757,373	354,592	423,740	467,790
Total loans in arrears	$	4,427,738	354,592	6,273,220	490,427
Total loans not in arrears	$	202,695,195	-	185,428,410	-
Total loans	$	207,122,933	-	191,701,630	-

KEY ASSUMPTIONS IN DETERMINING THE ALLOWANCE FOR IMPAIRED LOANS COLLECTIVE PROVISION

The Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment (losses). 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.

An estimate of the collective provision loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

Loans with repayments past due but not regarded as individually impaired and considered in determining the collective provision:

2014		Residential Mortgage	Personal	Commercial	Total
30 to 90 days	$	-	325,123	103,990	429,113
Over 90 days		-	199,926	412,781	612,707
Balance at December 31, 2014	$	-	525,049	516,771	1,041,820

2013		Residential Mortgage	Personal	Commercial	Total
30 to 90 days	$	-	5,921	1,489	7,410
Over 90 days		-	225,131	36,615	261,746
Balance at December 31, 2013	$	-	231,052	38,104	269,156

7. PROPERTY AND EQUIPMENT

		Land	Building	Leasehold Improvement	Computer Hardware	Furniture and Fixtures	Total
Cost							
Balance at January 1, 2013	$	1,022,125	2,281,415	540,981	1,715,648	917,676	6,477,845
Additions		-	46,052	8,275	72,971	6,602	133,900
Disposals		-	-	-	-	-	-
Balance on December 31, 2013		1,022,125	2,327,467	549,256	1,788,619	924,278	6,611,745
Additions			9,320	26,432	38,601	7,116	81,469
Disposals							
Balance on December 31, 2014		1,022,125	2,336,787	575,688	1,827,220	931,394	6,693,214
Accumulated depreciation							
Balance at January 1, 2013		-	669,235	515,423	1,184,822	839,864	3,209,344
Depreciation expense		-	92,476	12,094	193,353	26,172	324,095
Impairment losses		-	-	-	-	-	-
Disposals		-	-	-	-	-	-
Balance at December 31, 2013		-	761,711	527,517	1,378,175	866,036	3,533,439
Depreciation expense		-	89,447	7,385	133,768	24,541	255,141
Impairment losses		-	-	-	4,193	-	4,193
Disposals		-	-	-	-	-	-
Balance on December 31, 2014		-	851,158	534,902	1,516,136	890,577	3,792,773
Net book value							
December 31, 2013		1,022,125	1,565,756	21,739	410,444	58,242	3,078,306
December 31, 2014		1,022,125	1,485,629	40,786	311,084	40,817	2,900,441

8. OTHER ASSETS

		2014	2013
Prepaid expenses	$	171,312	267,320
Accounts receivable		259,659	135,131
Deferred income tax		120,586	109,605
Autoplan license		295,000	295,000
	$	846,557	807,056

9. MEMBER DEPOSITS

		2014	2013
Chequing	$	16,767,819	13,496,960
Demand		34,132,193	33,118,840
Term		167,961,808	164,116,782
Registered savings plans		28,158,391	27,877,045
Registered retirement income funds		1,627,579	1,489,137
Tax free savings account		15,071,852	11,994,691
	$	263,719,642	252,093,455

TERMS AND CONDITIONS

Chequing deposits are due on demand and bear interest at a variable rate up to 0% (2013 – 0%) at December 31, 2014.

Demand deposits are due on demand and bear interest at a variable rate up to 0.1% (2013 – 0.1%) at December 31, 2014. Interest is calculated daily and paid on the accounts monthly.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi annually, monthly or upon maturity. The interest rates offered on terms deposits issued on December 31, 2014 range from 1% to 2.25% (2013 – 0.5% to 2.2%).

The registered retirement savings plan (RRSP) accounts can be fixed or variable rate. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described above. The variable rate RRSPs bear interest at rates up to 2% (2013 – 3%) at December 31, 2014.

Registered retirement income funds (RRIFs) consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above. Members may make withdrawals from a RRIF account on a monthly semi-annual, or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

The tax-free savings accounts can be fixed or variable rate with terms and conditions similar to those of the RRSPs described above.

Included in chequing and savings deposits is an amount of $4,900,193 denominated in US dollars (2013 – $9,593,427).

FAIR VALUE

The fair value of member deposits at December 31, 2014 was $263,476,794 (December 31, 2013 – $252,268,014).

The estimated fair value of the demand deposits and variable rate deposits are assumed to be equal to book value as the interest rates on these loans and deposits re-price to market on a periodic basis. The estimated fair value of fixed rate deposits is determined by discounting the expected future cash flows of these deposits at current market rates for products with similar terms and credit risks.

AVERAGE YIELDS TO MATURITY

Members' deposits bear interest at both variable and fixed rates with the following average yields at:

		Principal	2014 Yield	Principal	2013 Yield
Variable rate	$	50,876,049	0.05%	46,472,419	0.63%
Fixed rate due less than one year		195,394,362	1.76%	100,893,909	1.87%
Fixed rate due between one and five years		17,449,231	2.17%	104,727,127	1.95%
	$	263,719,642	1.46%	252,093,455	1.67%

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

		2014	2013
Dividends payable and patronage refunds	$	705,957	776,816
Trade payable		938,194	930,794
Balance, end of the year	$	1,644,151	1,707,610

11. INCOME TAXES

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

		2014	2013
Current tax expense			
Based on current year taxable income	$	79,894	108,923
Adjustment for over / under provision in prior period		-	48,946
	$	79,894	118,317
Deferred tax expense			
Origination and reversal of temporary differences	$	(10,981)	36,637
Total income tax expense (recovery)	$	68,913	154,954

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory rate of 26% (2013 – 26%) are as follows:

		2014	2013
Net income for the year	$	457,013	850,017
Expected taxes based on the statutory rate		118,823	221,004
Impact of credit union deduction		(51,713)	(96,338)
Other non deductible portion of expenses		1,803	20,894
Over (under) provision in prior years		-	9,394
Total income tax expense (recovery)	$	68,913	154,954

The movement in 2014 deferred tax liabilities and assets are:

2014 Deferred tax assets		Opening balance at Jan 1, 2014	Recognize in net income	Recognize directly in equity	Reclassify from Equity to net income	Closing balance at Dec 31, 2014
Unused non–capital loss	$	51,743	636	-	-	52,379
Property and equipment		43,294	8,959	-	-	52,253
Reserves		30,613	3,788			34,401
Other		(16,045)	(2,402)	-	-	(18,447)
Deferred tax asset		109,605	10,981	-	-	120,586
Deferred tax liability Reserves		-	-	-	-	-
Deferred tax liability		-	-	-	-	-
2014 net deferred tax asset	$	109,605	10,981	-	-	120,586

The movement in 2013 deferred tax liabilities and assets are:

2013 Deferred tax assets		Opening balance at Jan 1, 2013	Recognize in net income	Recognize directly in equity	Reclassify from Equity to net income	Closing balance at Dec 31, 2013
Unused non-capital loss	$	47,415	4,328	-	-	51,743
Property and equipment		51,299	(8,005)	-	-	43,294
Reserves		47,528	(16,915)			30,613
Other		-	(16,045)	-		(16,045)
Deferred tax asset		146,242	(36,637)	-	-	109,605
Deferred tax liability Reserves		-	-	-	-	-
Deferred tax liability		-	-	-	-	-
2013 net deferred tax asset	$	146,242	(36,637)	-	-	109,605

		2014	2013
Deferred tax assets	$	34,401	30,613
Deferred tax assets to be settled within 12 months		86,185	78,992
Deferred tax assets to be settled after more than 12 months		120,586	109,605
Deferred tax liabilities		-	-
Deferred tax liabilities to be recovered within 12 months		-	-
Deferred tax liabilities to be recovered after more than 12 months		-	-
Net deferred tax asset (liability)	$	120,586	109,605

12. MEMBERS' SHARES

			2014		2013	
	Authorized		Equity	Liability	Equity	Liability
Membership Shares	Unlimited	$	593,914	2,639,617	550,823	2,448,103
Patronage Shares	Unlimited		4,535	86,800	4,661	88,015
Investment Shares	Unlimited		-	202,379	-	198,403
		$	598,449	2,928,796	555,484	2,734,521

Patronage or investment shares are recognized as a liability, equity or compound instrument, based on the terms and in accordance with IAS 32, Financial Instrument Presentation and IFRIC 2 Members' shares in Cooperative Entities and Similar Instruments. If they are classified as equity, They are recognized at cost. If they are recognized as liability, they are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using effective interest rate method.

TERMS AND CONDITIONS

MEMBERSHIP SHARES

As a condition of membership, which is required to use the services of the Credit Union, each member is required to hold $25 in membership shares. These membership shares are redeemable at par only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors.

Funds invested by members in member shares are not insured by CUDIC. The withdrawal of member shares is subject to the Credit Union maintaining adequate regulatory capital (See Note 16) and limited to 10% per year, as is the payment of any dividends on these shares. Membership shares that are available for redemption are classified as a liability. Any difference between the total membership shares and the liability amount are classified as equity.

PATRONAGE SHARES

Patronage shares are issued as part of patronage rebates. They are non-voting, can be issued only to members of the Credit Union, and are redeemable at par only when a membership is withdrawn. There is no limit on the number of shares which can be held by a member. The withdrawal of patronage shares is subject to the Credit Union maintaining adequate regulatory capital (See Note 16), as is the payment of any distribution on these shares. Patronage shares that are available for redemption are classified as a liability. Any difference between the total Patronage share and the liability amount are classified as equity.

Patronage rebates are at the discretion of the Directors unless a constructive obligation exists for distribution.

INVESTMENT SHARES

Investment shares are non-voting, can be issued only to members of the Credit Union, and pay dividends at the discretion of the directors in the form of cash or additional shares. They are redeemable at par.

Where the Credit Union has met its regulatory capital requirements, though subordinate classes of shares, the investment shares are deemed to be a compound instrument. The liability component is measured as the present value of the amount redeemable and the equity component which represents the discretionary dividends, is measured as the residual.

Destination to Members

		2014		2013	
		Net Income	Equity	Net Income	Equity
Patronage distribution					
Dividends on investment shares	$	-	59,735	-	130,768
Income tax deduction on dividend		-	(9,020)	-	(18,473)
Dividends on membership shares		664,171	-	665,292	-
	$	664,171	50,715	665,292	112,295

13. RELATED PARTY TRANSACTIONS

The Credit Union entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

		2014	2013
Compensation			
Salaries and other short-term employee benefits	$	514,000	368,000
Total post-employment benefits		-	-
Other long-term benefits		-	-
Termination benefits		-	-
	$	514,000	368,000
Loans to key management personnel			
Aggregate value of loans advanced	$	850,000	860,000
Interest received on loans advanced		22,000	23,000
Aggregate value of unadvanced loans		940,000	-
Total value of line of credit advanced		56,000	157,000
Interest received on line of credit advanced		2,000	1,292
Unused value of line of credit		149,000	185,000
Letters of credit		-	-

The Credit Union's policy for lending to key management personnel is that the loans are approved and deposits accepted on the same terms and conditions which apply to Members for each class of loan or deposit.

		2014	2013
Deposits from key management personnel			
Aggregate value of term and savings deposits	$	325,000	395,057
Total interest paid on term and saving deposits		5,700	4,947

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which apply to Members for each type of deposit. There are no benefits or concessional terms and conditions applicable to key management personnel or close family members.

14. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE

The following table represents the carrying amount by classification.

		Available–for–sale	Fair Value through profit or loss	Cash Flow Hedges	Loans and Re–ceivables	Other Financial Liabilities
December 31, 2014						
Cash	$	-	-	-	57,230,315	-
Investments		1,073,069	-	-	12,578,015	-
Member loans		-	-	-	206,588,341	-
Accounts receivable		-	-	-	259,659	-
Member deposit		-	-	-	-	263,719,642
Members' shares		-	-	-	-	2,928,796
Accounts payable and other liabilities		-	-	-	-	1,644,151
	$	1,073,069	-		276,656,330	268,292,589

		Available–for–sale	Fair Value through profit or loss	Cash Flow Hedges	Loans and Re–ceivables	Other Financial Liabilities
December 31, 2013						
Cash	$	-	-	-	55,972,793	-
Investments		939,290	-	-	17,065,512	-
Member loans		-	-	-	191,216,428	-
Accounts receivable		-	-	-	135,131	-
Member deposit		-	-	-	-	252,093,455
Members' shares		-	-	-	-	2,734,521
Accounts payable and other liabilities		-	-	-	-	1,707,610
	$	939,290	-		264,389,864	256,535,586

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into level 1 to level 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement.
Financial assets and financial liabilities are classified in their entirely into only one of three levels.

December 31, 2014		**Level 1**	**Level 2**	**Level 3**	**Total**
Index linked term deposits					
Central 1 Credit Union – Class A		-	1,011,451	-	1,011,451
Central 1 Credit Union – Class E	$	-	109	-	109
Other equity investments		-	61,509	-	61,509
Term deposit		-	12,578,015	-	12,578,015
	$	-	13,651,084	-	13,651,084

December 31, 2013		**Level 1**	**Level 2**	**Level 3**	**Total**
Index linked term deposits					
Central 1 Credit Union – Class A		-	877,672	-	877,672
Central 1 Credit Union – Class E	$	-	109	-	109
Other equity investments		-	61,509	-	61,509
Term deposit		-	17,065,512	-	17,065,512
	$	-	18,004,802	-	18,004,802

There were no transfers between level 1 and level 2 for the years ended December 31, 2014 and 2013. Since there are no equities in level 3, a reconciliation of equities would not be necessary.

The following table sets out the assets and liabilities for which fair values are disclosed in the notes.

Description		2014 Fair Value	2013 Fair Value	Valuation Technique	Fair Value Hierarchy Level	Significant Unobservable Inputs
Investments	$	13,651,084	18,004,802	The fair value is determined by external appraisal.	Level 2	Discount rate
Member Deposits	$	263,476,794	252,268,014	The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The Fair value of deposits payable on demand is the amount payable at the reporting date.	Level 2	Discount spot rates vary between 0% to 1% based on maturity date of the deposit.
Member Loans	$	206,790,884	185,249,728	The fair value of member loans is calculated based on the present value of future cash flows. To determine present value, future cash flows are discounted by the current rate curve by which the asset or liability is originally priced.	Level 2	Discount spot rate between 3% to 6% for consumer loans and 3.75% to 8.75% for commercial loans based on maturity date of the loan.

15. FINANCIAL INSTRUMENT RISK MANAGEMENT

GENERAL OBJECTIVES, POLICIES AND PROCESSES

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function. The Board of Directors receives quarterly reports from the Credit Union's Chief Financial Officer through which it reviews the effectiveness of the process put in place and the appropriateness of the objectives and policies it sets.

CREDIT RISK

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

RISK MEASUREMENT

Credit risk rating systems are designed to assess and quantify the risk inherent activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration;
- Loan lending limits including Board of Director limits, schedule of assigned limits and exceptions from aggregate indebtedness;
- Loan collateral security classification which set loan classifications, advance ratios and amortization periods;
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears; and
- Audit procedures and processes are in existence for the Credit Union's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance.

For the current year, the amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is $Nil.

A sizeable portfolio of the loan book is secured by residential property in Greater Vancouver, British Columbia. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio (LVR) cover should the property market be subject to a decline. The risk of (losses) from loans undertaken is primarily reduced by the nature and quality of the security taken.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

LIQUIDITY RISK

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

RISK MEASUREMENT

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

OBJECTIVES, POLICIES AND PROCEDURES

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Financial Institution Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The credit union has set a minimum liquidity ratio of 8%.

The credit union has 26% of liquid assets to total member deposit.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

The Board of Directors receives quarterly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal year.

LIQUIDITY RISK (CONT'D)

As at December 31, 2014, the position of the Credit Union is as follows:

($ thousands)		Maximum Exposure
Qualifying liquid assets on hand		
Cash	$	1,167
Liquidity reserve deposit		48,155
Discount deposits and term deposits		-
	$	49,322
Total liquidity requirement		21,112
Excess liquidity	$	28,210

The maturities of liabilities are shown below under market risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market facts include three types of risk: interest rate risk, currency risk, and equity risk.

INTEREST RATE RISK

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level.
The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

RISK MEASUREMENT

The Credit Union's position is measured monthly. Measurement of risk is based rates charged to clients as well as funds transfer pricing rates.

OBJECTIVES, POLICIES AND PROCEDURES

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and members loans and interest paid on member deposits. The objective of asset / liability management is to match interest sensitive assets with interest sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Credit Union Deposit Insurance Corporation of BC in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with the Credit Union Deposit Insurance corporation of BC as required by Credit Union regulations.
For the year ended 2014, the Credit Union was in compliance with this policy.

INTEREST RATE RISK (CONT'D)

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within three months, regardless of maturity. A significant amount of loans and deposit can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

2014 ($ thousands)

Maturity dates		Assets	Yield (%)	Liabilities	Cost (%)	Asset/Liability Gap
Interest sensitive						
0 – 3 months	$	142,119	3.2%	56,567	1.8%	85,552
4 – 12 months		101,196	2.9%	141,841	1.8%	(40,645)
1 – 2 years		8,809	3.9%	11,734	2.2%	(2,925)
2 – 5 years		22,321	3.1%	5,715	2.2%	16,606
Interest sensitive		274,445		215,857		58,588
Non–interest sensitive						
0 – 3 months		1,468	0.0%	47,712	0.1%	(46,244)
4 – 12 months		-	0.0%	848	0.0%	(848)
1 – 2 years		5,170	0.0%	16,794	0.0%	(11,624)
2 – 5 years		128	0.0%	-	0.0%	128
Non–interest sensitive		6,766	-	65,354	-	(58,588)
Total		281,211	-	281,211	-	-

2013 ($ thousands)

Maturity dates		Assets	Yield (%)	Liabilities	Cost (%)	Asset/Liability Gap
Interest sensitive						
0 – 3 months	$	29,367	1.4%	36,252	1.5%	(6,885)
4 – 12 months		157,846	3.9%	111,109	1.8%	46,737
1 – 2 years		57,744	3.4%	87,506	2.5%	(29,762)
2 – 5 years		6,275	4.4%	15,257	2.9%	(8,982)
Interest sensitive		251,232	-	250,124	-	-
Non–interest sensitive						
0 – 3 months		13,702	3.8%	1,645	0.0%	12,057
4 – 12 months		-	0.0%	-	0.0%	-
1 – 2 years		-	0.0%	-	0.0%	-
2 – 5 years		4,145	0.0%	17,310	0.0%	(13,165)
Non–interest sensitive		17,847	-	18,955	-	(1,108)
Total		269,079	-	269,079	-	-

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The credit union utilizes interest rate swaps to assist in managing this rate gap. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

CURRENCY RISK

Currency risk relates to the Credit Union operating in different currencies and converting non Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Credit Union's foreign exchange risk is related to United States dollar deposits and loans denominated in United States dollars. The Credit Union has no limits its holdings in foreign currency to % of the total investment portfolio in accordance with its investment policy. Foreign currency changes are continually monitored by the investment committee for effectiveness of its foreign exchange mitigation activities and holdings are adjusted when offside of the investment policy.

RISK MEASUREMENT

The Credit Union's position is measured weekly. Measurement of risk is based on rates charged to clients as well as currency purchase costs.

OBJECTIVES, POLICIES AND PROCEDURES

The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to 0.5% of total Credit Unions assets.

For the year-ended December 31, 2014, the Credit Union's exposure to foreign exchange risk is within policy.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

EQUITY RISK

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

The Credit Union is not exposed to this risk.

16. CAPITAL MANAGEMENT

The Credit Union's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

Regulations to the Financial Institutions Act ("The Act") require that the Credit Union establish and maintain a level of capital that meets or exceeds the following:

- Capital calculated in accordance with the Act shall not be less than 8% of the risk weighted assets.

The Credit Union maintains an internal policy that total members' capital as shown on the balance sheet shall not be less than 13.5% of the risk weighted assets.

The Credit Union considers its capital to include membership shares (member shares, patronage shares, investment shares), and undivided earnings. There have been no changes in what the Credit Union considers to be capital since the previous period.

The Credit Union establishes the risk weighted value of its assets in accordance with the Regulations of Credit Union and Financial Institution Act of 1994 which establishes the applicable percentage for each class of assets. The Credit Union's risk weighted value of its assets as at December 31, 2014 was $116,453,128 (2013 – $113,791,554).

As at December 31, 2014, the Credit Union met the capital requirements of the Act with a calculated risk weighted assets ratio of 14.99% (2013 – 14.71%).

17. COMMITMENTS

CREDIT FACILITIES

The Credit Union has authorized line of credit with Central 1 totaling $10,000,000 of the line of credit, $300,000 is denominated in U.S. dollars.

MEMBER LOANS

The Credit Union has the following commitments to its members at the year-end date on account of loans, unused line of credit and letter of credit:

Unadvanced loans	$	-
Unused line of credit	$	25,595,372
Letters of credit	$	1,797,507

CONTRACTUAL OBLIGATIONS

The Credit Union leases land and building for Burnaby, Coquitlam, and Langley offices at a yearly rental of $235,495 with inflation adjustments every 5 years in general. The next adjustment date is 2016, 2016 and 2017 for Burnaby, Coquitlam and Langley offices respectively.

The Credit Union has an agreement with Open Solution which provides the Credit Union with data processing services and access to various automated banking machines and electronic funds transfer at point of sale networks. The agreement expires August 13, 2019.