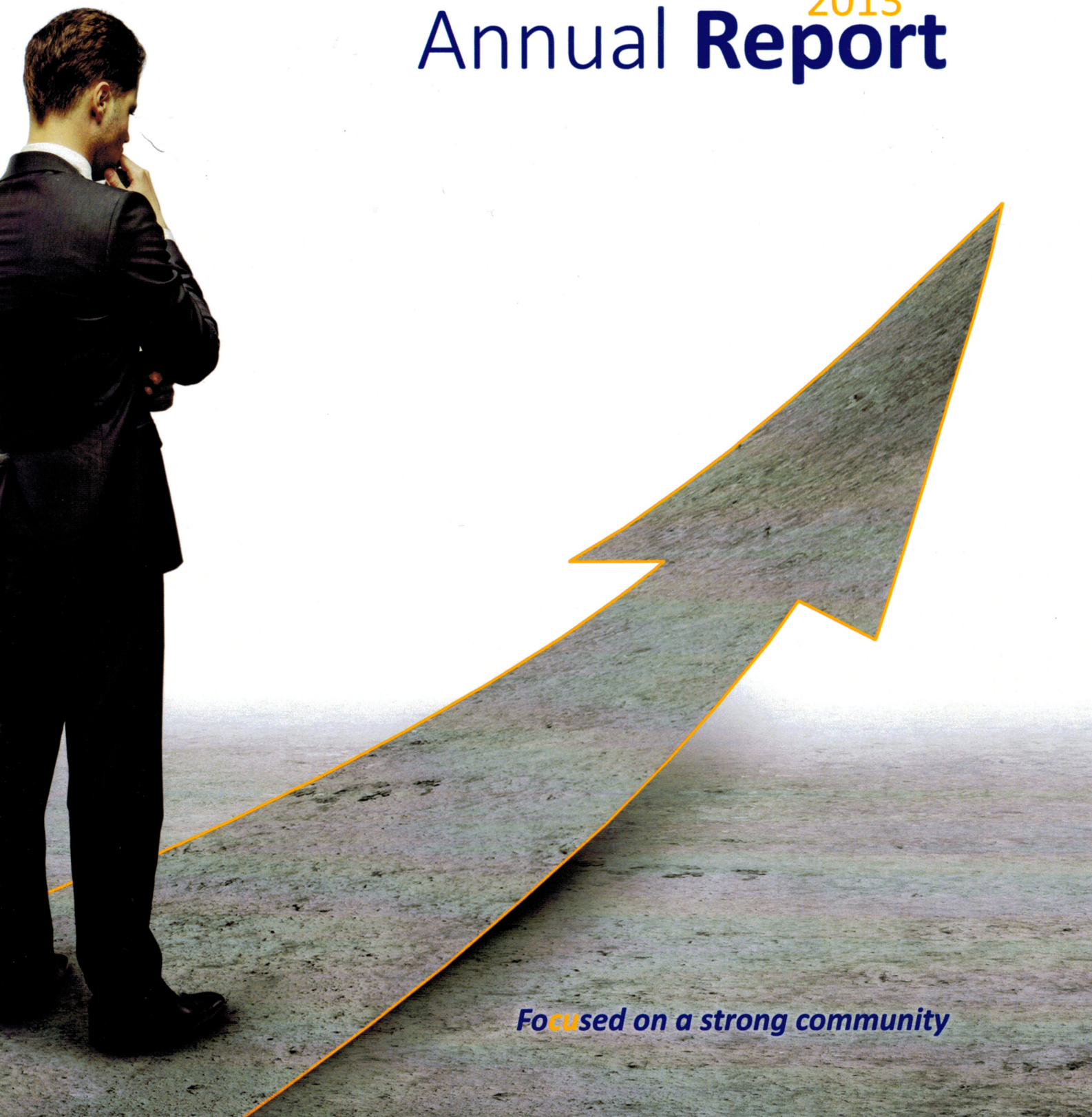
CREDIT UNION
ST. JOSEPH'S

2013 Annual Report



Focused on a strong community

LIST OF DIRECTORS AND COMMITTEE MEMBERS

2013

Your Board of Directors

David George – Chairperson (2016)
Lorena Landry – Secretary (2015)
Tanya Sampson – Director (2015)
Leo Patrick Samson – Director (2014)
Nathan Boudreau – Director (2016)
Elizabeth Samson – Director (2015)
Rudolph P Boudreau – Director (2016)
Brian LeBlanc – Director (2014)
Marion Mury – Director (2014)

Audit Committee
Leo Patrick Samson
Donald Goyetche
Brian LeBlanc

Youth Committee
Tiffany Kehoe
Holly Landry
Adele Hunt

Policy Committee
Elizabeth Samson
David George
Rudolph Boudreau

Personnel Committee
Karen Doyle
Lorena Landry
Elizabeth Samson

Credit Committee
Nathan Boudreau
Alfred Boudreau
Karen Doyle

Senior Committee
Rudolph Boudreau
Elizabeth Samson
David George

Delegates (1 year)
David George
Michel Boudreau - Alternate

ST. JOSEPH'S CREDIT UNION
77th ANNUAL GENERAL MEETING AGENDA
APRIL 21, 2014

CALL MEETING TO ORDER

OPENING PRAYER

One minute of silence for Deceased members

GREETINGS FROM THE CHAIR

Establishment of a Quorum (Declaration)

Approval of Agenda

Approval of Minutes

PRESENTATION OF REPORTS

Chair's Report
General Manager's Report
Credit Committee Report
Audit & Risk Committee Report
Auditor's Report (Financial Report)
Nominations Committee Report

NEW BUSINESS

Appointment of Auditors

DOOR PRIZES

ADJOURNMENT

LUNCH

St. Joseph's Credit Union
76th Annual General Meeting
Royal Canadian Legion, Arichat
April 22, 2013

Chair David George called the meeting to order at 6:30 pm.

OPENING PRAYER

Opening prayer was read by Adele Hunt, followed by a minute of silence for our deceased members.

GREETINGS FROM THE CHAIRPERSON

Chair David George welcomed everyone and introduced the Board of Directors and Committee Members. He then introduced Gina Green, Consultant for credit union services, Atlantic Central. Gina coordinates our annual strategic planning session and supports us throughout the year.

ESTABLISHMENT OF A QUORUM

Shelley Martell gave a report regarding the quorum indicating that there were 101 members and 6 guests present and that a quorum had been established.

APPROVAL OF AGENDA

It was moved by Donald Goyetche, seconded by Glen Marchand, that the agenda be approved as presented. Motion Carried.

APPROVAL OF MINUTES: APRIL 23, 2012

It was moved by Joan Clannon, seconded by Norma Landry, that the minutes of April 23, 2012 be approved as circulated. Motion Carried.

BUSINESS ARISING FROM THE MINUTES

There was no business arising from the minutes

PRESENTATION OF REPORTS

1. **CHAIRPERSON'S REPORT** – This report was presented by chair David George (copy attached).

It was moved by Karen Doyle, seconded by Therese Benoit, that the Chairperson's report for 2012 by accepted as presented. Motion Carried.

2. **GENERAL MANAGER'S REPORT** – This report was presented by GM Michael Boudreau (copy attached).

It was moved by Mary Louise Martell, seconded by Sylvia Boudreau, that the General Manager's Report for 2012 be accepted as presented. Motion Carried.

3. **CREDIT COMMITTEE REPORT** – This report was presented by Nathan Boudreau (copy attached).

It was moved by Gerrard Samson, seconded by Bettie Boucher, that the Credit Committee Report for 2012 be accepted as presented. Motion Carried.

4. **AUDIT & RISK COMMITTEE REPORT** – This reported was presented by Brian LeBlanc (copy attached.)

It was moved by Donald Kehoe, seconded by Laura Boudreau, that the Audit & Risk Committee Report for 2012 be accepted as presented. (Motion Carried)

5. **AUDITOR'S REPORT** (Financial Report) – Mr. Gerry Mackenzie from MGM & Associates summarized the financial statements for St. Joseph's Credit Union for the year ending December 31, 2012. He indicated that the statements he was presenting was a summary of 8 pages and that the full statement of 32 pages was available at the credit union. He went over the Independent Auditor's Report on the Summary Financial Statements, The Statement of Financial Position, The Statement of Comprehensive Income, The Statement of Changes in Members' Equity, The Statement of Cash Flows and The Schedule of Expenses.

- He noted that we had grown our assets, posted a surplus and increased our equity and having achieved all 3 during these difficult times was a commendable accomplishment.
- Our expenses have gone down as a percentage – the only increase was in member security.
- In spite of the stock dividend of $195,000 that we received from Atlantic Central in 2011, we are still showing an increase in our net income for 2012.
- He thanked the staff and the Audit & Risk Committee for their cooperation during the audit process.

It was moved by Claude LeBlanc, seconded by Brenda Boudreau, that the 2012 Auditor's Report be accepted as presented. Motion Carried.

ELECTION OF OFFICERS

Report from the nominating committee: This report was presented by Tanya Sampson, who reported that the outgoing members were as follows:

- David George
- Nathan Boudreau
- Rudolph Boudreau

Mrs. Sampson noted that the Nomination Committee wished to submit the following 3 names for election to 3 positions on the Board for a 3-year term:

- David George
- Nathan Boudreau
- Rudolph Boudreau

It was moved by Valerie Landry, seconded by Donald Kehoe, that the Nomination Committee Report be accepted as presented. Motion Carried.

NEW BUSINESS

APPOINTMENT OF AUDITORS

It was moved by Anthony Thibeau, seconded by Eula Samson, that St. Joseph's Credit Union retain the auditing services of MGM & Associates for the fiscal year 2013. Motion Carried.

EARTH DAY

In celebration of Earth Day and because of the credit union's continued commitment to the local Food bank, staff has embarked on a new initiative. All those members present at the AGM will be eligible to get a ticket to the 2013 Codstock event if they return a CU recycled bag filled with non-perishable food items to the credit union before May 31st.

PRESENTATIONS

Mr. George and Mr. Boudreau presented the following staff persons with service awards:

5 years	Adele Hunt, Judy Kehoe, Tiffany Kehoe
10 years	Donna Richard

DOOR PRIZES

Cash door prize winners

1. $100 – Therese Benoit
2. $50 – Eula Samson
3. $50 – Donna Gallant
4. $50 – Pauline Richard
5. $50 – Vincent Landry
6. $50 – Linda Boudreau
7. $50 – Alice Landry
8. $50 – Leo Patrick Samson
9. $50 – Theresa David
10. $50 – Tiffany Kehoe
11. $50 – Edna Marchand

Merchandise door prize winners

1. Aurine Richard
2. Michelle Hearn
3. Laura Boudreau
4. Marion Mury
5. Donald Goyetche
6. Clarence Landry

It was moved by Michelle Hearn that meeting be adjourned at 7:34 pm.

Brenda Samson, Acting Secretary

David George, Board Chair

Report from the Chair

SUCCESS. It's one word, but how do we really measure it? From a Credit Union standpoint, success is not only measured in financial margins but also in the impact that we have in creating a positive social environment within our community. I will let the General Manager, Michel, speak on the financial results and I will deliver what we regard as significant successes within the communities that we serve. This success has enabled us to continue to give back to our membership and community at large and it with great pleasure that I share some of those successes with you:

- Member Rewards Program – $135,000 rebate to members in December of 2013 making the total distributed to our membership in excess of $2.2 million since 1995.
- REACH/CED community funding exceeded $55k with donations going to Lennox Passage Yacht Club, La Picasse, St. Anne's Nursing and Community Care Centre, Royal Canadian Legion, West Arichat Columbarium, Relay for Life and Isle Madame Boat Club, to name but a few.
- An amount of $50,000 has been committed to the Société Vitalité de l'Ile Madame (Wellness Centre)
- Staff and Board volunteer hours totaling 1034
- Staff has participated in Random Acts of Kindness and hope to continue this practice in the coming years
- Collection of 847 pounds of food and a total of $539.14 in monetary and gift card donations for the Isle Madame Food Bank.
- Annual member appreciation breakfast with 500 members in attendance
- Annual member barbecue with over 100 served
- An educational session was offered to the community on fraud awareness with Tom Kalloway, RCMP officer as the guest speaker
- In collaboration with the Municipality of Richmond, we hired a Motivational Speaker, Corey Poirier, to speak to the community on "Getting a standing ovation from every customer".

2013 has proven to be an exceptionally busy year for management and staff as they were subject to three external audits from our regulatory bodies, Fintrac and the Credit Union Deposit Insurance Corporation. These audits, although onerous, ensure that the operations of our credit union follow stringent regulations and standards meant to protect the assets of our membership. I am pleased to report that all 3 audits went well and that staff has been working hard to implement strategies and practices.

As a board member, the level of time and commitment required to fulfill their mandated duties is ever increasing and challenging. In addition to providing strategic direction, approving policies and overseeing risk management programs, effective January 1, 2014 all directors will

be required to complete mandatory training within specified time periods not to exceed 3 years.

It should be noted that the total amount expensed for board remuneration in 2013 was $10,400 and a break-down of meeting attendance is provided below:

Name	Board Meetings	Annual Meeting	Strategic Planning Session
David George	10/10	1	1
Brian LeBlanc	8/10	1	1
Lorena Landry	8/10	1	1
Nathan Boudreau	8/10	1	1
Marion Mury	10/10	1	1
Leo Patrick Samson	7/10	1	1
Elizabeth Samson	9/10	1	1
Rudolph Boudreau	9/10	1	-
Tanya Sampson	8/10	1	-

On behalf of the Board of Directors, I would like to thank the management team and staff of St. Joseph's Credit Union for their continued commitment and dedication to our success as we gain momentum and work toward a new vision full of possibilities and opportunities. As we move forward in this direction, the Board of Directors will be there to support the management team in ensuring that we work in the best interest of our membership.

In closing, I want to offer my sincere gratitude to YOU, the membership. It is your support that enables us to be financially successful and to support the great work that is being done within our community and surrounding areas. Je tiens à offrir mes sincères remerciements à vous, les membres. C'est votre soutien qui nous permet de réussir financièrement et d'appuyer l'excellent travail qui se fait au milieu de nos communautés.

David George
Chairperson

Report from the General Manager

From a purely financial perspective, 2013 proved to be another successful year for St. Joseph's Credit Union. We managed to grow our assets by 5.3%, bringing our 5 year average growth rate to 5.4%. We experienced very significant loan growth of $4.7mm, bringing our loans as a percentage of assets up to 80%. We posted a very respectable surplus of $456k. This translates into 0.87% of assets, or 1.13% before Member Rewards (Patronage Refund). Last, but certainly not least, your members' equity increased from 11.99% of assets to 12.25%.

Despite our on-going successes, we must face and overcome many future challenges. Our Gross Financial Margin has and will continue to shrink due to increasingly intense competition and due to the lowest interest rates in 50 years. An aging and shrinking population base, decreasing member loyalty, increasing regulatory demands and evolving technological requirements will be compelling reasons to explore new operating models and strategic partnerships.

One such strategy we have been exploring with a number of other credit unions in Atlantic Canada is a new vision and business model introduced by our system partner, Atlantic Central. Atlantic Central, in harmony with the credit union system, completed a series of analysis over the last couple of years and determined that a new strategy or business model is required in order to achieve our goals. A number of business models and options have been explored and credit unions across Atlantic Canada are considering these recommendations for further development and possible implementation over the next number of years. This exciting initiative reinforces our vision of a financial institution that is responsive to and focused on what is in the best interest of its owners.

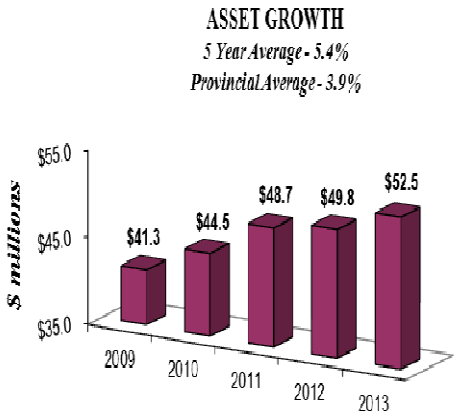
I have no doubt in my mind that our exceptional results over the years have been due to cooperation among our peers and system partners. System partners such as Atlantic Central, League Savings and Mortgage, League Data, CUMIS, CUETS and CUDIC have played a critical role in assisting us achieve our goals and we appreciate their continued support.

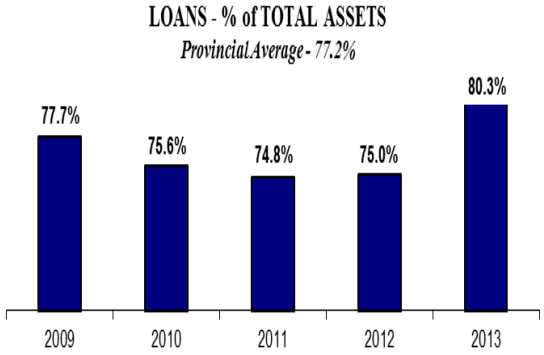
As we move forward, we will continue to focus on our members. We will strive to be responsive to your needs and your best interests will always be top of mind. We will also continue our focus on sustainable growth and on building our capital base. A strong equity position will provide us with the means and opportunity to invest in new products and services and to deliver these via the delivery channels our members demand and deserve.

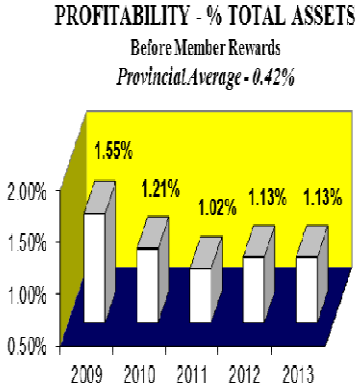
I would like to thank our staff. They have worked very hard throughout the year and I extend my sincere appreciation towards their commitment and dedication to the credit union and our membership. To our management team, thank you for sharing your knowledge and for the countless other contributions you make towards our success. I would also like to express my appreciation to our board and committee members for their on-going commitment, support and leadership. Finally, I would like to express my gratitude to the owners of this institution. Thank

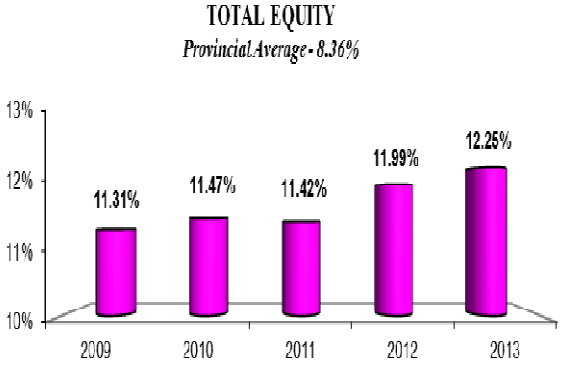
you, our members and our business members, for your loyalty and cooperation and for your involvement in assisting us in meeting your expectations. Je suis certain que tous ensemble nous pouvons assurer que la caisse restera toujours une grande parti de notre communauté et une institution donc nous pouvons être très fiers. Encore une fois, merci tout l'monde et félicitations sure une autre bonne année!

Michael Boudreau
General Manager









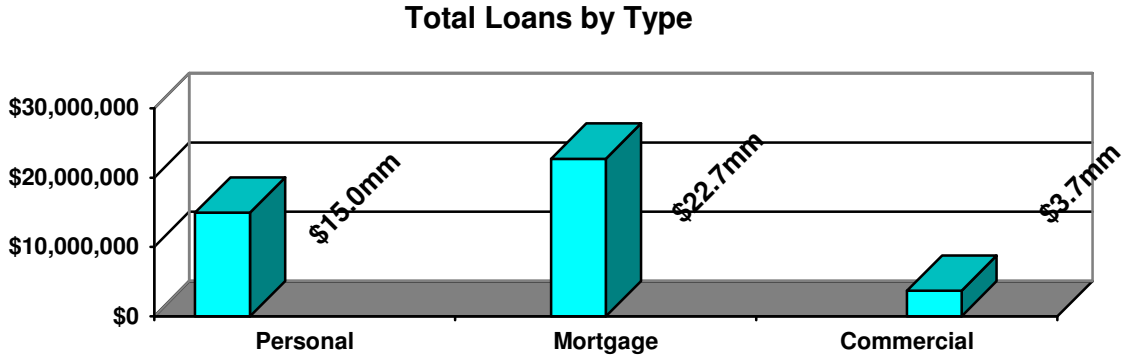
Report from the Credit Committee

It is with pleasure that I present the Credit Committee Report for the year ending December 31, 2013.

The Credit Committee's role is to oversee and monitor the lending process and to ensure lending policies are followed at St. Joseph's Credit Union. The Committee is appointed by the Board of Directors to ensure that the lending department is making the best use of member's deposits when lending. The Committee meets with management at least quarterly and reports back to the board following each meeting. In addition, the Committee approves all loans that fall outside of normal lending parameters as set by the provincial credit union regulator, the Credit Union Deposit Insurance Corporation (CUDIC).

The overall loan portfolio had outstanding growth of 12.9% in 2013 and stood at $41.8 million at year-end. Our total loans after allowance accounted for 79.5% of the credit union's assets. The lending team was quite busy providing low rate financing to our growing membership for home and automobile purchases, renovations, debt consolidation, commercial purposes and investment purchases.

The chart below provides a breakdown of our loan portfolio by loan type. As you can see, Mortgages, at $22.7million, accounted for the largest portion of our portfolio, followed by Personal Loans at $15 million and Commercial Loans at $3.7 million.



Although each loan was granted with the expectation that it would be repaid as per the terms of the original loan agreement, this was not always the case. We are pleased to report to the membership that total delinquency at year-end stood at 1.365% of total loans. This percentage is very comparable to other credit unions throughout the province. In our opinion, prudent lending practices are being followed by management and staff and our current loan portfolio represents an acceptable level of risk for the credit union. This belief was supported by our deposit insurer, who reported in 2013 that the percentage of risk being introduced to our loan portfolio since their 2011 Loan Review was well within their guidelines of acceptable risk.

In closing, I would like to take this opportunity to acknowledge the contributions made by every member of the Committee, all of whom attended our meetings regularly and graciously gave their time and expertise making it possible for this Committee to function as intended. I would also like to thank the membership for their continued support over the past year and wish everyone a prosperous 2014.

Respectfully Submitted,

Nathan Boudreau, Credit Committee Chair

Report from the Audit and Risk Committee

The role of the Audit and Risk Committee is twofold. As an Audit Committee we must ensure that management is using an effective system of financial management and related internal controls. The committee reviews and reports on the audited financial statements and ensures compliance with certain regulatory and statutory requirements. As a Risk Committee, we are responsible for ensuring that management has developed and is maintaining an effective Enterprise Risk Management Framework for evaluating the business strategies being used for the allocation of human, capital and other resources. We are also responsible for ensuring that the credit union has developed and is adhering to ethical standards and sound business practices.

The Committee's primary tasks are to:

- Serve as an independent and objective body that monitors our financial reporting process.
- Review and assess the audit efforts of the Credit Union's independent auditor.
- Assess the processes related to the Credit Union's risks and internal control environment.
- Review all reports on the affairs of the Credit Union made by the Office of the Superintendent of Credit Unions, the Nova Scotia Credit Union Deposit Insurance Corporation or any other 3rd party report referred to the Committee by the Board.
- Monitor the implementation of recommendations that the Committee considers significant in these reports and report to the Board on the progress of that implementation.
- Review policies of the Credit Union as directed by the Board and undertake such other duties as are delegated by the Board.
- Review regular reports from management and external auditors concerning the Credit Union's compliance with financial related laws and regulations.
- Review expense reports for the Board, Management and Staff to ensure proper controls are being followed.

During 2013, the Audit & Risk Committee held five meetings. The Committee is pleased to report that the following Audit Committee roles were completed during the year:

- ✓ Confirmed the Auditor's independence from the Credit Union, discussed the audited annual financial statements, reviewed the Audit Findings Report, reviewed the external auditor's Management Letter and discussed its contents with both management and the external auditors.
- ✓ Reviewed all reports on the affairs of the Credit Union made by the Credit Union Deposit Insurance Corporation (CUDIC), monitored the implementation of recommendations that

the Committee considered significant and reported to the Board on the progress of the implementation.

- ✓ Reviewed management's financial statements with comparisons to year-end, to same month last year, to budget, to last quarter and to system percentages.
- ✓ Reviewed various expense reports and general ledger accounts.
- ✓ Reviewed Canada Revenue Agency mandatory remittances and
- ✓ Reviewed Annual Report submitted to the Nova Scotia Department of Finance

The Committee is also pleased to report that the following Risk Committee roles were completed during the year:

- ✓ Reviewed Management's report on the status of the Credit Union's Enterprise Risk Management Framework and their risk management activities and initiatives during the year.
- ✓ Confirmed that all staff, Board and Committee members were in compliance with the Code of Corporate Ethics and Business Conduct for both Directors and Employees
- ✓ Confirmed that the Credit Union was in compliance with CUDIC's Standards of Sound Business and Financial Practices.
- ✓ Reviewed Board, Management and Staff expense reports and other general ledger accounts.

On behalf of the Audit & Risk Committee, I would like to thank committee members Donald Goyetche and Leo Samson for their time and commitment to this committee during the past year.

Respectfully Submitted,

Brian LeBlanc
Chair

Financial Statements of

ST. JOSEPH'S CREDIT UNION LIMITED

Year ended December 31, 2013

MGM

MGM & Associates
Chartered Accountants
Commerce Tower
15 Dorchester Street Suite 500
PO Box 1
Sydney NS B1P 6G9

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Fax (902) 564-6062
Internet www.mgm.ca

INDEPENDENT AUDITORS' REPORT

To the Members of St. Joseph's Credit Union Limited

We have audited the accompanying financial statements of St. Joseph's Credit Union Limited which comprise the statement of financial position as at December 31, 2013 and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of St. Joseph's Credit Union Limited as at December 31, 2013 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

MGM & Associates

Chartered Accountants

Sydney, Canada
March 27, 2014

ST. JOSEPH'S CREDIT UNION LIMITED

Financial Statements

Year ended December 31, 2013

ST. JOSEPH'S CREDIT UNION LIMITED

Statement of Financial Position

December 31, 2013, with comparative figures for 2012

	2013	2012
ASSETS		
Cash and cash equivalents (note 4)	$ 178,584	$ 1,212,207
Investments and deposits (note 5)	9,592,642	10,603,365
Loans to members (note 6)	41,804,372	37,026,990
Property, building and equipment (note 8)	667,841	713,576
Other assets (note 9)	265,761	297,136
Deferred income tax asset (note 18)	15,100	13,100
	$ 52,524,300	$ 49,866,374
LIABILITIES		
Liabilities to members		
Deposits (note 11)	$ 45,528,695	$ 43,392,783
Accrued interest on deposits	204,030	178,007
	45,732,725	43,570,790
Liabilities to non-members		
Accounts payable and accrued liabilities	323,428	309,240
Income taxes payable	34,675	9,473
	358,103	318,713
	46,090,828	43,889,503
MEMBERS' EQUITY		
Membership shares (note 12)	102,172	101,764
Community development fund (note 13)	75,813	80,037
Retained earnings	6,255,487	5,795,070
Accumulated other comprehensive income	-	-
	6,433,472	5,976,871
	$ 52,524,300	$ 49,866,374

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

ST. JOSEPH'S CREDIT UNION LIMITED

Statement of Comprehensive Income

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
INCOME		
Interest on loans	$ 1,942,637	$ 1,857,875
Investment income	229,052	213,341
	2,171,689	2,071,216
INTEREST EXPENSE (note 15)		
Interest on members' deposits	451,192	449,989
Financial margin	1,720,497	1,621,227
Other income (note 16)	536,985	508,359
	2,257,482	2,129,586
EXPENSES		
Personnel (schedule)	838,057	749,381
Members' security (schedule)	49,005	51,997
General business (schedule)	661,938	612,433
Occupancy (schedule)	63,207	51,292
Provision for loan losses	35,303	105,702
Depreciation	51,150	50,192
Provision for recovery in value of foreclosed assets	-	(14,532)
	1,698,660	1,606,465
Income before income taxes	558,822	523,121
Income taxes (note 18)		
Current	104,629	76,237
Deferred (recovery)	(2,000)	19,900
	102,629	96,137
NET INCOME	456,193	426,984
OTHER COMPREHENSIVE INCOME	-	-
COMPREHENSIVE INCOME	$ 456,193	$ 426,984

See accompanying notes to financial statements.

ST. JOSEPH'S CREDIT UNION LIMITED

Statement of Changes in Members' Equity

Year ended December 31, 2013, with comparative figures for 2012

	Membership shares	Community development fund	Retained earnings	Accumulated other comprehensive income	Total
BALANCE, DECEMBER 31, 2011	$ 101,459	$ 83,614	$ 5,364,509	$ -	$ 5,549,582
Comprehensive income	-	-	426,984	-	426,984
Membership shares issued	4,051	-	-	-	4,051
Membership shares redeemed	(3,746)	-	-	-	(3,746)
Transfer to community development fund	-	35,995	(35,995)	-	-
Transfer from community development fund	-	(39,572)	39,572	-	-
BALANCE, DECEMBER 31, 2012	101,764	80,037	5,795,070	-	5,976,871
Comprehensive income	-	-	456,193	-	456,193
Membership shares issued	7,971	-	-	-	7,971
Membership shares redeemed	(7,563)	-	-	-	(7,563)
Transfer to community development fund	-	42,698	(42,698)	-	-
Transfer from community development fund	-	(46,922)	46,922	-	-
BALANCE, DECEMBER 31, 2013	$ 102,172	$ 75,813	$ 6,255,487	$ -	$ 6,433,472

See accompanying notes to financial statements.

ST. JOSEPH'S CREDIT UNION LIMITED

Statement of Cash Flows

Year ended December 31, 2013, with comparative figures for 2012

		2013		2012
CASH FLOWS FROM OPERATIONS				
Net income	$	456,193	$	426,984
Items not involving cash				
Depreciation		51,150		50,192
Deferred income taxes (recovery)		(2,000)		19,900
Change in non-cash operating working capital				
Increase in loans to members		(4,777,382)		(802,734)
Decrease in income taxes receivable		-		9,473
Decrease in other assets		31,375		63,035
Increase in deposits		2,135,912		916,359
Increase in accrued interest on deposits		26,023		673
Increase (decrease) in accounts payable and accrued liabilities		14,188		(46,809)
Increase in income taxes payable		25,202		38,031
		(2,039,339)		675,104
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in membership shares, net		408		305
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Decrease (increase) in investments and deposits		1,010,723		(2,238,967)
Purchase of property, building and equipment		(5,415)		(46,596)
		1,005,308		(2,285,563)
DECREASE IN CASH AND CASH EQUIVALENTS		(1,033,623)		(1,610,154)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,212,207		2,822,361
CASH AND CASH EQUIVALENTS, END OF YEAR	$	178,584	$	1,212,207
Supplemental cash flow information				
Cash paid during the year				
Interest on members' deposits	$	425,169	$	449,316
Income taxes		79,448		17,825
Cash received during the year				
Dividends and interest on investments		235,291		179,620
Interest on loans to members		1,935,869		1,854,888

See accompanying notes to financial statements.

1. REPORTING ENTITY

The Credit Union was incorporated April 2, 1936 under the Credit Union Act of Nova Scotia and its principal activity is providing financial services to members. For financial reporting and regulating matters, the Credit Union is under the authority of the Superintendent of Credit Unions of Nova Scotia.

The Credit Union is located at 3552 Highway 206, Petit de Grat, Nova Scotia, Canada.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements for the years ended December 31, 2013 were authorized for issue by the Board of Directors on March 27, 2014.

Basis of preparation

These financial statements are presented in Canadian dollars which is the Credit Union's functional currency. They are prepared on the historical cost basis except for certain financial instruments that are measured at amortized cost, as explained in the significant accounting policies of the Credit Union.

Use of significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the year. 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 the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates made in these financial statements.

2. BASIS OF PREPARATION (continued)

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

The most significant use of judgments and estimates are as follows:

a) *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from observable markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. The valuation of financial instruments is described in more detail in Note 19.

b) *Impairment losses on loans to members*

The Credit Union reviews its individually significant loans to members at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors such as the borrowers' financial situation and the net realizable value of collateral and actual results may differ, resulting in future changes to the allowance.

Loans to members that have been assessed individually and found not to be impaired and all individually insignificant loans to members are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes into account data from the loan portfolio (such as levels of arrears, credit utilization, historical performance and economic outlook, etc.) and judgments to the effect of concentrations of risks and economic data (including levels of unemployment and real estate prices).

The impairment loss on loans to members is disclosed in more detail in Note 7.

2. BASIS OF PREPARATION (continued)

c) *Impairment of available-for-sale investments*

The Credit Union records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

d) *Deferred income tax assets*

Deferred income tax assets are recognized in respect of tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable income, together with future tax planning strategies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing these financial statements are reasonable. Actual results in the future may differ from those reported.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2013 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Credit Union, except as discussed below:

IFRS 9 - Financial Instruments

In November 2009 and October 2010, the IASB issued IFRS 9 - *Financial Instruments* (IFRS 9), *Classification and Measurement of Financial Assets and Financial Liabilities*. IFRS 9 will replace IAS 39 - *Financial Instruments: Recognition and Measurement* (IAS 39) in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Credit Union's credit risk are presented in other comprehensive income (OCI) unless this would create an accounting mismatch. All other changes in fair value are recorded in net income each period. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Credit Union is assessing the potential impact of this standard.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of material accounting policies adopted by the Credit Union in the preparation of the financial statements. Except where stated, the accounting policies have been consistently applied.

(a) Financial instruments

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Credit Union's designation of such instruments.

The Credit Union is required to classify all financial assets either as fair value through profit or loss, available-for-sale, held-to-maturity or loans and receivables and, financial liabilities are classified as either fair value through profit or loss or other liabilities. The standards require that all financial assets and financial liabilities, including all derivatives, be subsequently measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, available-for-sale financial assets that do not have quoted market prices in an active market and whose fair value cannot be reliably estimated, and other liabilities.

i) *Fair value through profit or loss (FVTPL)*

As at December 31, 2013, the Credit Union had no financial assets or financial liabilities classified as fair value through profit or loss.

ii) *Held-to-maturity*

Held-to-maturity debentures are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Credit Union has the positive intent and ability to hold to maturity, other than those that the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, net of impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii) *Available-for-sale*

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Dividend income is recognized in profit or loss when the Credit Union's right to receive the dividends is established. Interest income is recognized in income using the effective interest method.

Equity shares in Atlantic Central, League Savings and Mortgage Company, League Data Limited and Healthwise Holdings Co-operative Limited held by the Credit Union that are not traded in an active market are classified as available-for-sale. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

iv) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Credit Union does not intend to sell immediately or in the near term. Loans and receivables including cash and cash equivalents, segregated liquidity deposits with Atlantic Central, loans to members, accrued interest on loans, accrued interest on investments and accounts receivable, are measured at amortized cost using the effective interest method, net of impairment losses.

Interest income is recognized by applying the effective interest rate.

v) *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the asset/liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

vi) *Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans to members, where the carrying amount is reduced through the use of an allowance account. When a loan to a member is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets other than available-for-sale equity securities, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

vii) *Derecognition of financial assets*

The Credit Union derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Credit Union continues to recognize the transferred asset to the extent of the Credit Union's continuing involvement in that asset. If the Credit Union retains substantially all the risks and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

rewards of ownership of a transferred financial asset, the Credit Union continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received/receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Credit Union retains an option to repurchase part of a transferred asset or retains a residual interest that neither results in the retention nor transfer of substantially all the risks and rewards of ownership) the Credit Union allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss.

viii) *Other financial liabilities*

Other financial liabilities, which consist of deposits, accrued interest on deposits and accounts payable and accrued liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

ix) *Derecognition of financial liabilities*

The Credit Union derecognizes financial liabilities when, and only when, the Credit Union's obligations are discharged, cancelled or they expire.

x) *Transaction costs*

Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are amortized over the expected life of the instrument using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with Atlantic Central, excluding segregated liquidity deposits, and short-term deposits with original maturities of three months or less. Cash and cash equivalents are used by the Credit Union in the management of its short-term commitments.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is considered to be equivalent to fair value due to the short-term nature of these assets.

(c) Loans to members

Loans to members include personal and other loans, mortgages and lines of credit which are recognized when the cash is advanced to the borrower. All loans to members 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 receivables, which are subsequently measured at amortized cost using the effective interest method.

(d) Allowance for impaired loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb incurred losses in the loan portfolio. The allowance for impaired loans reflects management's best estimate of the losses existing in the loan portfolio and their judgments about economic conditions. If the circumstances under which these estimates and judgments were made change, there could be a significant change to the allowance for impaired loans currently recognized. The allowance for impaired loans consists of a specific provision component attributable to individually significant exposures and a collective provision, established for groups of loans with similar risk characteristics. Each component of the allowance for impaired loans is reviewed at least on the reporting date.

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 either directly or by adjusting an allowance account. The reversal does not result in a carrying amount of a financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery. The methodology and assumptions used are reviewed regularly.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, building and equipment

Property, building and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of property, building and equipment is reviewed annually for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

(f) Depreciation

Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property, building and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Depreciation of property, building and equipment for the current and comparative periods is based on their estimated useful life using the following annual rates:

Asset	Basis	Rate
Building	Declining balance	5%
Computer equipment	Declining balance	30%
Furniture and equipment	Declining balance	20%
Pavement	Declining balance	8%

(g) Foreclosed assets

Foreclosed assets held for sale are carried at the lower of the carrying value of the loan foreclosed and the estimated net recoveries from the disposition of the assets.

(h) Deposits from members

Deposits from members are the Credit Union's main source of funding. They are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Patronage rebate

The Credit Union's policy is to accrue a patronage rebate when approved by the Board of Directors. This rebate is recorded in the statements of comprehensive income as a reduction of income on loans and other income and an increase in interest on members' deposits.

(j) Employee benefits

i) *Short-term employee benefits*

Short-term employee benefits include salaries and wages, employee benefits, allowances, bonuses and burdens. Short-term employee benefits are expensed as the related service is provided.

ii) *Post-employment benefits*

The Credit Union operates a defined contribution pension plan. The contribution payable to a defined contribution pension plan is in proportion to the services rendered to the Credit Union by the employees and is recorded as part of personnel expense. Unpaid contributions are recorded as a liability.

(k) Membership shares

Membership shares are presented in the statement of financial position as equity instruments in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. Payments of dividends on membership shares presented as equity are recognized as a distribution directly in equity.

Dividends are recorded when declared by the Board of Directors.

(l) Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend income is recognized when the right to receive payment is established. Dividends are included in investment income on the statement of comprehensive income.

Other fees and commission income are recognized over the period the services are performed.

(m) Income taxes

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the statement of financial position date.

Deferred income tax is provided on temporary differences at the statement of financial position date between the income tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused income tax credits and unused income tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused income tax credits and unused income tax losses can be utilized except:

i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(n) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation gains and losses are recognized immediately in profit or loss and are included in the other operating income, net line item in the statement of comprehensive income.

4. CASH AND CASH EQUIVALENTS

	2013	2012
Cash on hand	$ 715,086	$ 668,975
Accounts held at Atlantic Central	(934,918)	(489,356)
Cash management liquidity	398,416	1,032,588
	$ 178,584	$ 1,212,207

The Credit Union has an authorized operating line of credit of $2,400,000 with Atlantic Central at prime rate, which is secured by an assignment of members' loans. The line of credit balance was $1,146,165 at December 31, 2013 ($542,391 - 2012).

5. INVESTMENTS AND DEPOSITS

	2013	2012
Held-to-maturity		
Debentures with Atlantic Central	$ 5,106,000	$ 5,000,000
Debentures with League Savings and Mortgage Company	356,000	1,555,526
	5,462,000	6,555,526
Loans and receivables		
Segregated liquidity deposits	3,213,945	3,134,812
Available-for-sale		
Share capital		
Atlantic Central - Common	495,410	491,740
Atlantic Central - Class Nova Scotia Provincial	144,000	144,000
League Savings and Mortgage Company	212,517	212,517
League Data Limited	14,270	14,270
Healthwise Holdings Co-operative Limited	50,000	50,000
Other	500	500
	916,697	913,027
	$ 9,592,642	$ 10,603,365

As a condition of membership in Atlantic Central, the Credit Union is required, at the discretion of Atlantic Central, to maintain an investment in shares of Atlantic Central.

6. LOANS TO MEMBERS

	2013	2012
Personal and other loans	$ 19,067,836	$ 15,950,770
Residential mortgages	20,992,427	19,271,373
Commercial mortgages	1,255,343	1,119,466
Lines of credit	886,164	1,061,277
	42,201,770	37,402,886
Allowance for impaired loans (note 7)	(397,398)	(375,896)
	$ 41,804,372	$ 37,026,990

Loan commitments

The Credit Union has authorized lines of credit in the amount of $1,879,443 which are unutilized at December 31, 2013 ($1,442,773 - 2012).

The Credit Union was committed to the issuance of new loans to members at December 31, 2013 of $250,985 ($217,590 - 2012).

7. ALLOWANCE FOR IMPAIRED LOANS

The changes in the allowance for impaired loans are as follows:

	2013	2012
Balance, beginning of year	$ 375,896	$ 294,131
Provision for loan losses	35,303	105,702
Recoveries of amounts written off in prior years	5,636	8,040
	416,835	407,873
Loans written off	19,437	31,977
Balance, end of year	$ 397,398	$ 375,896

7. ALLOWANCE FOR IMPAIRED LOANS (continued)

	2013	2012
Comprised of		
Individual allowance	$ 345,991	$ 325,883
Collective allowance	51,407	50,013
	$ 397,398	$ 375,896

Credit quality of member loans is summarized as follows:

	2013	2012
Neither past due nor impaired	$ 40,812,237	$ 35,970,947
Past due but not impaired	276,764	527,979
Impaired	1,112,769	903,960
	$ 42,201,770	$ 37,402,886

A loan is considered past due when the counterparty has not made a payment by the contractual payment date.

	2013	2012
Member loans past due but not impaired		
Under 30 days	$ 231,756	$ 527,979
30 days and over	45,008	-
	$ 276,764	$ 527,979

The past due but not impaired balances include fully secured loans for which, in the opinion of management, there is no reasonable doubt as to ultimate collectibility of the principal or interest.

8. PROPERTY, BUILDING AND EQUIPMENT

					2013
	Balance beginning of year	Additions/ depreciation expense	Disposals	Impairments	Balance end of year
Cost					
Land	$ 161,026	$ -	$ -	$ -	$ 161,026
Building	684,701	-	-	-	684,701
Computer equipment	130,170	2,005	-	-	132,175
Furniture and equipment	391,550	3,410	-	-	394,960
Pavement	87,414	-	-	-	87,414
	1,454,861	5,415	-	-	1,460,276
Accumulated depreciation					
Building	289,721	11,832	-	-	301,553
Computer equipment	120,559	8,238	-	-	128,797
Furniture and equipment	291,963	25,644	-	-	317,607
Pavement	39,042	5,436	-	-	44,478
	741,285	51,150	-	-	792,435
	$ 713,576	$ (45,735)	$ -	$ -	$ 667,841

					2012
	Balance beginning of year	Additions/ depreciation expense	Disposals	Impairments	Balance end of year
Cost					
Land	$ 161,026	$ -	$ -	$ -	$ 161,026
Building	662,657	22,044	-	-	684,701
Computer equipment	125,221	4,949	-	-	130,170
Furniture and equipment	373,647	17,903	-	-	391,550
Pavement	85,714	1,700	-	-	87,414
	1,408,265	46,596	-	-	1,454,861
Accumulated depreciation					
Building	275,521	14,200	-	-	289,721
Computer equipment	113,755	6,804	-	-	120,559
Furniture and equipment	267,809	24,154	-	-	291,963
Pavement	34,008	5,034	-	-	39,042
	691,093	50,192	-	-	741,285
	$ 717,172	$ (3,596)	$ -	$ -	$ 713,576

9. OTHER ASSETS

	2013	2012
Accounts receivable	$ 35,697	$ 50,310
Accrued interest receivable	139,448	138,921
Prepaid expenses	17,138	18,241
Foreclosed assets (note 10)	61,105	71,105
Mortgage premium	12,373	18,559
	$ 265,761	$ 297,136

10. FORECLOSED ASSETS

	2013	2012
Balance, beginning of year	$ 71,105	$ 181,173
Foreclosed assets sold	(10,000)	(124,600)
Provision for recovery in value	-	14,532
Balance, end of year	$ 61,105	$ 71,105

11. DEPOSITS

	2013	2012
Chequing	$ 11,554,772	$ 10,971,556
Savings	9,961,618	8,951,395
Term deposits	11,995,423	12,157,581
Registered retirement savings plans	7,952,601	8,021,532
Registered retirement income funds	1,451,496	1,204,395
Tax-free savings accounts	2,612,785	2,086,324
	$ 45,528,695	$ 43,392,783

Subject to certain limitations, members' deposits are insured by the Nova Scotia Credit Union Deposit Insurance Corporation.

11. DEPOSITS (continued)

Term deposits

Term deposits 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.

Registered retirement savings plans

Concentra Financial is the trustee for the registered retirement plans offered to members. Under an agreement with Concentra Financial, members' contributions to these plans, as well as income earned on them, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made to the members, or the parties designated by them, by the Credit Union, on behalf of Concentra Financial.

12. MEMBERSHIP SHARES

The Credit Union has an unlimited number of authorized equity shares. The shares have a $5.00 par value, are redeemable at $5.00 each and have no entitlement to interest or dividends. Dividends may be paid at the discretion of the Board of Directors. Equity shares are not insured by the Nova Scotia Credit Union Deposit Insurance Corporation.

A continuity of membership shares is as follows:

	2013	2012
Membership shares, beginning of year	20,342	20,284
Issued during the year	1,579	804
Redeemed during the year	(1,500)	(746)
Membership shares, end of year	20,421	20,342

13. COMMUNITY DEVELOPMENT FUND

The Credit Union transfers 10% of its previous year's comprehensive income to the community development fund. Expenditures from this fund are reflected in the current statement of comprehensive income.

14. PATRONAGE REBATE

The patronage rebate is authorized by the Board of Directors and is allocated to members annually based on the volume of business transacted by each member with the Credit Union during the year. The patronage rebate has reduced income and increased expenses as follows:

	2013	2012
Income		
Interest on loans	$ 84,600	$ 76,800
Service charges and fees	31,800	30,900
	116,400	107,700
Expenses		
Interest on members' deposits	18,600	27,300
	$ 135,000	$ 135,000

15. INTEREST EXPENSE

	2013	2012
Chequing	$ 3,125	$ 2,783
Savings	72,429	62,488
Term deposits	197,979	200,190
Registered retirement savings plans	132,549	131,755
Registered retirement income funds	26,510	25,473
Patronage rebate (note 14)	18,600	27,300
	$ 451,192	$ 449,989

Total interest expense reported above is calculated using the effective interest method, and relates to financial liabilities not carried at FVTPL.

16. OTHER INCOME

	2013	2012
Service charges	$ 224,790	$ 221,724
Commissions and profit sharing	206,047	160,090
Other	106,148	126,545
	$ 536,985	$ 508,359

All other income items detailed above relate to financial assets that are not at FVTPL and do not include any amounts used in determining the effective interest rate.

17. PENSION PLAN

The Credit Union maintains a defined contribution pension plan for its current and retired employees. The total expense recognized in the statement of comprehensive income for the defined contribution plan is $36,647 (2012 - $32,418), which represents the total cash amount paid or payable by the Credit Union to the plan during the year.

18. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of 31.0% (2012 - 31.0%) to income before income taxes. The reasons for the differences and related tax effects are as follows:

	2013	2012
Income before income taxes	$ 558,822	$ 523,121
Tax at applicable tax rate	$ 173,235	$ 162,168
Tax effect resulting from application of rate reductions for small business income	(70,000)	(66,405)
Tax effect resulting from non-deductible expenses	899	857
Tax effect resulting from non-taxable dividend income	(1,515)	(1,977)
Tax effect resulting from change in enacted tax rate	-	1,523
Other	10	(29)
Income tax expense	$ 102,629	$ 96,137

18. INCOME TAXES (continued)

The tax effects of temporary differences that give rise to deferred income tax assets and deferred income tax liabilities at December 31, 2013 and 2012 are presented below:

		2013		2012
Future income tax assets				
Loans to members, due to difference in allowance for financial reporting and tax purposes	$	26,700	$	25,600
Foreclosed assets, due to provision for impairment in value		-		3,100
Service awards, due to accrual for financial reporting purposes		37,900		35,500
Total gross deferred income tax assets		64,600		64,200
Future income tax liabilities				
Property, building and equipment, difference in net book value and undepreciated capital cost		4,900		6,500
Investments, difference in cost bases of shares		44,600		44,600
Total gross deferred income tax liabilities		49,500		51,100
Net deferred income tax asset	$	15,100	$	13,100

19. RISK MANAGEMENT

(a) The types of risk inherent in the Credit Union environment include credit, foreign currency, liquidity and interest rate risk.

i) Credit risk is the potential for loss due to the failure of a borrower to meet its financial obligations. The Credit Union mitigates its lending credit risk exposure by defining its target market area, limiting the principal amount of credit to a borrower at any given time, providing credit analysis prior to approval of the loan, obtaining collateral when appropriate, and employing risk based pricing. Along with other credit unions in the Province of Nova Scotia, the Credit Union is restricted in making larger commercial loans without prior approval of Atlantic Central Lending Services.

19. RISK MANAGEMENT (continued)

ii) Foreign currency risk refers to the potential impact of changes in foreign currency exchange amounts when foreign currency financial assets are not matched with foreign currency liabilities. The Credit Union is not exposed to significant foreign currency risk.

iii) Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members. To mitigate this risk, Atlantic Central requires the Credit Union to maintain, at all times, liquidity that is adequate in relation to the business carried on. The level of liquidity is based on a prescribed percentage of total deposit liabilities. At December 31, 2013, the prescribed liquidity requirement was 10% and the actual liquidity was 17.8% (2012 - 14.2%) of total deposit liabilities and total loans payable.

iv) Interest rate risk refers to the potential impact on the Credit Union's earnings and net asset values due to changes in interest rates. Interest rate risk results primarily from differences in the maturity or repricing dates of assets and liabilities. The Credit Union monitors interest rate risk inherent in the portfolio of assets and liabilities to measure the impact of interest rate changes with the objective of managing the impact of interest rate changes within self-imposed limits, thus minimizing fluctuations of income during periods of changing interest rates. The Credit Union's major source of income is the financial margin between the income earned on investments and loans to members, and the interest paid to members on their deposits.

At December 31, 2013, if interest rates had been 1% lower with all other variables held constant, after-tax net income for the year would have been $7,700 lower mainly due to the mismatch of variable rate products. If interest rates had been 1% higher with all other variables held constant, after-tax net income for the year would have been $8,600 lower, mainly due to the mismatch of variable rate products.

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 six months, regardless of maturity. A significant amount of loans and deposits 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.

19. RISK MANAGEMENT (continued)

	Financial statement amounts		
	Assets	Liabilities and members' equity	Net asset/ liability mismatch
0-6 months	$ 9,651,230	$ 27,404,870	$ (17,753,640)
6-12 months	12,593,770	5,464,480	7,129,290
1-2 years	13,797,920	4,242,010	9,555,910
2-3 years	7,295,310	2,619,460	4,675,850
3-4 years	3,443,350	118,230	3,325,120
4-5 years	4,579,240	139,050	4,440,190
>5 years	637,530	-	637,530
Not interest sensitive	525,950	12,536,200	(12,010,250)
	$ 52,524,300	$ 52,524,300	$ -

Interest-sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity, nor would a perfect match be desirable. One of the roles of a Credit Union is to intermediate between the expectations of borrowers and depositors.

Information regarding weighted average rates (when available) and balances is shown below:

	Amount	Rate
Share investments		
Atlantic Central - Common	$ 495,410	2.3%
Atlantic Central - Class Nova Scotia Provincial	144,000	0.0%
League Savings and Mortgage Company	212,517	2.3%
League Data Limited	14,270	5.0%
Healthwise Holdings Co-operative Limited	50,000	0.0%
Other	500	0.0%
	$ 916,697	

19. RISK MANAGEMENT (continued)

	Amount	Rate
Loans to members		
Personal and other loans	$ 19,067,836	5.8%
Residential and commercial mortgages	22,247,770	4.4%
Lines of credit	886,164	9.1%
	$ 42,201,770	
Deposit liabilities		
Chequing	$ 11,554,772	0.1%
Savings	9,961,618	0.2%
Term deposits	11,995,423	1.7%
Registered retirement plans	9,404,097	1.6%
Tax-free savings accounts	2,612,785	1.6%
	$ 45,528,695	

(b) Fair value of financial assets and liabilities

The following is a breakdown of how financial instruments have been classified by the Credit Union by category, showing the carrying amount, the fair value and the difference of each financial asset and liability. The maximum credit risk exposure to the below financial assets is their carrying amounts. Fair values are based on market conditions at a specific point in time and may not be reflective of future fair values.

19. RISK MANAGEMENT (continued)

	Carrying amount	Fair value	Fair value difference
Financial Assets			
Loans and receivables			
Cash and cash equivalents	$ 178,584	$ 178,584	$ -
Segregated liquidity deposits	3,213,945	3,213,945	-
Loans to members	41,804,372	41,271,920	532,452
Accounts receivable	35,697	35,697	-
Accrued interest on loans to members	92,391	92,391	-
Accrued interest on investments	47,057	47,057	-
Held-to-maturity			
Investments	5,462,000	5,491,681	(29,681)
Available-for-sale			
Investments	916,697	916,697	-
	-	-	-
	$ 51,750,743	$ 51,247,972	$ 502,771
Financial Liabilities			
Other liabilities			
Deposits	$ 45,528,695	$ 45,664,364	$ (135,669)
Accrued interest on deposits	204,030	204,030	-
Accounts payable and accrued liabilities	323,428	323,428	-
	$ 46,056,153	$ 46,191,822	$ (135,669)

The above estimates were determined by management using the assumptions outlined below. Fair values are an estimate based on current market conditions and may not be reliable due to the use of assumptions.

Interest rate sensitivity is the main reason for changes in fair values of the Credit Union's financial instruments. With the exception of available-for-sale financial instruments, the carrying value is not adjusted to reflect fair value, as it is the Credit Union's intention to realize their value over time.

19. RISK MANAGEMENT (continued)

The following are the methods and assumptions used to estimate the fair value of financial instruments:

The carrying values of cash, segregated liquidity deposits, accounts receivable and accrued interest receivable, as well as accrued interest payable and accounts payable and accrued liabilities, approximate their fair values due to the relatively short periods to maturity of the instruments.

The fair values of equity investments are their carrying amounts because fair value could not be measured reliably due to a lack of quoted prices in an active market. The fair value of long-term debenture investments is determined by discounting the expected future cash flows of these financial instruments at current market rates for products with similar terms and credit risks.

The fair values of loans to members and members' deposits are determined by two methods. Variable rate loans to members and members' deposits are estimated to be at fair value, as the interest rates of these financial instruments vary with market interest rates. Fixed rate loans to members and members' deposits' fair value is determined by discounting the expected future cash flows of these financial instruments at current market rates for products with similar terms and credit risks.

(c) Capital management

The Credit Union's objectives when managing capital are:

To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for members and benefits for other stakeholders, and

To provide an adequate return to members by pricing products and services commensurately with the level of risk and market forces.

The Credit Union manages its capital through a set of formalized management policies and through corporate governance at the level of the Board of Directors and related committees. Due to the nature of the Credit Union, capital is also managed through the maintaining of liquidity deposits at Atlantic Central (note 19(a)iii)).

In addition, the Credit Union Act requires the Credit Union to maintain at all times a prescribed capital base. The required level of capital, consisting of members' equity, is 5% of the total assets. The actual capital base at December 31, 2013 is 12.2% (2012 - 12.0%) of the total assets.

20. RELATED PARTY TRANSACTIONS

Key management personnel, directors and their related parties have outstanding balances with the Credit Union at December 31 as follows:

	2013	2012
Loans to members	$ 2,725,545	$ 2,631,419
Members' deposits	1,172,853	912,398
Membership shares	2,305	1,945

The interest rates charged on balances outstanding from key management personnel, directors and their related parties are the same as those charged in an arm's length transaction. Loan and mortgage balances are secured as per the Credit Union's lending policies.

There was no allowance for impaired loans required in respect of these loans as at December 31, 2013.

Key management personnel and their related parties received compensation in the year which comprised of:

	2013	2012
Salaries and other short-term employee benefits	$ 272,127	$ 228,532
Post-employment benefits	15,167	12,453
	$ 287,294	$ 240,985

Directors received the following amounts for serving the Credit Union:

	2013	2012
Directors' expenses	$ 8,887	$ 7,852
Directors' remuneration	10,700	10,700
	$ 19,587	$ 18,552

21. COMPARATIVE FIGURES

Certain 2012 comparative figures have been reclassified to conform with the financial statement presentation adopted per the current year.

ST. JOSEPH'S CREDIT UNION LIMITED

Schedule of Expenses

Year ended December 31, 2013, with comparative figures for 2012

		2013		2012
PERSONNEL				
Salaries	$	697,352	$	629,218
Pension and insurance benefits		135,285		114,829
Other employee costs		5,420		5,334
	$	838,057	$	749,381
MEMBERS' SECURITY				
Bonding insurance	$	12,805	$	16,697
Deposit insurance		36,200		35,300
	$	49,005	$	51,997
GENERAL BUSINESS				
Advertising and promotion	$	35,215	$	40,091
Professional fees		45,950		33,446
Data processing		107,565		93,760
Educational		40,901		35,804
Service fees and charges		197,099		186,851
Central assessment and dues		84,400		71,100
Miscellaneous		22,909		26,628
Office and stationery		28,223		31,129
Postage		23,832		24,767
Service contracts and maintenance		10,346		8,736
Telephone		18,576		20,549
Community development fund donations		46,922		39,572
	$	661,938	$	612,433
OCCUPANCY				
Heat, lights and water	$	15,027	$	12,594
Insurance		10,513		10,276
Municipal taxes		8,731		6,520
Janitorial and cleaning supplies		10,854		11,702
Repairs and maintenance		18,082		10,200
	$	63,207	$	51,292

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