



Making a  
*Difference*



**COLUMBIA VALLEY**  
CREDIT UNION



# Making a *Difference*

## T A B L E O F C O N T E N T S

58th Annual General Meeting Agenda	3
Mission Statement	3
Officers	4
57th Annual General Meeting Minutes	5
President's Report	7
Nominating Committee Report	8
Financial Statements	10

# Annual General Meeting

Wednesday, April 17, 2013, at the Seniors' Centre commencing at 7:30 p.m.

## MEETING AGENDA

- Call to Order
- Welcome and Introduction
- Adoption of Agenda and Rules of Order
- Minutes of Last General Meeting
- Business Arising from Minutes
- President's Report
- Auditor's Report
- Approval of Financial Statements
- Nominating Committee Report
- Election Result
- Unfinished Business
- Appointment of Auditor
- New Business
- Good and Welfare
- Adjournment

Refreshments will be served and door prizes awarded. As in past years, for reasons of economics, the Annual Report will not be mailed out to each member, but will be available through the office and at the Annual Meeting.

## TRANSPORTATION

Any member wishing transportation to the meeting is requested to contact the office at 344-2282 and arrangements will be made.

## INSURANCE

The Management of Columbia Valley Credit Union wishes to remind all members that under the terms and conditions of your mortgage and/or chattel lien, you are required to maintain insurance to the full insurable value of your property and/or chattel liens with loss, if any, payable to Columbia Valley Credit Union as their interest may appear. **Please—this is for everyone's protection!**

## Vision Statement

A community focused, member owned credit union working together to achieve success.

## Mission Statement

Meeting the financial needs of our members within the Columbia Valley.

## Guiding Principles

- Serving members is the primary purpose of our existence.
- We provide exceptional, customized service.
- We act with integrity and sincerity.
- We never stop learning.

# Officers

## BOARD OF DIRECTORS:

2 years to serve	Paul Ricard Nola Milum Scott King
1 years to serve	Lyle Johnson Connie Barlow
Term Expired	Gary Bjarnason (Retired) Atma Sandher (Incumbent)

**DIRECTORS ELECTIONS FOR:** 2 Directors — for 3 Year Terms

## STAFF MEMBERS:

Sharon Eddy, General Manager	Cathy Johnson, Member Service Rep.
Carol Braisher, Administrative Assistant	Bonny MacLeod, Member Service Rep.
Jackie Feuz, Executive Assistant	Bobbi Jodouin, Head Teller
Lorne Leeson, Commercial Loans Manager	Kaela Harrigan, Teller
Marlene Cibulka, Retail Loans Manager	Susan McMurray, Teller
Marlene Thompson, Loans Clerk	Shawna Degagne, Part-Time Teller
Karen Cotton, Member Service Manager	Tawnia Jobin, Part-Time Teller
Rob Parker, IT Manager	
Nicole Carter, Member Service Rep.	
Neva Essery, MSR / Accounting Clerk	

## MANAGEMENT COMMITTEE:

Karen Cotton  
Sharon Eddy  
Lorne Leeson

**AUDITORS:** Adams Wooley

**SOLICITORS:** Ewan & McKenzie

## OFFICE HOURS:

Monday to Thursday	10:00 a.m. to 4:00 p.m.
Friday	10:00 a.m. to 5:00 p.m.
Saturday / Sunday	CLOSED

Telephone Numbers:	Main: (250) 344-2282	Toll Free:	1-888-298-1777
	Loans: (250) 344-7024	Phone Banking:	(250) 344-7968
	Fax: (250) 344-2117	Phone Banking Toll Free:	1-866-344-7968
	Internet: www.cvcu.bc.ca	E-mail:	cvcu@cvcu.bc.ca

**3 ATM'S, Rolled Coin / Bill Dispenser Open 24 Hours In The Credit Union Lobby  
Drive Thru ATM / Night Deposit at Petro-Can on the Trans-Canada Open 24/7**



# 57th Annual Meeting of Columbia Valley Credit Union

## April 17, 2012

5

The 57<sup>th</sup> Annual General Meeting of Columbia Valley Credit Union was called to order at 7:30 p.m. by President Paul Ricard, after the requirements for a quorum were met. There were 53 members present.

**INTRODUCTIONS:** President Paul Ricard introduced the Board of Directors, the General Manager Paul Pupo, and Jim Wooley of Adams Wooley, to the members present.

**AGENDA:** It was moved by Lyle Johnson and seconded by Nola Milum that the agenda for the 57<sup>th</sup> Annual General Meeting for Columbia Valley Credit Union be accepted. Motion carried.

**MINUTES OF THE 56th ANNUAL MEETING:** The minutes of the last Annual General Meeting were circulated and read by the members present. It was moved by Scott King and seconded by Atma Sandher that the minutes of the 56th Annual General Meeting, held on April 20, 2011, be accepted as circulated. Motion carried.

**BUSINESS ARISING OUT OF MINUTES:** There was no business arising out of the minutes.

**PRESIDENT'S REPORT (on behalf of the Board of Directors):** President Paul Ricard presented the Board of Directors' Report. He thanked Paul Pupo for his 33 years of service as General Manager and John Spurrill for his 30 years as Director of Columbia Valley Credit Union, both of whom are retiring in 2012. It was moved by Atma Sandher and seconded by Joe Gaetz that the President's Report (on behalf of the Board of Directors) be accepted as presented. Motion carried.

**AUDITOR'S REPORT:** Jim Wooley of Adams Wooley, external auditors for Columbia Valley Credit Union for the year 2011, was in attendance. Mr. Wooley presented the Auditor's Report and Financial Statements for 2011. He explained various aspects of the financial report to the members present. It was moved by Lyle Johnson and seconded by Leo Klafki that the Auditor's Report and Financial Statements be accepted as presented. Motion carried.

**NOMINATING COMMITTEE REPORT:** It was moved by Erica Badior and seconded by Lyle Johnson to accept the Nominating Committee Report as presented by Atma Sandher. Motion carried.

**ELECTIONS:** There were three vacancies on the Board of Directors, all for a three year term. Incumbents Paul Ricard and Scott King let their names stand for re-election and Nola Milum was a nominee. As there were no other candidates running, no election took place. Paul Ricard, Scott King and Nola Milum will be the three directors of Columbia Valley Credit Union for a three year term.

**ORDINARY RESOLUTION:** There were no Ordinary Resolutions.

**APPOINTMENT OF AUDITORS:** It was moved by Atma Sandher and seconded by Connie Barlow to appoint the firm of Adams Wooley of Cranbrook as our external auditors for 2012. Motion carried. Every year, a motion has to be put to the floor to accept the auditors for the current year.

**NEW BUSINESS:** The General Manager, Paul Pupo, thanked the members and board for the opportunity to serve as General Manager over the past 33 years and is looking forward to his retirement.

**GOOD AND WELFARE:** There were six draws of \$50.00 each. Winners were: Bernice Bechtold, Dolores Rohrer, Denise English, Reta Rebidoux and Joe Gaetz. Congratulations to the winners. As in the past four years the Directors,

6

Staff and their spouses did not participate in the draws.

**ADJOURNMENT:** It was moved by Scott King seconded by Atma Sandher to adjourn the 57th Annual General Meeting of Columbia Valley Credit Union on April 18, 2012 at 7:56 p.m. Motion carried.

## President & General Manager's Report

On behalf of the Board of Directors and all our employees, we would like to extend our appreciation to you, our members, for your continued support.

The Columbia Valley Credit Union had a challenging and exciting year in 2012. Our General Manager, Paul Pupo retired after over 32 years of service! Congratulations and many thanks to Paul for faithfully serving the Columbia Valley Credit Union.

After an extensive search the Board of Directors appointed Sharon Eddy as the new General Manager in July 2012. Sharon brings over 15 years of leadership experience in the financial services industry and a proven track record of exceeding objectives and expectations. Sharon strongly believes in a community based Credit Union to deliver financial services to the particular needs of our members.

Our financial results in 2012 were challenged with lack of growth due to our local and global economic factors. We incurred some onetime expenses as a result. Despite the negative impact of our interest rate environment, we were able to improve our financial margin which resulted in a positive bottom line. We continue to have some of the strongest capital and liquidity ratios in the province.

Keeping with our commitment to our members and our community, we were pleased to pay out \$240,000 in interest to our D shares, \$56,000 in loan interest rebates and \$48,000 in donations to our community.

Our employees are key to our Credit Union's success and we would like to thank them for their continued dedication and commitment to the Columbia Valley Credit Union. We will continue to invest in our employees to support their success in delivering a service experience that will make a difference to you, our members.


I would like to thank our directors for their hard work and dedication to Columbia Valley Credit Union in 2012. Your guidance and support over the past year has helped to build and to sustain this great organization. Looking ahead we see many opportunities to meet all the financial needs of our membership. We will be working on many projects and initiatives to strengthen our services and products.

Thank you again for your ongoing support and trust in our financial products and services. It is to you we owe our success today and will continue to the future.

Respectively Submitted,



Paul Ricard  
President, Board of Directors



Sharon Eddy  
General Manager

## **Nominating Committee Report**

Qualifications for a Director of a Credit Union state that a Director must be a Member in good standing, who is over the age of 19 years and who meets the criteria as set out by the Credit Union Act and accompanying rules and regulations of Columbia Valley Credit Union. There are seven Directors, three of whom are elected each year for a three-year term. This year we have 2 vacancies for three-year terms on the Board of Directors.

In our January, 2013 Notice of Annual General Meeting our Nominating Committee served notice to our members of an election of Directors at the upcoming Annual General Meeting on April 17, 2013 as per our rules 4.9 to 4.15. The Nominating Committee is pleased to submit the following name as the candidate for the vacancy for Director of Columbia Valley Credit Union. Refer to Credit Union Rules 4.1-4.59 for qualifications and additional information in our Credit Union Rules.

Respectfully submitted,

A handwritten signature in black ink that reads "Nola Milum". The signature is written in a cursive, flowing style.

Nola Milum

Chairman, Nominating Committee

### **Nomination:**

Kerstin Behrens-Bolt, Nominee

Atma Sandher, Incumbent







# Statements



**COLUMBIA VALLEY CREDIT UNION**

**Financial Statements**

**Year Ended December 31, 2012**

**COLUMBIA VALLEY CREDIT UNION**

**Index to Financial Statements**

**Year Ended December 31, 2012**

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	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Income and Retained Earnings	4
Operating Expenses ( <i>Schedule 1</i> )	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 30



## Management's Responsibility for Financial Reporting

The financial statements of Columbia Valley Credit Union have been prepared in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Columbia Valley Credit Union 's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the shareholders by Adams Wooley, Certified General Accountants, in accordance with Canadian generally accepted auditing standards.



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Mr. Paul Ricard, President



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Mrs. Sharon Eddy, General Manager

Golden, BC  
March 06, 2013

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Columbia Valley Credit Union

We have audited the accompanying financial statements of Columbia Valley Credit Union, which comprise the statement of financial position as at December 31, 2012 and the statements of income and retained earnings and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

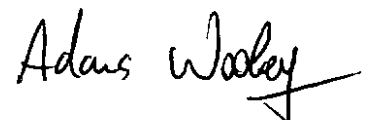
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

We believe that the audit evidence we have obtained 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 Columbia Valley Credit Union as at December 31, 2012 and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.



Cranbrook, BC  
March 6, 2013

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Adams Wooley  
Certified General Accountants

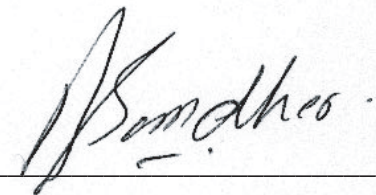
**COLUMBIA VALLEY CREDIT UNION**

**Statement of Financial Position**

**December 31, 2012**

	2012	2011
<b>ASSETS</b>		
CASH AND TERM DEPOSITS <i>(Note 4)</i>	\$ 64,144,480	\$ 60,284,199
INVESTMENTS <i>(Note 5)</i>	1,075,791	1,105,781
MEMBERS' LOANS <i>(Notes 6 and 7)</i>	74,985,939	80,106,361
PROPERTY HELD FOR RESALE <i>(Note 8)</i>	450,000	-
PROPERTY, PLANT AND EQUIPMENT <i>(Note 9)</i>	2,369,484	2,479,821
INTANGIBLE ASSETS <i>(Note 10)</i>	116,307	223,592
OTHER ASSETS <i>(Note 11)</i>	170,447	100,198
	<b>\$ 143,312,448</b>	<b>\$ 144,299,952</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 599,636	\$ 653,152
MEMBERS' DEPOSITS <i>(Note 12)</i>	129,771,310	131,074,638
DEFERRED INCOME TAXES <i>(Note 14)</i>	82,061	86,467
	<b>130,453,007</b>	<b>131,814,257</b>
MEMBERS' EQUITY		
Share capital <i>(Note 15)</i>	108,227	102,321
Retained earnings	12,751,214	12,383,374
	<b>12,859,441</b>	<b>12,485,695</b>
	<b>\$ 143,312,448</b>	<b>\$ 144,299,952</b>

ON BEHALF OF THE BOARD

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

The attached notes are an integral part of these financial statements.

**COLUMBIA VALLEY CREDIT UNION**  
**Statement of Income and Retained Earnings**  
**Year Ended December 31, 2012**

	2012	2011
<b>INTEREST INCOME</b>		
Interest from Loans	\$ 3,924,670	\$ 4,348,881
Interest from Investments	<u>1,054,670</u>	<u>824,367</u>
	4,979,340	5,173,248
<b>INTEREST AND LOAN RELATED EXPENSES</b>		
Interest on Deposits	<u>2,248,821</u>	2,619,234
<b>FINANCIAL MARGIN</b>	2,730,519	2,554,014
<b>OPERATING EXPENSES (Schedule 1)</b>	<u>2,820,531</u>	2,489,636
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>(90,012)</u>	64,378
<b>OTHER INCOME (EXPENSES)</b>		
Service Fees, Commissions and Rental	783,614	892,202
Losses on Loans and Property for Resale	(154,480)	(53,444)
Processing and Handling Fees	<u>(73,537)</u>	<u>(75,124)</u>
	555,597	763,634
<b>INCOME BEFORE INCOME TAXES AND REWARDS TO MEMBERS</b>	465,585	828,012
<b>INCOME TAXES (Note 14)</b>	<u>41,852</u>	110,519
<b>INCOME BEFORE REWARDS TO MEMBERS</b>	423,733	717,493
<b>REWARDS TO MEMBERS (Note 15)</b>	<u>55,893</u>	78,688
<b>NET INCOME</b>	367,840	638,805
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<u>12,383,374</u>	11,744,569
<b>RETAINED EARNINGS - END OF YEAR</b>	<u>\$ 12,751,214</u>	<u>\$ 12,383,374</u>

The attached notes are an integral part of these financial statements.

**COLUMBIA VALLEY CREDIT UNION**

**Operating Expenses**

*(Schedule 1)*

**Year Ended December 31, 2012**

	2012	2011
<b>Administrative</b>		
Staff Salaries	\$ 952,771	\$ 825,022
Data Processing and Accounting	344,880	336,642
Staff Benefits	218,913	202,895
Director and Committee Costs	37,607	12,877
Postage	31,092	27,144
Telephone	31,073	27,069
Director Remuneration	28,300	26,225
Staff Travel and Training	25,306	13,050
Stationery and Supplies	23,858	23,564
Insurance	16,881	18,104
	<u>1,710,681</u>	<u>1,512,592</u>
<b>Building and Occupancy</b>		
Amortization	122,767	119,433
Property Taxes	30,157	30,377
Repairs and Maintenance	26,873	22,684
Rental	20,916	20,530
Utilities	20,447	18,039
Janitor	17,963	18,860
Insurance	17,213	15,403
	<u>256,336</u>	<u>245,326</u>
<b>Other</b>		
Amortization	245,585	338,058
Legal and Consulting	196,778	30,333
Dues	112,413	109,202
Stabilization Central Assessment Fees	104,860	92,646
Audit and Inspection	80,453	60,702
Donations	47,714	52,055
Miscellaneous	23,312	23,906
Equipment Rental and Maintenance	22,449	15,473
Promotion and Advertising	19,950	9,343
	<u>853,514</u>	<u>731,718</u>
	<u>\$ 2,820,531</u>	<u>\$ 2,489,636</u>

The attached notes are an integral part of these financial statements.



**COLUMBIA VALLEY CREDIT UNION**

**Statement of Cash Flow**

**Year Ended December 31, 2012**

	2012	2011
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 367,840	\$ 638,805
Items not affecting cash:		
Amortization on building and parking lot	122,767	119,433
Deferred income taxes	(4,406)	(23,199)
Amortization on furniture and equipment	245,585	338,058
	<u>731,786</u>	<u>1,073,097</u>
Changes in non-cash working capital:		
Property held for resale	(450,000)	-
Other assets	(70,249)	(21,789)
Accounts payable and accrued liabilities	(53,513)	59,557
	<u>(573,762)</u>	<u>37,768</u>
Cash flow from operating activities	<u>158,024</u>	<u>1,110,865</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(150,733)	(1,265,800)
Members' loans	5,120,422	4,221,538
Investments	29,990	(185,344)
Cash flow from investing activities	<u>4,999,679</u>	<u>2,770,394</u>
<b>FINANCING ACTIVITIES</b>		
Members' deposits	(1,303,328)	(1,276,361)
Members' shares	5,906	(3,305)
Cash flow used by financing activities	<u>(1,297,422)</u>	<u>(1,279,666)</u>
<b>INCREASE IN CASH FLOW</b>	<b>3,860,281</b>	<b>2,601,593</b>
Cash - beginning of year	<u>60,284,199</u>	<u>57,682,606</u>
<b>CASH - END OF YEAR</b>	<b>\$ 64,144,480</b>	<b>\$ 60,284,199</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 7,564,011	\$ 8,987,996
Deposits - Special and Term	56,580,469	51,296,203
	<u>\$ 64,144,480</u>	<u>\$ 60,284,199</u>

The attached notes are an integral part of these financial statements.

# COLUMBIA VALLEY CREDIT UNION

## Notes to Financial Statements

Year Ended December 31, 2012

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### 1. NATURE OF OPERATIONS

Columbia Valley Credit Union (the "Credit Union") is incorporated under the Credit Union Act (the "Act") of British Columbia and is a member of Central 1 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 machines ("ABMs"), debit and credit cards and Internet banking. The Credit Union head office is located at 511 Main Street, Golden, British Columbia.

These financial statements have been authorized for issue by the Board of Directors on March 6, 2013.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

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

These 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 financial statements are presented in Canadian dollars.

The preparation of 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 financial statements are disclosed in Note 3.

#### Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks, other short-term 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 and cash equivalents are carried at amortized cost, which is equivalent to fair value.

#### Investments - deposits

These deposit instruments are classified as loans and receivables and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost, which approximates fair value.

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity instruments

These instruments are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair market value is not reliably determinable in which case they are carried at cost.

Changes in fair value, except for those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

Where there is a significant or prolonged decline in the fair value of an equity instrument (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

Purchases and sales of equity instruments are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in accumulated other comprehensive income.

On sale, the amount held in accumulated other comprehensive income associated with that instrument is removed from equity and recognized in net income.

Members loans

All members 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 receivables.

Member loans are initially measured 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 (losses).

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 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.

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Bad debt written off

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

Loan securitization

For securitization transactions initiated prior to the date of transition to IFRS, in accordance with pre-changeover Canadian GAAP, loan securitizations were treated as a sale, provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. Gains on these transactions were reported as other income. The amount of these gains are based on the present value of expected future cash flows using management's best estimates and key assumptions such as prepayment rates, excess spread, credit (losses) and discount rates. The Credit Union has a contractual obligation to service the loans on behalf of the transferee.

No securitization transactions have been initiated after the date of transition to IFRS; however, if they are initiated in the future, loans will be derecognized only when the contractual rights to receive the cash flows from these assets have ceased to exist, or substantially all the risk and rewards of the loans have been transferred. If the criteria for derecognition has not been met, the securitization will be reflected as a financing transaction and the related liability initially recorded at fair value and subsequently measured at amortized costs, using the effective interest rate method.

Property, plant and equipment

Property, plant and equipment is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment (losses), with the exception of land which is not amortized and was written up as provided in note 9. Amortization is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Building	40 years
Furniture and equipment	3 - 7 years
Motor vehicles	7 years

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

Intangible assets

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Credit Union. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment (losses). Software is amortized on a straight-line basis over its estimated useful life, but no more than 7 years.

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax is 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 nor 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 probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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 date and are expected to apply when the liabilities / (assets) are settled / (recovered).

Member 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.

Pension plan

The Credit Union participates in a defined benefit pension plan administered by Central 1. The Credit Union accounts for the plan by recognizing contributions as an expense in the year to which they relate.

*(continues)*

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

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.

Patronage distributions

Patronage distributions are recognized in net income when circumstances indicate the Credit Union has a constructive obligation it has little or no direction to avoid, and it can make a reasonable estimate of the amount required to settle the obligation.

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.

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 the 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.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive income consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

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# COLUMBIA VALLEY CREDIT UNION

## Notes to Financial Statements

Year Ended December 31, 2012

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Change in accounting policy

In lieu of cash donations, the Credit Union sometimes pays a "premium" interest rate to certain non profit organizations on deposits held at the Credit Union. These rates are over and above the posted rates that are paid to other members. The Credit Union previously included this interest in "Interest on Deposits" on the Statement of Income and Retained Earnings. The Credit Union has chosen to include this additional interest in "Donations" as part of Operating Expenses. Prior years have been restated to reflect this change in accounting policy to reduce Interest on Deposits expense and increase Donations expense by \$45,362.

#### 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, 2013 or later periods that the Credit Union has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Credit Union are:

- a. IFRS 9 (as amended) Financial Instruments is part of the IASB's wider project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. A new exposure draft to IFRS 9 establishes three primary measurement categories for financial assets: amortized cost, fair value and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Credit Union is in the process of evaluating the impact of the new standard.
- b. IFRS 13 *Fair Value Measurement* defines fair value, provides guidance on the measurement of fair value, and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measure and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The standard is effective for annual periods beginning on or after January 1, 2013. The Credit Union is in the process of evaluating the impact of the new standard.
- c. IAS 19 Employee Benefits. The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

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, 2013 or later periods that the Credit Union has decided to early adopt. The Credit Union has early adopted the amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with the date of transition to IFRS. This eliminates the need for the Credit Union to restate derecognition transactions that occurred before the date of transition to IFRS. The amendment was effective for year-ends beginning on or after July 1, 2011 however, the Credit Union early adopted the amendment. The impact of the amendment and early adoption is that the Credit Union only applies IAS 39 derecognition requirements to transactions that occurred after the date of transaction.

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# COLUMBIA VALLEY CREDIT UNION

## Notes to Financial Statements

Year Ended December 31, 2012

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### 3. 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 experiences may differ from these estimates and assumptions.

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 rates 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.

The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note 5.

#### Member loan loss provision

In determining whether an impairment loss should be recorded in the statement of income the Credit Union makes its 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.

In determining a collective loan loss provision, management used estimates based on the understanding of possible risks in the economy and objective evidence of impairment. The Credit Union has employed a collective loan loss provision in 2012 of \$503,734 (2011 - \$399,232).

#### Income taxes

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

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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4. CASH AND CASH EQUIVALENTS

The Credit Union's cash and current accounts are held with Central 1 and various other financial institutions. The average yield in the accounts at December 31, 2012 is 1.88% (2011 - 1.47%).

	<u>2012</u>	<u>2011</u>
Liquidity reserve deposit	\$ 9,600,000	\$ 10,190,000
Deposits - fixed income	46,412,641	40,815,254
Demand deposits - Canadian	6,488,288	7,934,805
Demand deposits - US	43,874	14,920
Accrued interest	567,828	290,949
	<hr/>	<hr/>
Total deposits	63,112,631	59,245,928
Other cash and deposit accounts	1,031,849	1,038,271
	<hr/>	<hr/>
	\$ 64,144,480	\$ 60,284,199

The Credit Union must maintain liquidity reserves with Central 1 Credit Union (Central 1) at 8% of total assets at December 31, each year. 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. The liquidity reserves are due within one year. At maturity, these deposits are reinvested at market rates for various terms.

Demand deposits are due within one year. The carrying amounts for deposits approximate fair value due to having similar characteristics as cash and cash equivalents.

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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5. 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.

	<u>2012</u>	<u>2011</u>
<b>Equity instruments</b>		
Southern Interior Innovation Fund Inc.	\$ 500,000	\$ 500,000
Central 1 Credit Union - Class A Shares	510,149	543,688
CUPP Services Ltd. Shares	65,396	61,847
Stabilization Central Shares	171	171
Central 1 Credit Union - Class E Shares	75	75
	<u>\$ 1,075,791</u>	<u>\$ 1,105,781</u>

The investment in Southern Interior Innovation Fund Inc. consists of 500,000 Class A shares at a cost of \$1 each. As a result of this investment the credit union has received a British Columbia Tax Credit Certificate, resulting in a provincial tax credit of \$11,374 for the taxation year ended December 31, 2012 (2011 - \$66,625).

The credit union previously maintained a membership in Credit Union Central of British Columbia (CUCBC). As of July 31, 2008, CUCBC joined with Credit Union of Ontario (CUCO) to form a new national financial services entity named Central 1.

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the direction of the Board of Directors 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.

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.

The CUPP Services shares are participating preference shares. There is no separately quoted market value for these shares however, as these are preferred shares fair value is determined to be carrying value.

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

6. MEMBERS' LOANS

	<u>2012</u>	<u>2011</u>
Residential Mortgages	\$ 53,978,770	\$ 57,084,119
Commercial Mortgages and Loans	13,450,084	15,274,372
Personal Loans	7,077,220	7,232,971
Commercial Revolving Credits	1,012,837	1,199,495
Accrued Interest Receivable	157,178	166,064
Subtotal	75,676,089	80,957,021
Deduct: Allowance for Impaired Loans	(690,150)	(850,660)
	<u>\$ 74,985,939</u>	<u>\$ 80,106,361</u>

**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 minus -1.5% to prime plus 12.5%. The rate is determined by the type of security offered and the members' credit worthiness. At December 31, 2012, the credit union's prime rate was 3.5% (2011 - 3.0%).

The interest rate offered on fixed rate loans being advanced at December 31, 2012 ranges from 3.5% to 7.5%. The rate offered to a member varies with the type of security offered and the member's credit worthiness.

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

Personal loans consist of term loans and lines of credit that are non real estate secured and, as such, have various repayment terms. Some of the personal loans are secured by promissory notes and personal property or investments, and others are secured by promissory notes only.

Commercial loans consist of term loans, operating lines 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, investments and personal guarantees.

**Average yields to maturity**

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

	<u>2012</u>	<u>2011</u>
Variable rate	5.94	6.02
Fixed rate due less than one year	5.16	5.02
Fixed rate due between one and five years	4.54	5.08

**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.

**Fair value**

The fair value of member loans at December 31, 2012 was \$75,618,666 (December 31, 2011 - \$80,674,789).

*(continues)*

**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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6. MEMBERS' LOANS *(continued)*

The estimated fair value of the variable rate loans is assumed to be equal to the 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.

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

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7. ALLOWANCE FOR IMPAIRED LOANS

Total allowance for impaired loan provision is comprised of a collective provision at December 31, 2012 of \$503,734 (2011 - \$399,232) and an individual specific provision at December 31, 2012 of \$186,416 (2011 - \$451,428).

Movement in individual specific provision and collective provision for impairment:

	<u>2012</u>	<u>2011</u>
Balance at January 1	\$ 850,660	\$ 863,755
Provision charged to net income	<u>47,289</u>	<u>59,048</u>
	<u>897,949</u>	922,803
Loans written off and revaluation of Property Held for Resale	<u>(207,799)</u>	<u>(72,143)</u>
Balance at December 31	<u>\$ 690,150</u>	<u>\$ 850,660</u>
	<u>\$ 691,142</u>	<u>\$ 1,803,130</u>
Gross principal balance of individual impaired loans		

Analysis of individual loans that are impaired or potentially impaired based on age of repayments outstanding at December 31, 2012.

	<u>2012</u>	<u>2011</u>
Period of delinquency		
Less than 30 days	\$ 503,734	\$ 399,232
Over 90 days	<u>691,142</u>	<u>1,803,130</u>
	<u>1,194,876</u>	2,202,362
Total loans in arrears		
Total loans not in arrears	<u>73,791,063</u>	<u>77,903,999</u>
Total loans	<u>\$ 74,985,939</u>	<u>\$ 80,106,361</u>

*(continues)*

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

7. ALLOWANCE FOR IMPAIRED LOANS *(continued)*

**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 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 Group to reduce any differences between loss estimates and actual loss experience.

The Credit Union determined that a collective (non-specific) impaired loan provision should be applied to 2012 in the amount of \$503,734 (2011 - \$399,232).

8. PROPERTY HELD FOR RESALE

During 2012 the Credit Union foreclosed and was granted Order Absolute on a commercial property located in Golden. The property was initially transferred from commercial loans into the property held for resale account at the carrying value of the loan. This amount was subsequently reduced to an appraised value less estimated selling costs and the reduction in carrying value written off to the allowance for losses on impaired loans.

9. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	<b>2012 Net book value</b>	2011 Net book value
Land	\$ 386,500	\$ -	\$ <b>386,500</b>	\$ 386,500
Building	2,872,772	1,074,231	<b>1,798,541</b>	1,864,639
Furniture and equipment	2,088,732	1,904,289	<b>184,443</b>	228,682
	<b>\$ 5,348,004</b>	<b>\$ 2,978,520</b>	<b>\$ 2,369,484</b>	<b>\$ 2,479,821</b>

As a result of an appraisal prepared by Corrie Appraisals Ltd. on January 21, 2010 the carrying value of the land owned by the credit union was increased to fair value as at January 1, 2010 in accordance with the provisions of IFRS 1 and IAS 16. The credit union owns the land on which the building and parking lot are located in Golden, B.C., with an historical cost of \$108,309. The fair value of the land, as determined from the appraisal prepared by Corrie Appraisals Ltd. on January 21, 2010 is \$386,500. No impairment in the fair value has accrued in 2012.

10. INTANGIBLE ASSETS

	<b>2012</b>	2011
<b>Computer software</b>		
Cost	\$ <b>829,356</b>	\$ 796,888
Accumulated amortization	<b>(713,049)</b>	(573,296)
	<b>\$ 116,307</b>	\$ 223,592



**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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11. OTHER ASSETS

	<u>2012</u>	<u>2011</u>
Prepaid expenses	\$ 93,089	\$ 81,919
Accounts receivable	6,338	18,279
Corporate tax recoverable	<u>71,020</u>	<u>-</u>
	<u>\$ 170,447</u>	<u>\$ 100,198</u>

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

12. MEMBERS' DEPOSITS

	<u>2012</u>	<u>2011</u>
Chequing	\$ 28,200,431	\$ 28,615,985
Plan 24	8,921,524	8,205,099
Special savings	1,702,882	1,862,623
Term deposits	45,514,405	48,498,353
Registered savings plans	19,949,845	19,903,829
Registered retirement income funds	4,512,958	5,156,331
Registered education savings plans	451,185	423,316
Tax free savings account	1,859,935	1,322,857
Class "D" Non-equity shares	18,066,678	16,338,649
	<u>129,179,843</u>	<u>130,327,042</u>
Accrued interest payable	591,467	747,596
	<u>\$ 129,771,310</u>	<u>\$ 131,074,638</u>

**Terms and conditions**

Chequing deposits are due on demand and bear interest depending on deposit balance.

Plan 24 and special savings deposits bear interest at 0.10%. Interest is calculated daily and paid monthly.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually or upon maturity. The interest rates offered on term deposits issued on December 31, 2012 range from 0.40% to 2.10%.

The registered retirement savings plan (RRSP) accounts can be fixed or variable rate. The fixed rate RRSPs have terms similar to the term deposit accounts described above. The interest rates offered on RRSPs issued on December 31, 2012 range from 0.50% to 2.10%. The variable rate RRSPs bear interest at rates up to 0.15% at December 31, 2012.

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, semiannual, or annual basis. The regular withdrawal amount 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 deposits is an amount of \$948,594 denominated in US dollars (December 31, 2011 - \$788,356).

**Fair value**

The fair value of members deposits and shares at December 31, 2012 was \$112,937,295 (December 31, 2011 - \$132,539,596)

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## COLUMBIA VALLEY CREDIT UNION

### Notes to Financial Statements

Year Ended December 31, 2012

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#### 12. MEMBERS' DEPOSITS *(continued)*

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 yield to maturity**

Members' deposits bear interest at both variable and fixed rates with an average yield of 1.42% at December 31, 2012 (2011 - 2.00%).

##### **Concentration of risk**

The credit union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments.

All member deposits are with members located in and around Golden, British Columbia.

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#### 13. PENSION PLAN

The credit union and its management employees contribute to the BC Credit Union Employees' Pension Plan (the Plan); a multi-employer plan consisting of various participating employers within the credit union system in British Columbia. The credit union participates under the defined benefit division of the Plan, which provides benefits equal to 1.75% of service based on final average earnings. The Board of Trustees is responsible for overseeing the management of the Plan, including investment of the assets, the administration of the benefits, and establishing the contribution rates required to fund the benefits as recommended by the actuary.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of the Plan's funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$34,145,000 and an unfunded solvency liability of \$26,379,000, which represents a 13% funding deficit and an 11% solvency deficit. The next valuation will be conducted at December 31, 2012, with results available in mid 2013. The actuary does not attribute portions of the unfunded liability to individual employers. Columbia Valley Credit Union paid \$30,303 for employer contributions to the plan in fiscal 2012 (2011 - \$26,302).

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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14. INCOME TAXES

**Current Tax**

Current income taxes are calculated based on the Income Tax Act as it applies to corporations and specifically credit unions. The current income tax rate on the first \$500,000 of active income for British Columbia corporations is 13.5%. Credit unions are also subject to a special credit union deduction the effect of which is to maintain the 13.5% rate of income tax until the Credit Union achieves a calculated amount of capital.

**Deferred Tax**

Deferred income taxes are calculated on timing differences between amounts claimed as expenses or revenues on the financial statements and the corporation income tax return. Such differences may include claims for amortization of property, plant and equipment being different from rates of capital cost allowance allowed under the Income Tax Act and amounts that have been amortized over an expected useful life that are allowable for full write off in the year of acquisition under the Income Tax Act.

The adoption of IFRS allowed the Credit Union to increase the carrying value of its land to fair value. Those increases also gave rise to deferred income tax that was calculated on the income that would otherwise be taxable if those assets were sold at the fair value.

The deferred income taxes reflected on the Statement of Financial Position include both of the above components as follows:

	<u>2012</u>	<u>2011</u>
Arising from timing differences, accounted for in operations	\$ 8,340	\$ 12,746
Arising from fair values, accounted for in retained earnings	73,721	73,721
	<u>\$ 82,061</u>	<u>\$ 86,467</u>

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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15. MEMBERS' SHARES

At the Annual General Meeting held on April 3, 1990 the membership of the Columbia Valley Credit Union authorized the establishment of three classes of shares:

"A" Equity Membership

"B" Non-Voting Equity Shares

"D" Non Equity Shares

Rights and privileges attached to the various classes are set out in Credit Union Rules 1.1 to 2.16.

As at December 31, the three classes of shares consisted of the following issued and fully paid shares:

	<u>2012</u>	<u>2011</u>
Class "A" membership equity shares	<u>\$ 108,227</u>	<u>\$ 102,321</u>
Class "D" non-equity shares	<u>\$ 18,066,678</u>	<u>\$ 16,338,649</u>

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 Co-operative 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 transactions costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

**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 "A" and "B" shares are not insured by Credit Union Deposit Insurance Corporation of British Columbia. The withdrawal of member shares is subject to the Credit Union maintaining adequate regulatory capital, as is the payment of any dividends on these shares. Membership shares that are available for redemption are classified as equity.

**Distributions to members**

	<u>2012</u>	<u>2011</u>
Patronage distributions	<u>\$ 55,893</u>	<u>\$ 78,688</u>

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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16. 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.

	<u>2012</u>	<u>2011</u>
<b>Compensation</b>		
Salaries and other short-term benefits	\$ 583,028	\$ 453,720
Other long term benefits	48,631	39,974
	<u>\$ 631,659</u>	<u>\$ 493,694</u>
<b>Loans to key management personnel</b>		
Aggregate value of loans advanced	\$ 1,252,065	\$ 1,438,079
Interest received on loans advanced	39,167	47,532
Total value of lines of credit advanced	37,616	49,674
Unused value of lines of credit	68,884	236,826
	<u>\$ 1,397,732</u>	<u>\$ 1,772,111</u>
<b>Deposits from key management personnel</b>	<u>\$ 1,625,860</u>	<u>\$ 2,367,311</u>

**Loans to key management personnel**

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; however, as part of its remuneration and benefit package the Credit Union offers key management personnel a reduction from current interest rates subject to specific maximum amounts as approved by the Board of Directors.

**Deposits from key management personnel**

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.

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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17. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE

The following table represents the carrying amount by classification.

	<u>2012</u>	<u>2011</u>
Cash and term deposits	\$ 64,144,480	\$ 60,284,199
Investments	1,075,791	1,105,781
Members' loans	74,985,939	80,106,361
Other	170,447	100,198
	<u>140,376,657</u>	<u>141,596,539</u>
Members' deposits	(129,771,310)	(131,074,638)
Members' shares	(108,227)	(102,321)
	<u>\$ 10,497,120</u>	<u>\$ 26,758,229</u>

An analysis of instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 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 entirety into only one of three levels.

All of the investments are classified under level 2. See Note 5 for investments.

There were no transfers between level 1 and level 2 for the years ended December 31, 2012 and 2011.

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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18. FINANCIAL INSTRUMENT RISK MANAGEMENT

**General objectives, policies and processes**

The Board of Directors has overall responsibility for 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 the 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 through which it reviews the effectiveness of the processes 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 or credit obligations.

**Risk measurement**

Credit risk rating systems are designed to assess and quantify the risk inherent in credit 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 include Board of Directors limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- Loan collateral security classifications 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 quarterly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans quarterly.

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

*(continues)*

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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18. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

A sizeable portfolio of the loan book is secured by residential property in Golden, 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 prospective firm specific 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 Credit Unions 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 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 monthly 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.

As at December 31, 2011, the position of the Credit Union is as follows:

	<u>2012</u>	<u>2011</u>
• Risk weighted assets	\$42,613,470	\$39,875,323
• Capital adequacy ratio	31.73	32.94
• Risk weighted asset ratio	29.78	27.73

The Credit Union has no material commitments for capital expenditures.

*(continues)*

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

18. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

There have been no significant charges 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 factors 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 on rates charged to clients as well as funds transfer price 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 regulatory bodies in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with the Deposit Insurance Corporation of British Columbia as required by Credit Union regulations. For the year-ended 2012, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest 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 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.

Maturity dates	Assets	Yield (%)	Liabilities	Cost (%)	Asset / Liability Gap
Interest sensitive					
0 - 3 months	\$ 3,434,654	5.42	\$ 7,221,909	2.61	\$ (3,787,255)
4 - 12 months	7,441,265	4.90	16,438,960	2.32	(8,997,695)
1 - 2 years	14,784,835	4.62	23,598,695	2.69	(8,813,860)
2 - 5 years	32,379,528	4.36	21,884,625	2.63	10,494,903
	<u>\$ 58,040,282</u>		<u>\$ 69,144,189</u>		<u>\$ (11,103,907)</u>

*(continues)*

**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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18. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of the Credit Union is to intermediate between the expectations of borrowers and depositors.

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase in interest rate of 1% could result in a increase to net income of \$318,000 (2011 - \$290,000) while a decrease in interest rates of 1% could result in a decrease to net income of \$342,000 (2011 - \$320,000).

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. Foreign currency changes are monitored by the Credit Union for effectiveness of its foreign exchange mitigation activities and holdings are adjusted from time to time.

Risk measurement

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

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**COLUMBIA VALLEY CREDIT UNION**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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19. COMMITMENTS

**Credit Facilities**

The Credit Union has authorized lines of credit with Central 1 totaling \$3,000,000 (2011 - \$3,000,000). These credit facilities are secured by a registered assignment of book debts and a general security agreement covering all assets of the Credit Union.

**Member loans**

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

	<u>2012</u>	<u>2011</u>
<b>Consumer</b>		
Unadvanced loans	\$ 196,425	\$ 261,954
Consumer	2,930,163	2,867,058
Letters of credit	-	5,000
	<u>\$ 3,126,588</u>	<u>\$ 3,134,012</u>
 <b>Commercial</b>		
Unadvanced loans	\$ 601,348	\$ 600,907
Unused lines of credit	3,157,383	2,957,579
Letters of credit	677,844	918,234
	<u>\$ 4,436,575</u>	<u>\$ 4,476,720</u>

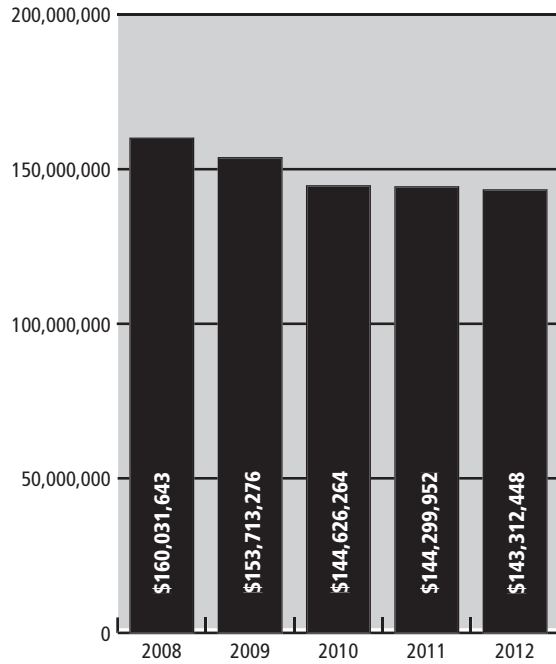
**Contractual obligations**

The Credit Union has an agreement with Open Solutions Canada Inc. 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 December 31, 2013.

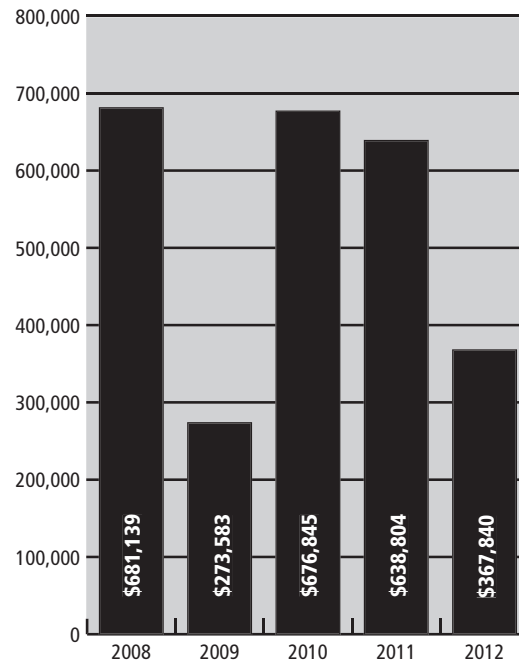
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## Total Assets



## Net Earnings



## Financial Statement Statistics

	2006	2007	2008	2009	2010	2011	2012
Assets	131,988,622	145,604,867	160,031,643	153,713,276	144,626,264	144,299,952	143,312,448
Net Income	1,139,240	1,185,890	681,139	273,583	676,845	638,804	367,840
Dividend	4.5%	5.0%	4.0%	1.5%	2.0%	2.0%	1.5%
Loan Patronage Refund	4.5%	5.0%	4.0%	0%	2.0%	2.0%	1.5%
Retained Earnings	8,722,641	9,908,531	10,589,670	10,863,254	11,540,099	12,383,373	12,751,214
Retained Earnings as % Loans	11.34%	11.92%	12.86%	13.10%	13.68%	15.46%	17.00%



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