CREDIT UNION
DEPOSIT GUARANTEE CORPORATION

Protecting Credit Union Member Deposits for Over 30 Years

ANNUAL BUSINESS REPORT 2015

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CHAIRPERSON'S REPORT

On behalf of the Board of Directors of the Credit Union Deposit Guarantee Corporation (the Corporation) I am pleased to report on the results of the Business Plan of the Corporation for the calendar year ended 2015.

The mandate of the Credit Union Deposit Guarantee Corporation is to protect the qualifying investments of credit union members. The Corporation facilitates the financial stability of the credit union system by monitoring credit unions to ensure they comply with legislation and exercise sound business practices.

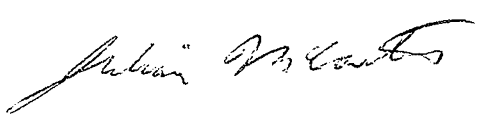
The Board of the Corporation attended nine meetings during 2015: four regular meetings, four meetings with boards of credit unions, and a meeting with credit union board chairs. Individual directors of the Corporation also attended six annual general meetings of credit unions.

The Corporation continued to support the professional development of its directors. During the year, several directors of the Corporation attended a national meeting of the Credit Union Prudential Supervisors Association (CUPSA), the Atlantic Credit Union Prudential Supervisors Association, the International Credit Union Regulators Network, the Newfoundland and Labrador Credit Union Directors Conference and the World Credit Union Conference.

The Board of the Corporation acknowledges it is accountable for the actual results reported. This report provides an overview of the Corporation and results achieved for 2015.

On behalf of the Board of the Corporation, I would like to thank the credit unions for the excellent cooperation received during the past year. I would also like to thank the directors, management and staff of the Corporation for their dedication and support.

On behalf of the Board of Directors,



JULIAN MCCARTHY
Chair

PUBLIC BODY OVERVIEW

Vision

Newfoundland and Labradorians have access to a credit union system that is strong, stable and successful.

Mission

By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have improved the awareness of credit unions, directors, employees and the general public of its legislative responsibilities and the superior deposit protection it offers in support of increased confidence in the credit union system and member growth.

Mandate

The mandate of the Credit Union Deposit Guarantee Corporation is outlined in Section 134 of the *Credit Union Act, 2009* as contained in Appendix A. Its mandate is to protect the qualifying investments of all credit union members. The Corporation facilitates the financial stability of the credit union system by requiring credit unions to comply with legislation and exercise sound business practices.

Lines of Business

The Credit Union Deposit Guarantee Corporation provides the following lines of business to its primary clients:

1. Regulation of Credit Unions
2. Deposit Insurance
3. Stabilization

Regulation of Credit Unions

The Corporation regulates credit unions through its examination, monitoring and enforcement activities.

Examination

Every two years, or more often if required, the Corporation examines credit unions for compliance with legislation and sound business practices.

Monitoring

Monthly, quarterly and annually, the Corporation receives financial statements and other regulatory reports from credit unions which are reviewed and, if required, remedial action is taken. The Corporation also performs monthly desk audits using an inquiry program accessing the credit unions on-line data base which identifies any potential high risk transactions which are investigated. Annually the Corporation also reviews independent audited statements of credit unions prepared by accountants licensed under *Chartered Professional Accountants* and *Public Accountants Act*.

Enforcement
Credit Unions who remain non-compliant will be assessed fines and penalties pursuant to legislation and/or will be placed under supervision by the Corporation.

Deposit Insurance
The Corporation provides deposit insurance on deposits of credit union members equal to a maximum $250,000 per insured deposit. There are six insured deposits, including:
• Basic deposits
• Joint deposits
• Registered Retirement Savings Plans (RRSP'S)
• Registered Retirement Income Funds (RRIF'S)
• Tax Free Savings Accounts (TFSA'S)
• Trust accounts

Stabilization
The Corporation stabilizes credit unions through supervision, training and risk management activities.

Supervision
Credit Unions experiencing on-going difficulties are placed under supervision. The degree of supervision depends on the severity of the problem. The supervision process could involve requiring a credit union to prepare a plan to address the problem creating the difficulty and monitoring for compliance, replacing the Board of Directors, merging the credit union with another credit union or eventually winding up a credit union.

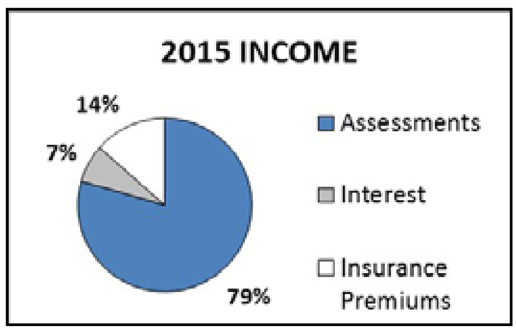
Training
Under legislation, the Corporation may prescribe the minimum level of training for a director or officer of a credit union. During the past number of years the Corporation has been encouraging training of directors in good corporate governance practices by financially supporting director training.

Risk Management
The Corporation administers six insurance policies on behalf of the credit union system. The six policies are Bonding, Directors Liability and Corporate Reimbursement, Corporate Errors and Omissions, Employment Practices Liability, Privacy Liability and On-line Banking. The Corporation also serves as the provincial representative on a National Risk Management Committee.

Under the risk management program, all employees and directors of credit unions are required to complete and file a fidelity bond application. For each employee a criminal record check is completed (CPIC) and a credit bureau. A bonding application may be conditional if the applicant's credit bureau shows abnormal financial stress. This program is administered by the Corporation. In addition, the Corporation co-ordinates and files credit union loss claims and facilitates training for credit union employees in good risk management practices in areas covered by the policies. This training includes such areas as cash custody control procedures, debit card fraud, identity theft, credit card fraud, employee dishonesty, robbery prevention, phishing, skimming, cheque fraud, cyber risks, wire transfer fraud, money laundering and privacy legislation requirements.

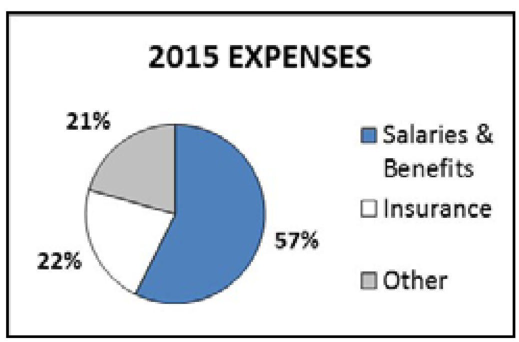
The Corporation has seven employees, six situated in Marystown and one in Mount Pearl (four male and three female). The Board has six directors (five male and one female) with three directors selected from Credit Union System nominees (Appendix B). The Chief Executive Officer is also the Superintendent of Credit Unions and Secretary/Treasurer of the Board.

The Corporation is self-funding and is operated outside of Government's budgetary process. The Board of Directors of the Corporation is responsible for the approval of the budget and expenditures of the Corporation.



The Corporation's revenues are generated from deposit insurance assessments received from credit unions, premiums received on insurance programs and investment income.

The Corporation's primary operating expenses include salaries and benefits, bonding insurance and other operating costs such as travel and administration.



HIGHLIGHTS AND ACCOMPLISHMENTS

The Credit Union Deposit Guarantee Corporation continued to perform well in 2015.

Financial:

The Corporation's reported net income was $1,055,126 in 2015 as compared to $671,876 in 2014. The increase in 2015 net income is primarily a result of the following:

- There was a payout of $300,000 in credit union assistance in 2014 which did not occur in 2015.
- Assessments increased due to an increase in insurable deposits
- Interest income increased due to a more favorable interest rate
- Salaries expense increased as a result of a 3% raise, increased pension costs and a full year's salary expensed as a result of filling a vacant position in late 2014.

The Deposit Guarantee Fund Balance at the end of 2015 was $7,764,825 as compared to $6,709,700 at the end of 2014. The Corporation reported assets of $8,035,621 in 2015 compared to $7,255,515 in 2014.

The audited financial statements of the Corporation are contained in pages 14 to 27 of this report.

Operational:

In accordance with its legislative mandate, the Corporation continued to monitor and examine credit unions in 2015 and continued its supervision of one credit union.

The Corporation completed five (5) examinations of credit unions in 2015 covering nine (9) branches. There were no deficiencies or non-compliance issues identified that posed significant risk to these credit unions.

The Corporation continued its focus on good governance and risk management practices. The Corporation continued its sponsorship of credit union directors training by covering 50% of the cost of training taken by credit union directors amounting to $6,306.

The Corporation is Master Policy Holder for six insurance policies. In 2015 there were a total of twelve (12) claims filed, nine (9) On-Line Banking claims totaling $33,560 of which seven (7) were paid out for a total of $22,055 returned to credit unions, one (1) was cancelled as the funds had been recovered and one (1) was paid out for $1,100 however the funds were later recovered and paid back to the Insurer. There were two (2) claims for Plastic Card Fraud and one (1) claim for a fraudulent cheque. However all three claims were declined as the amount was under the deductible of $5,000. After insurance deductibles, the net amount of claims paid out to credit unions was $22,055 in 2015.

HIGHLIGHTS AND ACCOMPLISHMENTS

The Corporation processed 53 bonding applications (51 staff and 2 directors) in 2015. Forty-three (43) were approved unconditionally and nine (9) were conditionally approve and one (1) is pending receipt of additional information.

The Corporation's staff participated in international, national, regional and provincial meetings during the year. The Corporation staff participated on the National Risk Management Committee, Credit Union Prudential Supervisors Association, the Atlantic Credit Union Prudential Supervisors Association, and the International Credit Union Regulators Network.

The Credit Union Examiner attended an update by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) on money laundering and financing terrorist activities. Also all staff participated in a two hour session on privacy in the workplace.

BUSINESS ISSUES

The following section presents the business issues fulfilling the requirements outlined in the *Transparency and Accountability Act* which designates the Corporation a Category 2 entity, to report to the people of Newfoundland and Labrador on progress in the areas of awareness and enterprise risk management during 2015.

Business Issue 1: Awareness

The Credit Union Deposit Guarantee Corporation believes that continuing awareness of the deposit insurance program will not only support member growth in the credit union system but will enhance the long term viability of the System.

Goal

Three Year Business Goal:
By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have developed new materials for promotion of deposit insurance, strategically advertised the deposit insurance program using print media, and completed an awareness survey and an effectiveness report.

Objective for the year 2015:
By December 31, 2015, the Credit Union Deposit Guarantee Corporation will have distributed new deposit insurance promotional material to credit unions and advertised deposit insurance using print media.

Measure:
Distributed new deposit insurance promotional material to credit unions and advertised deposit insurance using print media.

Indicators:
- New deposit insurance promotional brochures, posters and decals distributed to all credit unions
- Deposit Insurance advertised in a provincial newspaper

Results achieved:
For Business Plan 2014-2016, the Credit Union Deposit Guarantee Corporation decided to continue its concentration on awareness of the deposit insurance guarantee and the role of the Credit Union Deposit Guarantee Corporation. In 2014, new deposit insurance brochures and other promotion materials were developed and printed.

In 2015, the new promotional materials which included brochures, posters and decals were forwarded to all credit union branches to assist them in ensuring members and would be members understood the deposit insurance being provided. In January and October 2015, during RRSP season and Co-op week respectfully, advertisements were placed in the provincial newspaper promoting the guarantee. During the Annual General Meetings of members of credit unions, representatives of CUDGC addressed members present providing information on the guarantee and CUDGCs role as regulator.

Objective for the year 2016:
By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have advertised deposit insurance using print media, completed an awareness survey and an effectiveness report.

Measure:
Advertised deposit insurance using print media, completed an awareness survey, and completed an effectiveness report.

Indicators:
- Deposit insurance using print media advertised
- Awareness survey completed
- Effectiveness report completed

Business Issue 2: Enterprise Risk Management (ERM)
The Credit Union Deposit Guarantee Corporation believes that it is important that it engage in an Enterprise Risk Management process to ensure both current and future risks which may impact the operation of the Credit Union Deposit Guarantee Corporation now and into the future are fully understood.

Goal

Three Year Business Goal:
By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have completed an Enterprise Risk Management process.

Objective for the year 2015:
By December 31, 2015, the Credit Union Deposit Guarantee Corporation will have identified the key risks and impacts, identified priority risks and completed gap analysis.

Measure:
Identified risks and impacts, identified priority risks, and completed gap analysis.

Indicators:
- Key risks and Impacts identified
- Priority risks identified
- Gap analysis completed

Results achieved:
Commencing in 2014, the Corporation decided to develop an enterprise risk management framework to ensure existing and potential material risks that could impact the Corporation were identified, managed and mitigated.

As part of this process in 2015, the Board of the Credit Union Deposit Guarantee Corporation identified the key risks and their key impacts, prioritized the key issues and completed a gap analysis. During this review the Board reviewed the risk areas it had identified namely; Financial, Human Resources, Governance, Supervision, Legal & Regulatory and Operational. Under these six risk areas the Board assessed twenty eight individual risks. The Board concluded that there were three priority risks namely fund size, liquidity and succession planning. Based on a gap analysis CUDGC needs to develop and implement a mitigation strategy with respect to succession planning. There is currently a plan in place addressing the fund size and credit unions are compliant with current liquidity regulatory requirements.

The final phase which includes the development and implementation of mitigation strategies will be carried out in 2016.

Objective for the year 2016:
By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have developed and implemented mitigation strategies.

Measure:
Mitigation strategies developed and implemented.

Indicators:
- Mitigation strategies developed
- Mitigation strategies implemented

OPPORTUNITIES AND CHALLENGES AHEAD

The Board of the Credit Union Deposit Guarantee Corporation reviewed the opportunities and challenges and decided that they were still relevant and therefore remain unchanged from 2014.

Opportunities

1. To help foster continued development of credit union directors, management and staff by supporting training initiatives.

2. To maintain and enhance communication with credit union directors by attending annual general meetings, board on board meetings and attending provincial and regional credit union system meetings.

3. To support the growth of the credit union movement by the Corporation enhancing member and public awareness of the deposit guarantee and the services provided by the Credit Union Deposit Guarantee Corporation.

Challenges

1. To ensure timely remedial action is taken to address issues so that the guarantee fund will not be negatively impacted.

2. To assist provincial credit unions in mitigating any possible negative impacts resulting from proposed changes to Federal legislation with respect to withdrawal of supervisory oversight of credit union centrals and changes to Federal credit union legislation.

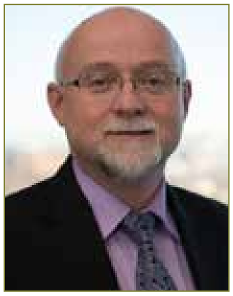
3. To ensure the Corporation’s staff and directors undertake educational opportunities to enable the corporation to satisfactorily respond to new issues that may result from the rapid changes taking place in the financial industry.

APPENDIX A - MANDATE

Legislated Mandate *(Source: Credit Union Act, 2009 Chapter C-37.2)*

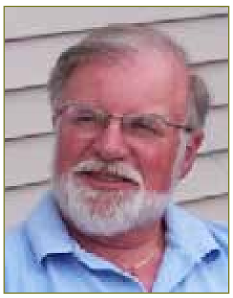
134. The duties of the guarantee corporation are
    a) to provide, for the benefit of persons having deposits with credit unions in the province, deposit insurance against loss of part or all of those deposits by making payments to the depositors to the extent and in the manner authorized by this Act;
    b) in those circumstances that the guarantee corporation considers appropriate, to provide assistance to credit unions for the purpose of stabilization or for the orderly liquidation of a credit union;
    c) to protect deposits in credit unions against impairment arising from financial losses and insolvency by
        (i) promoting the development and implementation of sound business practices and sound financial policies and procedures by credit unions, and
        (ii) establishing and implementing loss prevention programs and other controls;
    d) to act as supervisor of a credit union; and
    e) to do those other things that may be required or authorized by this Act or the regulations.

APPENDIX B - DIRECTOR PROFILES



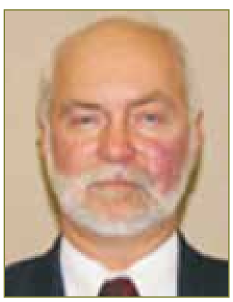
Julian McCarthy
Chair

Julian McCarthy Is the Assistant Deputy of Consumer and Commercial Affairs, Department of Service NL, Government of Newfoundland and Labrador. He has held this position and has been Chair of the Board for the Credit Union Deposit Guarantee Corporation since April of 2011. Mr. McCarthy has been employed with the provincial government for 28 years and has a Bachelor of Commerce (honors) degree from Memorial University.



Clayton Handrigan
Vice-Chair

Clayton Handrigan is a retired educator, having spent 30 years as a teacher, guidance counselor, and an administrator. He holds a Bachelor of Arts (Education) degree and a Bachelor of Arts degree from Memorial University and a Master of Education degree from the University of Toronto. He served on the Board of Directors of the Newfoundland and Labrador Credit Union for 12 years, three of which he was the President and Chair of the Board. Mr. Handrigan is a Credit Union System nominee and has served as a member of the Credit Union Deposit Guarantee Corporation Board for seven (7) years. His current term will expire March 21, 2016.



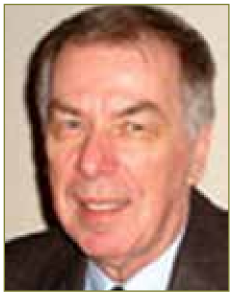
William Langthorne
CEO/Superintendent of Credit Unions
Secretary Treasurer

William Langthorne is the Chief Executive Officer of the Credit Union Deposit Guarantee Corporation, Superintendent of Credit Unions, and Secretary Treasurer of the Board. Mr. Langthorne has been employed with the Credit Union Deposit Guarantee Corporation since 1988. Mr. Langthorne is a Certified General Accountant and has a Bachelor of Arts Degree with a major in Economics and a minor in Business.

Maureen McCarthy

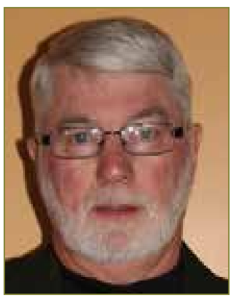
Maureen McCarthy is Director of Pensions, Department of Finance, Government of Newfoundland and Labrador. Ms. McCarthy is a Certified Management Accountant and has a Bachelor of Commerce (Honors) degree from Memorial University. Ms. McCarthy has been on the Board of the Credit Union Deposit Guarantee Corporation since 2000 as a Government Appointment.

APPENDIX B - DIRECTOR PROFILES



Ray Andrews

Ray Andrews is a consultant dealing with fisheries policy and planning. He graduated with a Bachelor of Science (Biology) in 1970 from Memorial University. Mr. Andrews was Deputy Minister of Fisheries, a Director of the Canadian Saltfish Corporation, Vice-Chair of the Fisheries Loan Board, a member of the Northern Cod Task Force, director of the Marine Institute Board of Governors and Chairperson of the Newfoundland and Labrador Fisheries Development Corporation. Mr. Andrews has been on the Board of the Credit Union Deposit Guarantee Corporation for six (6) years. His current term will expire on March 5, 2018.



Brendan Doyle

Brendan Doyle is a retired educator, with tenure as a teacher, department head, guidance counsellor, administrator, program specialist, and President of Newfoundland and Labrador Teachers' Association. He holds a Bachelor of Arts degree from St. Francis Xavier University, a Bachelor of Education and Master of Education in Administration degrees from Memorial University of Newfoundland, and a Master of Education in Guidance and Counselling from the University of New Brunswick. Brendan served ten years on the Board of Directors of Codroy Valley/Leading Edge Credit Union, and is in his first year as a Credit Union System nominee on the Board of the Credit Union Deposit Guarantee Corporation. His current term will expire on March 5, 2017.

APPENDIX C - AUDITED FINANCIAL STATEMENTS

Financial Statements of

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Year Ended December 31, 2015

BRIAN T. SCAMMELL CPA, CA CBV
ASSURANCE VALUATION & ADVISORY

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Credit Union Deposit Guarantee Corporation NL

We have audited the accompanying financial statements of Credit Union Deposit Guarantee Corporation NL, which comprise the balance sheet as at December 31, 2015 and the statements of income and fund balance 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 Credit Union Deposit Guarantee Corporation NL as at December 31, 2015 and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

Brian Scammell

St. John's, NL
March 31, 2016

Chartered Professional Accountant

BALANCE SHEET

		2015		2014
ASSETS				
Cash	**$**	**44,668**	$	41,781
Marketable securities *(Market value $7,925,110; 2014 - $7,100,110) (Note 4)*		**7,925,110**		7,100,110
Accounts receivable		**500**		500
Interest receivable		**34,278**		80,044
Harmonized sales tax recoverable		**20,357**		20,144
Prepaid expenses		**407**		442
Property, plant and equipment *(Net of accumulated amortization) (Note 5)*		**10,301**		12,494
	$	**8,035,621**	$	7,255,515
LIABILITIES				
Accounts payable	**$**	**270,796**	$	545,816
FUND BALANCE		**7,764,825**		6,709,699
LIABILITIES AND FUND BALANCE	**$**	**8,035,621**	$	7,255,515

ON BEHALF OF THE BOARD

_______________ *Director*

_______________ *Director*

STATEMENT OF INCOME AND FUND BALANCE

		2015		2014
REVENUES				
Assessments	$	**1,673,942**	$	1,555,732
Bonding insurance		**284,221**		277,197
Interest		**147,691**		121,058
Other		**950**		800
		2,106,804		1,954,787
EXPENSES				
Salaries and wages		**603,109**		530,587
Insurance		**231,074**		224,707
Rental		**44,460**		44,460
Meetings and conventions		**37,990**		38,867
Travel		**32,720**		27,554
Training		**28,386**		48,067
Office		**14,309**		12,610
Data access costs		**13,903**		13,630
Advertising and promotion		**12,965**		4,368
Telephone		**11,402**		12,752
Professional fees		**9,412**		11,661
Directors fees		**8,375**		9,725
Amortization		**3,274**		3,526
Loss on disposal of assets		**299**		397
		1,051,678		982,911
INCOME FROM OPERATIONS		**1,055,126**		971,876
OTHER EXPENSES				
Assistance to credit unions		**-**		(300,000)
NET INCOME		**1,055,126**		671,876
FUND BALANCE - BEGINNING OF YEAR		**6,709,699**		6,037,823
FUND BALANCE - END OF YEAR	**$**	**7,764,825**	$	6,709,699

STATEMENT OF CASH FLOWS

		2015		2014
OPERATING ACTIVITIES				
Net income	$	1,055,126	$	671,876
Items not affecting cash:				
Amortization of property, plant and equipment		3,274		3,526
Loss on disposal of property, plant and equipment		299		397
Interest revenue		(147,691)		(121,058)
		911,008		554,741
Changes in non-cash working capital:				
Accounts receivable		-		114
Interest received		193,457		65,404
Accounts payable		(275,020)		14,990
Prepaid expenses		35		(1)
Harmonized sales tax payable		(213)		8,277
		(81,741)		88,784
Cash flow from operating activities		829,267		643,525
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(1,380)		(4,670)
Proceeds on disposal of property, plant and equipment		-		117
Proceeds from sale of marketable securities		7,100,000		6,000,000
Purchase of marketable securities		(7,925,000)		(6,650,000)
Cash flow used by investing activities		(826,380)		(654,553)
INCREASE (DECREASE) IN CASH FLOW		2,887		(11,028)
Cash - beginning of year		41,781		52,809
CASH - END OF YEAR	$	44,668	$	41,781

1. REPORTING ENTITY

The Credit Union Deposit Guarantee Corporation (the "Corporation") is established as a corporation without share capital under the provisions of Section 133 of the Credit Union Act, 2009.

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"). The financial statements for the year ended December 31, 2015 were authorized for issue by the Corporation's Board of Directors on ???

Basis of preparation

These financial statements are presented in Canadian dollars which is the Corporation's functional currency. They are prepared under the historical cost convention except for cash and cash equivalents which are classified as available-for-sale.

Use of significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgements, 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 judgements 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.

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.

Judgements made by management in the application of IFRS have a significant effect on these financial statements. Outlined below are areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the Corporation's financial statements:

a) Provisions

The amount recognized as accounts payable and accrued liabilities is the best estimate of the consideration required to settle the related liability, taking into account the risks and uncertainties surrounding the obligation.

Estimates and judgements 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 materially from those reported.

Assistance to credit unions, which is included in accounts payable and accrued liabilities, is management's best estimate of the consideration required to settle the related liability, taking into account the risks and uncertainties surrounding the obligation.

(continues)

2. BASIS OF PREPARATION *(continued)*

(b) Economic lives of property, plant and equipment

Management determines the estimated useful lives of its property, plant and equipment based on historical experience of the actual lives of property, plant and equipment of similar nature and functions, and reviews these estimates at the end of each reporting period.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to the existing standards have been issued by the IASB but are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these financial statements:

(a) Financial instruments

In November 2009 and October 2010, the IASB issued IFRS 9 - Financial Instruments ("IFRS 9"). 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.

In November 2014, the IASB announced the completion of a package of three amendments to the accounting requirements for financial statements set out in IFRS 9. The amendments are as follows:

- bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
- allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and
- remove the January 1, 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

The Corporation is assessing the potential impact of these new amendments and standards.

(b) Clarification of Acceptable Methods of Depreciation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for property, plant and equipment.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Corporation uses the declining balance methods for depreciation of its property, plant and equipment. Management of the Corporation believe that this method is the most appropriate to reflect the consumption of economic benefits inherent in the respective assets and accordingly, management of the Corporation does not anticipate that the application of this amendment to IAS 16 will have a material impact on the Corporation's financial statements.

(c) Revenue for Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

(continues)

2. BASIS OF PREPARATION *(continued)*

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 is applicable for annual periods beginning on or after January 1, 2018, with earlier application permitted. Management of the Corporation is assessing the potential impact of this new standard.

(d) *Leases*

On January 13, 2016, the IASB issued IFRS 16 Leases which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associative interpretative guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value. assets.) In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019, with earlier application permitted for companies that have also adopted IFRS 15 Revenue From Contracts with Customers. Management of the Corporation is assessing the potential impact of this new standard.

3. OTHER SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash consists of balances with banks.

Financial instruments

Classification

A financial instrument is a contract that establishes a financial asset for one party and a financial liability or equity instrument for the other party. All financial instruments have been classified either based on the type of instrument or the Corporation's intention regarding the instrument, as described below:

Held for Trading

Financial assets classified as held for trading are typically acquired for resale prior to maturity or designated as held for trading.They are measured at fair value on the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income. Cash and cash equivalents have been classified as held-for-trading.

Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Corporation elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense.These are accounted for in the same manner as held for trading assets.The Corporation has not designated any non-derivative financial liabilities as held for trading.

Held to Maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity.These assets are measured at amortized cost using the effective interest method. The Corporation has classified its investments as held to maturity.

Available for Sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale, or that are not classified as loans and receivables, held for trading, or held to maturity. Except as mentioned below, available for sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to other income. Available for sale financial assets that do not have quoted market prices in an active market are recorded at cost. Interest on interest bearing available for sale financial assets is calculated using the effective interest method. No financial assets have been classified as available for sale except for cash and cash equivalents.

Loans and Receivables

Loans and receivables are recorded at amortized cost using the effective interest method. Amortized cost is a reasonable estimate of the fair value of these instruments.

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3. OTHER SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other Liabilities

Other liabilities, such as bank indebtedness and accounts payable and accrued liabilities, are recorded at amortized cost using the effective interest method and include all financial liabilities other than derivative instruments. Amortized cost is a reasonable estimate of the fair value of these instruments

Transaction Costs

Transaction costs are expensed as incurred.

Fair Values

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices in an active market. In the absence of an open market, the Corporation determines fair values based on internal or external valuation models such as discounted cash flow analysis or using observable market-based inputs.

Effective Interest Method

The Corporation uses the effective interest method to recognize interest income or expense, premiums or discounts earned or incurred for financial instruments.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method
Signage	20%	declining balance method

The Corporation regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Severance pay

Severance pay, which is included with accounts payable and accrued liabilities, is accrued for all employees for whom the right to such compensation is vested.

Revenue recognition

The Corporation recognizes assessment revenue based on a percentage of insured deposits of individual credit unions operating within the Province of Newfoundland & Labrador. Interest revenue is recognized based on the investment interest collected and accrued during the year, and bonding revenue is recognized based on a percentage of individual credit unions' assets plus a $60,000 fee that is allocated to the Newfoundland and Labrador credit unions based on a pre-determined formula.

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3. OTHER SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assistance to credit unions

Assistance to credit unions is recorded only when it can be reasonably determined by the Corporation that such a payment will be required and when the Board of Directors has assessed the reasonableness of such a charge and authorized the assistance as a commitment of the Fund. The determination of the assistance requires the exercise of judgement because the precise amount, method and timing of such assistance is dependent on future events. The amount of actual assistance paid and possible future assistance is disclosed in the financial statements.

Pension costs

Employees of the Corporation other than the Chief Executive Officer are included in the Public Service Pension Plan of the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Corporation. The annual contributions for pension are recognized in the accounts on a current basis. Contributions to this plan totalled $20,039 (2014- $25,579).

The Corporation also contributed to a private registered retirement savings plan for the Chief Executive Officer based on a percentage of his annual salary. Contributions to this plan totalled $8,247 (2014 - $8,461)

Future income taxes

Income taxes are reported using the future income taxes method, as follows: current income tax expense is the estimated income taxes payable for the current year after any refunds or the use of losses incurred in previous years, and future income taxes reflect:

- the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes;
- the benefit of unutilized tax losses that will more likely than not be realized and carried forward to future years to reduce income taxes.

Future income taxes are estimated using the rates enacted by tax law and those substantively enacted for the years in which future income taxes assets are likely to be realized, or future income tax liabilities settled. The effect of a change in tax rates on future income tax assets and liabilities is included in earnings in the period when the change is substantively enacted.

4. MARKETABLE SECURITIES

	2015	2014
Concentra Financial term deposit, 2%, maturing April 11, 2016	**$ 7,500,000**	$ -
Cencentra Financial term deposit, 1.35%, maturing April 28, 2016	**425,000**	-
Concentra Financial term deposit, 1.60%, matured April 28, 2015	**-**	1,100,000
Bank of Montreal term deposit, 1.76%, matured April 10, 2015.	**-**	6,000,000
Newfoundland and Labrador Credit Union share	**100**	100
Concentra share	**10**	10
	$ 7,925,110	$ 7,100,110

5. PROPERTY, PLANT AND EQUIPMENT

2015

	Computers	Signage	Furniture and Fixtures	Total
	$	$	$	$
Cost				
Balance, beginning of year	81,855	1,547	36,220	119,622
Additions	1,380	-		1,380
Disposals	502	-	-	502
Balance, end of year	82,733	1,547	36,220	120,500
Accumulated Depreciation				
Balance, beginning of year	75,839	656	30,633	107,128
Reductions on disposal	- 203			- 203
Amortization expense	1,978	178	1,118	3,274
	77,614	834	31,751	110,199
Net book value	**5,120**	**713**	**4,469**	**10,301**

2014

	Computers	Signage	Furniture and Fixtures	Total
	$	$	$	$
Cost				
Balance, beginning of year	78,873	1,547	35,047	115,467
Additions	3,497	-	1,173	4,670
Disposals	515	-	-	515
Balance, end of year	81,855	1,547	36,220	119,622
Accumulated Depreciation				
Balance, beginning of year	73,787	433	29,383	103,603
Amortization expense	2,052	223	1,250	3,525
Balance, end of year	75,839	656	30,633	107,128
Net book value	**6,016**	**891**	**5,587**	**12,494**

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's financial instruments are comprised of cash, investments, receivables and accounts payable.

Cash is reported at fair value on the balance sheet. Receivables and accounts payable are reported at amortized cost which approximates fair value due to their short term nature. Investments are reported at amortized cost using the effective interest method which approximates their fair value.

7. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The Corporation is exposed to the following risks as a result of holding financial instruments: credit risk, market risk and liquidity risk. The following is a description of those risks and how the Corporation manages the exposure to them.

Credit Risk

Credit risk is the risk that a financial loss will occur due to the failure of a counterparty to discharge its contractual commitment or obligation to the Corporation. Credit risk may arise principally through its investments included in the Corporation's asset portfolio.

The Corporation manages this risk by making investments in accordance with the investment policy established by the Board of Directors which permits the Corporation to invest in high quality, liquid short-term investments. Equity investments are not permitted.

Market Risk

Market risk arises from changes in interest rates on investments in its portfolio that affect the Corporation's net interest income. The Corporation's goal is to maximize its return on these portfolios, without taking unreasonable risk and retaining a high degree of liquidity.

The Corporation manages this risk by investing in securities that are not susceptible to significant changes in rates of return to the Corporation caused by changes in market values of the investments.

Liquidity Risk

Liquidity risk is the risk of having insufficient financial resources to meet the Corporation's funding requirements.

The Corporation's liquidity policies and practices include the measurement and forecast of cash flows and maintenance of a pool of high quality liquid assets.

8. COMMITMENTS

The Corporation has entered into a lease agreement for office space which expires December 31, 2016. The amount of the annual rent payable is $44,460 plus HST.

9. INCOME TAXES

Credit union assessments and assistance are excluded from the calculation of taxable income.

The undepreciated capital cost for income tax purposes of the Corporation's depreciable assets exceeds the net book value by $145,070.

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9. INCOME TAXES *(continued)*

The Corporation has the following non-capital losses available, listed by year of expiry, which can be used to reduce future years' taxable income. The potential income tax benefits associated with these items have not been recognized in the financial statements

2026	$	350,333
2027		255,907
2028		387,654
2029		434,292
2030		575,432
2031		654,705
2032		658,896
2033		631,274
2034		565,881
2035		607,889
	$	5,122,263

10. RELATED PARTY TRANSACTIONS

The Corporation's compensation, including the employers' portion of benefits, to key management personnel in 2015, 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 Corporation, including directors and management was $237,189 (2014 - $241,669).