Latvian Credit Union Limited

Financial Statements

For the year ended March 31, 2016

Latvian Credit Union Limited
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For the year ended March 31, 2016

Management's Responsibility

To the Members of Latvian Credit Union Limited:

The accompanying financial statements of Latvian Credit Union Limited are the responsibility of management and have been approved by the Board of Directors.

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting policies and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

May 26, 2016

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CEO

Independent Auditors' Report

To the Members of Latvian Credit Union Limited:

We have audited the accompanying financial statements of Latvian Credit Union Limited, which comprise the statement of financial position as at March 31, 2016, the statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly in all material respects, the financial position of Latvian Credit Union Limited as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

May 26, 2016 — Licensed Public Accountants

Latvian Credit Union Limited
Statement of Financial Position

As at March 31, 2016

In $	***2016***	*2015*
Assets		
Cash	**2,103,155**	1,364,110
Investments *(Note 5)*	**25,511,764**	22,507,345
Member loans *(Note 6)*	**25,117,418**	25,662,247
Other assets (*Note 7)*	**133,953**	84,782
Property and equipment *(Note 8)*	**11,507**	6,606
	52,877,797	49,625,090
Liabilities		
Member deposits *(Note 9)*	**48,113,840**	44,602,195
Other liabilities *(Note 10)*	**200,435**	184,871
Member shares *(Note 12)*	**8,175**	8,525
	48,322,450	44,795,591
Commitments *(Notes 15, 17)*		
Members' Equity		
Retained earnings	**4,555,347**	4,829,499
	52,877,797	49,625,090

Approved on behalf of the Board

Director **Director**

The accompanying notes form part of the financial statements

Latvian Credit Union Limited
Statement of Comprehensive Income
For the year ended March 31, 2016

In $	***2016***	*2015*
Interest income		
Member loans	**1,044,657**	1,043,370
Investments	**205,826**	267,927
	1,250,483	1,311,297
Interest expense		
Member deposits	**22,868**	27,281
Interest on member savings	**389,451**	503,083
Interest rebates on loans to members	**-**	118,387
	412,319	648,751
Net interest income	**838,164**	662,546
Provision for impaired loans *(Note 6)*	**-**	-
Net interest income after decrease in collective provision for impaired loans	**838,164**	662,546
Other income	**24,338**	80,356
Net interest and other income	**862,502**	742,902
Operating expenses		
Salaries and benefits	**596,418**	581,204
Other administrative expenses *(Schedule)*	**286,887**	307,201
Occupancy expenses	**57,908**	63,327
Deposit insurance premium	**30,975**	37,845
	972,188	989,577
Loss before other items	**(109,686)**	(246,675)
Other item		
Gain (loss) on investments	**(214,568)**	419,551
Income (loss) before income taxes	**(324,254)**	172,876
Income taxes (recovery) *(Note 11)*		
Current	**(52,602)**	25,765
Deferred	**2,500**	1,300
	(50,102)	27,065
Net income (loss) and comprehensive income (loss)	**(274,152)**	145,811

The accompanying notes form part of the financial statements

Latvian Credit Union Limited

Statement of Changes in Members' Equity

For the year ended March 31, 2016

In $	***2016***	*2015*
Retained earnings, balance beginning of year	**4,829,499**	4,683,688
Net income (loss) for the year	**(274,152)**	145,811
Retained earnings, balance end of year	**4,555,347**	4,829,499

The accompanying notes form part of the financial statements

Latvian Credit Union Limited
Statement of Cash Flows
For the year ended March 31, 2016

In $	***2016***	*2015*
Cash provided by (used for) the following activities		
Operating activities		
Net income (loss) for the year	**(274,152)**	145,811
Adjustments for:		
Interest revenue	**(1,250,483)**	(1,311,297)
Interest expense	**412,319**	648,751
Depreciation	**6,255**	4,555
(Gain) loss on investments	**214,568**	(419,551)
Income taxes (recoverable) expense	**(50,102)**	27,065
Net change in other assets	**4,404**	9,272
Net change in other liabilities	**22,437**	(36,941)
Interest received on member loans	**1,038,968**	1,034,397
Interest received on investments	**205,826**	267,927
Interest paid on member deposits	**(412,493)**	(648,842)
Income taxes paid	**(32,658)**	(26,298)
	(115,111)	(305,151)
Investing activities		
Net change in member loans	**550,518**	(937,775)
Net change in investments	**(3,218,987)**	(1,003,520)
Purchase of property and equipment	**11,156**	-
	(2,657,313)	(1,941,295)
Financing activities		
Net change in member deposits	**3,511,819**	(722,306)
Net change in member shares	**(350)**	(1,500)
	3,511,469	(723,806)
Net change in cash during the year	**739,045**	(2,970,252)
Cash, beginning of year	**1,364,110**	4,334,362
Cash, end of year	**2,103,155**	1,364,110

1. Reporting entity information

Entity information

Latvian Credit Union Limited (the "Credit Union") is a financial institution incorporated in Ontario under the Credit Unions and Caisses Populaires Act, 1994 and operates in accordance with this statute and the accompanying regulations. The Credit Union's prescribed level of deposits are insured by the Deposit Insurance Corporation of Ontario ("DICO"). The Credit Union provides financial products and services to members throughout Ontario. The Credit Union's registered office and principal place of business is located at 4 Credit Union Drive, Toronto, Ontario.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board. The financial statements have been prepared in accordance with all IFRS issued and in effect as at March 31, 2016.

These financial statements for the year ended March 31, 2016 were approved and authorized for issue by the Board of Directors on May 26, 2016.

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments. The principal accounting policies are set out in Note 2.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

2. Significant accounting policies

The Credit Unions and Caisses Populaires Act, 1994 (the "Act")

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Cash

Cash includes cash on hand and demand deposits.

Investments

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

Member loans

Loans are recognized at their amortized cost. Amortized cost is calculated as the loan's principal amount, less any allowance for estimated losses, plus accrued interest, using the effective interest method. Under this method, loan administration fees are incorporated into the effective interest earned by being amortized over the term of the loan.

Impairment of financial assets

For financial assets carried at amortized cost, the Credit Union first assesses individually whether objective evidence of impairment exists for financial assets that are significant, or collectively for financial assets that are not individually significant. If the Credit Union determines that no objective evidence of impairment exists for an individually assessed loan, then it includes that financial asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Financial 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 for impairment.

2. Significant accounting policies (continued)

Impairment of financial assets (continued)

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flow. Financial assets are considered impaired when contractual payments are in arrears in excess of 90 days, unless the loan is fully secured. Fully secured loans are classified as impaired after a delinquency period of greater than 180 days. The carrying amount of the financial asset is reduced through the use of the provision for impaired financial assets and the amount of the impairment loss is recognized in current period income.

Financial assets, together with the associated provision for impairment are reported as an impairment loss when there is no expectation of future recovery. Interest income is accrued until the financial asset becomes a credit loss.

The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. The calculation of the present value of estimated future cash flows reflects the projected cash flows, including prepayment losses, and costs to securitize and service financial assets.

For the purpose of the collective evaluation of loan impairment, financial assets are grouped on the basis of the Credit Union's internal system that considers credit risk, characteristics such as asset type, industry, geographical location, collateral, delinquency status and other relevant economic factors.

Future cash flows on the group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical credit loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical credit loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year such as changes in unemployment rates, inflation, borrowing rates, property values or other factors that are indicative of incurred losses in the group and their magnitude.

Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When components of an item of property and equipment have different useful lives, they are accounted for as separate items.

Depreciation is provided using the methods and rates intended to depreciate the cost of the assets over their estimated useful lives:

	Method	Life
Furniture and equipment	straight-line	3 years
Computer equipment	straight-line	4 years

The useful lives of items of property and equipment are reviewed on an annual basis and altered if estimates have changed significantly. Gains or losses on the disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in current period income.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

2. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in current period income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in current period income.

Member deposits

Member deposits are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

Member shares

Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities.

Other liabilities

Other liabilities include accounts payable and accrued liabilities, and are stated at amortized cost, which approximates fair value due to the short term nature of these liabilities.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Interest income is recognized as interest accrues using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future cash flows over the expected life of the financial instrument back to the net carrying amount of the financial asset. Other revenue and expenses that relate to the return on a loan or investment are incorporated into the effective interest rate and amortized to revenue over the life of the loan.

Income taxes

Current and deferred taxes are recognized in net income, other comprehensive income or equity, depending on where the related income or expense is recorded.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities where the Credit Union operates and generates income. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities generally arise where the carrying amount of an asset or liability differs from its tax base.

2. Significant accounting policies (continued)

Income taxes (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. 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.

Foreign currency translation

Transactions denominated in foreign currencies are translated into their Canadian dollar equivalent at exchange rates prevailing at the transaction dates. Monetary assets and liabilities are retranslated at the exchange rates at the balance sheet date. Exchange translation gains and losses are included in income.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction.

Financial instruments

All financial instruments are initially recognized on the balance sheet at fair value upon acquisition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss, available for sale, held to maturity, loans and receivables, or other financial liabilities. For instruments classified as other than fair value through profit and loss, transaction costs related to the acquisition of the instrument are added to the fair value upon initial recognition.

The financial instruments classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized in net income. The Credit Union has cash and investments in mutual funds and common stocks classified as fair value through profit or loss.

Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. In the period in which the asset is sold, or otherwise derecognized, the cumulative gain or loss, previously recorded in other comprehensive income, is recognized in net income. The Credit Union does not have any financial instruments classified as available for sale.

The financial assets classified as loans and receivables are initially measured at fair value plus transaction costs, and then subsequently carried at amortized cost. The Credit Union's financial instruments classified as loans and receivables include member loans and term deposits and guaranteed investment certificates.

The financial assets classified as held to maturity are initially measured at fair value, and then subsequently carried at amortized cost. The Credit Union does not have any financial instruments classified as held to maturity.

Financial instruments classified as other financial liabilities include member deposits and accounts payable and accrued liabilities. Other financial liabilities are initially measured at fair value and then subsequently carried at amortized cost.

De-recognition of financial assets

De-recognition of a financial asset occurs when:

i) The Credit Union does not have rights to receive cash flows from the asset;

ii) The Credit Union has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either:
   a. The Credit Union has transferred substantially all the risks and rewards of the asset; or
   b. The Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Significant accounting policies (continued)

Financial instruments (continued)

When the Credit Union has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred or retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Credit Union's continuing involvement in the asset. In that case, the Credit Union also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Credit Union has retained.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in income.

3. Changes in accounting policies and new standards and interpretations not yet applied

The following new or amended standards, were applied for the first time in the current year:

IFRS 13 Fair value measurement (Amendment)

As part of the Annual Improvements to 2010 – 2012 cycle, the amendments to the basis of conclusions of IFRS 13, issued by the IASB in December 2013, clarify that amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement do not remove the ability to measure certain short-term receivables and payables on an undiscounted basis.

When an entity applies the "portfolio exception", it measures the fair value of financial assets and liabilities, with offsetting positions in market or counterparty credit risk, consistently with how market participants would price the net risk exposure. As part of the Annual Improvements to 2011 – 2013 cycle, the amendments to IFRS 13, issued by the IASB in December 2013, incorporated into the Handbook by the AcSB in March 2014, clarify that the portfolio exception applies to all contracts within the scope of IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation. The amendments were effective for annual periods beginning on or after July 1, 2014. The amendment did not affect the Credit Union's financial results.

IAS 24 Related Party Disclosures (Amendment)

The amendments to IAS 24, issued by the IASB in December 2013, incorporated by the AcSB in March 2014, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments only affect disclosure and were effective for annual periods beginning on or after July 1, 2014. The amendment did not impact the Credit Union's financial results or disclosures.

IFRIC 21 Levies (New)

In May 2013, the International Accounting Standards Board (IASB) issued IFRIC 21, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in September 2013, which provides guidance on the accounting for levies within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The main features of IFRIC 21 are as follows:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation; and
- The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

The Interpretation was effective for annual periods beginning on or after January 1, 2014. The amendment did not impact the Credit Union's financial results.

3. Changes in accounting policies and new standards and interpretations not yet applied (continued)

Standards and interpretations issued but not yet effective

The Credit Union has not yet applied the following new standards, interpretations or amendments to standards that have been issued as at March 31, 2016 but are not yet effective. Unless otherwise stated, the Credit Union does not plan to early adopt any of these new or amended standards and interpretations.

Annual Improvements to IFRSs 2012 – 2014 Cycle (Amendment)
In September 2014, the International Accounting Standards Board (IASB) issued a series of amendments to IFRSs in response to issues addressed during the 2012-2014 cycle, as follows:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Amendments to this standard clarify the accounting for a change in disposal plan from a plan to sell a non-current asset (or disposal group) to a plan to distribute a non-current asset (or disposal group), and provide guidance in IFRS 5 for the discontinuation of held-for-distribution accounting.

IFRS 7 Financial Instruments: Disclosures
Amendments to this standard clarify how an entity should apply financial instruments “Transfer of financial assets” guidance to a servicing contract. In general, servicing contracts meet the definition of “continuing involvement” for the purposes of applying the disclosure requirements.

IAS 19 Employee Benefits
Amendments to this standard clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. In the absence of availability of high quality corporate bond rates, government bonds denominated in the same currency shall be used.

The amendments above are effective for annual periods beginning on or after July 1, 2016. The Credit Union has not determined the impact of these amendments on its financial statements.

IFRS 9 Financial instruments

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 (2014) as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This Standard will replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS (2014) is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted (subject to local endorsement requirements). IFRS 9 (2014) supersedes all previous versions including IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). However, an entity may elect to apply those earlier versions of IFRS 9 instead of applying IFRS (2014) if, and only if, the entity’s relevant date of initial application is before February 1, 2015. The Credit Union has not determined the impact of these amendments on its financial statements.

A brief overview of the previous versions of this Standard is as follows:

IFRS 9 (2009) introduced new requirements for classifying and measuring financial assets, as follows:
- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss
- All other instruments including all derivatives are measured at fair value with changes recognized in the profit or loss
- The concept of embedded derivatives does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

IFRS 9 (2009) was superseded by IFRS 9 (2010) and IFRS 9 (2013) but all standards remain available for application.

3. Changes in accounting policies and new standards and interpretations not yet applied (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 9 (2010) incorporated revised requirements for the classification and measurement of financial liabilities, and carried over the existing de-recognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

IFRS 9 (2010) superseded IFRS 9 (2009) and was superseded by IFRS 9 (2013) but all standards remain available for application.

IFRS 9 (2013) introduced hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Also, IFRS 9 (2013) permitted an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss. IFRS 9 (2013) removed the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalization of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application. In February 2014, the IASB then tentatively decided to set January 1, 2018 as the effective date for the mandatory application of IFRS 9. IFRS 9 (2013) was superseded by IFRS 9 (2014) in July 2014 but all standards remain available for application.

IFRS 15 Revenue from Contracts with Customers (New)

In May 2014, the International Accounting Standard Board (IASB) issued a new International Financial Reporting Standard (IFRS) on the recognition of revenue from contracts with customers. IFRS 15 specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:
- Identify the contract(s) with the customer.
- Identify the performance obligation(s) in the contract.
- Determine the transaction price.
- Allocate the transaction price to each performance obligation in the contract.
- Recognize revenue when (or as) the entity satisfies a performance obligation

The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Credit Union has not yet determined the impact on its financial statements.

IAS 1 Presentation of Financial Statements (Amendment)

In December 2014, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements. The amendments are part of the IASB's Disclosure Initiative to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgment when preparing their financial statements. The amendments are summarized below.

3. Changes in accounting policies and new standards and interpretations not yet applied (continued)

Standards and interpretations issued but not yet effective (continued)

IAS 1 Presentation of Financial Statements (Amendment) (continued)

Materiality:
Clarify that entities shall not aggregate or disaggregate information in a manner that obscures useful information; clarify that materiality requirements apply to the statements of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statements of changes in equity, and to the notes; and clarify that when a standard requires a specific disclosure, the resulting information shall be assessed to determine whether it is material and consequently whether presentation or disclosure of that information is warranted.

Presentation of statements of financial position and profit or loss and other comprehensive income:
Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements; and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will be subsequently reclassified to profit or loss.

Notes:
Clarify that entities have flexibility as to the order in which they present the notes, but also emphasize that understandability and comparability should be considered by an entity when deciding that order; and remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

These amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Credit Union has not yet determined the impact on its financial statements.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendment)

The amendments to IAS 16 and IAS 38, issued by the IASB in May 2014, incorporated into the Handbook by the AcSB in July 2014, clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. Amendments to IAS 38 specify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendments are effective for annual periods beginning on or after January 1, 2016. The Credit Union does not expect this amendment to impact its financial statements.

4. Significant accounting judgements, estimates and assumptions

Use of estimates and judgements

As the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgement. These estimates are based on management's best knowledge of current events and actions that the Credit Union may undertake in the future year.

Allowance for impaired loans

The Credit Union reviews its individually significant loans at each reporting date to assess whether an impairment loss should be recognized. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

In estimating these cash flows, the Credit Union makes judgements about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Member loans that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The general provision assessment takes account of data from the loan portfolio such as credit quality, delinquency, historical performance and industry economic outlook.

4. Significant accounting judgements, estimates and assumptions (continued)

Financial instruments not traded in active markets

For financial instruments not traded in active markets, fair values are determined using valuation techniques such as the discounted cash flow model that rely on assumptions that are based on observable active markets or rates. Certain assumptions take into consideration liquidity risk, credit risk and volatility.

5. Investments

In $	***2016***	*2015*
Fair value through profit and loss		
Mutual funds and common stock of Canadian and foreign companies	**6,950,226**	6,164,794
Loans and receivables		
Term deposits and guaranteed investment certificates	**18,561,538**	16,342,551
	25,511,764	22,507,345

The Credit Union's available credit facility of $900,000 is secured against the term deposits and guaranteed investment certificates.

6. Member loans

In $	Principal Performing	Principal Impaired	Allowance Specific	Allowance Collective	***2016***
Residential mortgages	**24,357,084**	**535,379**	**-**	**-**	**24,892,463**
Personal	**214,494**	**1,850**	**(1,850)**	**(36,967)**	**177,527**
Accrued interest	**29,547**	**17,881**	**-**	**-**	**47,428**
	24,601,125	**555,110**	**(1,850)**	**(36,967)**	**25,117,418**

In $	Principal Performing	Principal Impaired	Allowance Specific	Allowance Collective	*2015*
Residential mortgages	25,119,523	240,668	-	-	25,360,191
Personal	304,735	10,714	(10,714)	(44,418)	260,317
Accrued interest	32,229	9,584	(74)	-	41,739
	25,456,487	260,966	(10,788)	(44,418)	25,662,247

The loan classifications set out above are as defined in the regulations to the Act.

Residential mortgage loans are repayable in blended principal and interest instalments, over a maximum amortization period of twent-five years.

Personal loans are repayable in blended principal and interest instalments, over a maximum amortization period of ten years. Line of credit loans are repayable on a revolving credit basis and require minimum monthly payments. Personal loans are open and may be repaid at any time.

6. Member loans (continued)

Loan Allowance details

In $	***2016***	*2015*
Balance, beginning of year	**55,206**	63,710
Provision for impaired loans	**-**	-
	55,206	63,710
Less: accounts written off	**(16,389)**	(8,504)
Add: loans recovered	**-**	-
Balance, end of year	**38,817**	55,206

Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans at year-end that are past due but not classified as impaired.

In $	1-30 days	31-60 days	61-90 days	91 days and greater	***2016***
Residential mortgages	**-**	**-**	**709,957**	**178,115**	**888,072**
Personal	**-**	**-**	**-**	**-**	**-**
	-	**-**	**709,957**	**178,115**	**888,072**

In $	1-30 days	31-60 days	61-90 days	91 days and greater	*2015*
Residential mortgages	-	-	-	-	-
Personal	-	-	-	-	-
	-	-	-	-	-

The principal collateral and other credit enhancements the Credit Union holds as security for loans include (i) insurance, mortgages over residential lots and properties, and (ii) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. The Credit Union has policies in place to monitor the existence of undesirable concentration in the collateral supporting its credit exposure.

7. Other assets

In $	*2016*	*2015*
Prepaid expenses	**28,566**	55,282
Income taxes recoverable	**78,387**	-
Deferred income taxes *(Note 11)*	**27,000**	29,500
	133,953	84,782

8. Property and equipment

In $	Furniture and equipment	Computer equipment	**2016 Total**
Cost			
Opening balance	**39,146**	**73,573**	**112,719**
Additions	**4,068**	**7,088**	**11,156**
	43,214	**80,661**	**123,875**
Accumulated depreciation			
Opening balance	**(36,045)**	**(70,068)**	**(106,113)**
Depreciation	**(3,314)**	**(2,941)**	**(6,255)**
	(39,359)	**(73,009)**	**(112,368)**
Net book value	**3,855**	**7,652**	**11,507**

In $	Furniture and equipment	Computer equipment	2015 Total
Cost			
Opening balance	39,146	73,573	112,719
Additions	-	-	-
	39,146	73,573	112,719
Accumulated depreciation			
Opening balance	(34,087)	(67,471)	(101,558)
Depreciation	(1,958)	(2,597)	(4,555)
	(36,045)	(70,068)	(106,113)
Net book value	3,101	3,505	6,606

9. Member deposits

In $	***2016***	*2015*
Chequing accounts	**1,856,948**	1,368,391
Savings accounts	**1,773,476**	1,481,454
Term deposits	**85,735**	85,319
Registered savings plans	**2,513,002**	2,257,721
Dividend savings accounts	**41,883,924**	39,408,381
	48,113,085	44,601,266
Accrued interest	**755**	929
	48,113,840	44,602,195

Registered plans

Concentra Trust is the trustee of the registered plans offered to the members. Under an agreement with the trust company, members' contributions to these plans, as well as income earned on them, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made to the members or their designates, by the Credit Union on behalf of the trust company.

10. Other Liabilities

In $	***2016***	*2015*
Accounts payable and accrued liabilities	**200,435**	177,998
Income taxes payable	**-**	6,873
	200,435	184,871

11. Income tax

The total provision for income taxes is at a rate below the combined federal and provincial statutory income tax rates for the following reasons:

	2016	*2015*
Combined federal and provincial statutory income tax rates	**26.5%**	**26.5%**
Rate reduction for credit unions	**(11.1%)**	**(11.1%)**
Other	**0.1%**	**0.6%**
Effective tax rate	**15.5%**	16%

11. Income tax (continued)

The tax effects of temporary differences which give rise to the deferred tax asset amount are from differences between amounts deducted for accounting and income tax purposes. The net deferred income tax asset is comprised of the following:

In $	***2016***	*2015*
Deferred tax asset		
Allowance for impaired loans	**5,700**	7,000
Accrued expenses	**19,700**	20,900
Property and equipment	**1,600**	1,600
	27,000	29,500

12. Member shares

Share capital is comprised of member shares. Member shares represent the amount of shares that members are required to maintain as a condition of membership. Each member must hold 1 share at an issue price of $5 per share.

As at March 31, 2016, there were 1,635 members (2015 – 1,705). Shares are redeemable only on withdrawal from membership, subject to the Credit Union meeting capital adequacy requirements of the Act described in Note 13 of the financial statements.

13. Capital management

The Credit Union is subject to the capital requirements set out in the Act. The Act prescribes capital adequacy measures and minimum capital requirements. The Credit Union must comply with a leverage ratio of eligible capital to total assets. The Act also requires a risk weighted asset calculation for credit, operational and interest rate risk.

Under this approach, Credit Unions are required to measure capital adequacy in accordance with instructions for determining risk adjusted capital and risk weighted assets including off balance sheet commitments. Based on the prescribed risk of each type of asset, a weighting of 0% to 150% is assigned. The ratio of regulatory capital to risk weighted assets is calculated and compared to the standard outlined by the Act.

Tier 1 capital is defined as a credit union's primary capital and comprises the highest quality of capital elements while Tier 2 is secondary capital and falls short of meeting Tier 1 requirements for permanence or freedom from mandatory charge. Tier 1 capital at the Credit Union includes retained earnings and membership shares. Tier 2 capital of the Credit Union includes collective allowance for credit losses to a maximum of 1.25% of risk weighted assets. For eligible capital purposes, Tier 2 capital cannot exceed Tier 1 capital.

The Credit Union has adopted a capital plan that conforms to the capital framework and is regularly reviewed and approved by the Board of Directors. The following table compares the regulatory standards to the Credit Union's policy:

	Regulatory standards	**Policy standards**
Total eligible capital to total assets	4%	4%
Total eligible capital to risk-weighted assets	8%	8%

As at March 31, 2016, the Credit Union is in compliance with the minimum statutory requirements for eligible capital.

13. Capital management (continued)

Total regulatory capital is comprised of Tier 1 and Tier 2 capital as follows:

In $	***2016***	*2015*
Tier 1 capital		
Member shares	**8,175**	8,525
Retained earnings	**4,555,347**	4,829,499
Total Tier 1 capital	**4,563,522**	4,838,024
Tier 2 capital		
Collective allowance	**36,967**	44,418
Total eligible capital	**4,600,489**	4,882,442
Capital tests		
Total eligible capital to total assets	**8.7%**	9.8%
Total eligible capital to risk-weighted assets	**20.9%**	23.1%

Capital management is the process whereby the level of capital is determined to support operations, risks and growth. The Credit Union uses various management processes to manage capital risk. A capital management framework is included in policies and procedures established by the Board of Directors. In addition, the Act establishes standards to which the Credit Union must comply.

The primary capital policies and procedures include the following:

i. Adhere to regulatory capital requirements as minimum benchmarks (such as growth, operations, enterprise risk);
ii. Co-ordinate strategic risk management and capital management;
iii. Develop financial performance targets/budgets/goals;
iv. Administer a patronage program that is consistent with capital requirements;
v. Administer an employee incentive program that is consistent with capital requirements;
vi. Develop a planned growth strategy that is coordinated with capital growth; and
vii. Update plans that consider the strengths, weaknesses, opportunities and threats to the Credit Union.

14. Related party transactions

Related parties include the key management personnel ("KMP") and directors of the Credit Union as well as each of their spouses, their children and any entities they control.

KMP consists of the Chief Executive Officer, Credit Manager, Financial Accountant/Compliance Officer, and Office Administration Manager.

Loans made to related parties are approved under the same lending criteria applicable to all members and under substantially the same terms and conditions as with other members. There are no loans that are impaired in relation to loan balances with related parties.

The following tables reflect balances with related parties at year end and the value of interest income and expenses recorded in relation to them during the year.

14. Related party transactions (continued)

Member loans to related parties at the year end:

In $	**2016**	2015
Member loans	**479,059**	1,165,348
Value of approved but unadvanced loans and lines of credit	**1,315,864**	1,161,302
	1,794,923	2,326,650

Member deposits by related parties at the year end:

In $	**2016**	2015
Chequing and savings deposits	**1,110,060**	1,035,531
Registered plans	**84,574**	45,929
Member shares	**210**	190
	1,194,844	1,081,650

Interest income and expense recorded with related parties:

In $	**2016**	2015
Interest and other revenue earned on loans	**21,493**	31,714
Interest paid on deposits	**10,595**	12,822

Aggregate compensation of KMP during the year consisted of:

In $	**2016**	2015
Salaries and short-term benefits	**381,793**	372,922

Board honoraria amounted to $10,650 (2015 - $10,228) and board and committee expenses amounted to $2,040 (2015 - $2,163).

15. Financial instrument risk management

The Credit Union, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: credit risk, market risk and liquidity risk.

The Credit Union has established avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows a risk management policy approved by its Board of Directors.

The Credit Union's risk management policies and procedures include the following:

i. Ensure all activities are consistent with the mission, vision and values of the Credit Union;
ii. Balance risk and return;
iii. Manage credit, market and liquidity risk through preventative and detective controls;
iv. Ensure credit quality is maintained;
v. Ensure credit, market, and liquidity risk is maintained at acceptable levels;
vi. Diversify risk in transactions, member relationships and loan portfolios;
vii. Price according to risk taken; and
viii. Using consistent credit risk exposure tools.

15. Financial instrument risk management (continued)

In addition to the Board of Directors, the Audit Committee is involved in financial instrument risk management oversight. The risk policies, procedures and objectives have not changed significantly from the prior year.

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from loans receivable. Management and the Board of Directors review and update the credit risk policy at least annually. The Credit Union's maximum credit risk exposure, before taking into account any collateral held, is the carrying amount of loans as disclosed on the statement of financial position.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Credit Union due to its primary service area being the greater Toronto area.

Credit risk management

The Credit Union uses a risk management process for its credit portfolio. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. Management of credit risk is established in policies and procedures by the Board of Directors.

The primary credit risk management policies and procedures include the following:

- i. Loan security requirements;
- ii. Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge;
- iii. Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security;
- iv. Borrowing member capacity (repayment ability) requirements;
- v. Borrowing member character requirements;
- vi. Limits on aggregate credit exposure per individual and/or related parties;
- vii. Limits on concentration to credit risk by loan type, industry and economic sector;
- viii. Limits on types of credit facilities and services offered;
- ix. Internal loan approval processes;
- x. Loan documentation standards;
- xi. Loan re-negotiation, extension and renewal processes;
- xii. Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors;
- xiii. Control and monitoring processes including portfolio risk identification and delinquency tolerances;
- xiv. Timely loan analysis processes to identify, assess and manage delinquent and impaired loans;
- xv. Collection processes that include action plans for deteriorating loans; and
- xvi. Overdraft control and administration processes.

Credit commitments

To meet the needs of its members and manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of members. These are subject to normal credit standards, financial controls, risk management and monitoring procedures. The contractual amounts of these credit instruments represent the maximum credit risk exposure without taking into account the fair value of any collateral, in the event other parties fail to perform their obligations under these instruments.

The Credit Union makes the following instruments available to its members:

a) commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans, (including lines of credit).

15. Financial instrument risk management (continued)

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

As at year-end, the Credit Union had the following outstanding financial instruments subject to credit risk:

In $	***2016***	*2015*
Unadvanced lines of credit	**13,828,982**	13,782,869
Commitments to extend credit	**1,007,000**	500,000

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rate, equity prices and credit spreads. The Credit Union's exposure changes depending on market conditions. Market risks that have a significant impact on the Credit Union include fair value risk and interest rate risk.

The Credit Union's market risk management policy defines and establishes limits for the types and concentrations of market exposures which the Credit Union is authorized to assume. The policy also establishes criteria for the identification, measurement and the regular reporting to the Board of Directors of impairments and fluctuations in market values, and defines prudent levels of decision making authorities.

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Credit Union incurs fair value risk on its loans, term deposits and investments held. The Credit Union does not hedge its fair value risk.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments.

Contractual re-pricing and maturity

All financial instruments are reported based on the earlier of their contractual re-pricing date or maturity date. The schedule does not identify management's expectation of future events where re-pricing and maturity dates differ from contractual dates.

15. Financial instrument risk management (continued)

The table below summarizes amounts by maturity dates and effective interest rates for the following significant financial instruments:

Interest rate re-price

In $	Variable rate	Less than one year	One to five years	Not interest sensitive	***2016***	**Effective yield**
Assets						
Cash	**1,593,625**	**-**	**-**	**509,530**	**2,103,155**	**0.38%**
Investments	**6,950,226**	**18,561,538**	**-**	**-**	**25,511,764**	**-0.16%**
Member loans	**25,117,418**	**-**	**-**	**-**	**25,117,418**	**4.02%**
Total	**33,661,269**	**18,561,538**	**-**	**509,530**	**52,732,337**	
Liabilities						
Member deposits	**46,170,402**	**85,735**	**-**	**1,857,703**	**48,113,840**	**0.92%**
Other liabilities	**-**	**-**	**-**	**200,435**	**200,435**	**-%**
Member shares	**-**	**-**	**-**	**8,175**	**8,175**	**-%**
Total	**46,170,402**	**85,735**	**-**	**2,066,313**	**48,322,450**	
Difference	**(12,509,133)**	**18,475,803**	**-**	**(1,556,783)**	**4,409,887**	

In $	Variable rate	Less than one year	One to five years	Not interest sensitive	*2015*	Effective yield
Assets						
Cash	1,294,375	-	-	69,735	1,364,110	0.39%
Investments	6,164,794	16,342,551	-	-	22,507,345	0.93%
Member Loans	25,662,247	-	-	-	25,662,247	4.18%
Total	33,121,416	16,342,551	-	69,735	49,533,702	
Liabilities						
Member deposits	43,147,556	85,319	-	1,369,320	44,602,195	1.26%
Other liabilities	-	-	-	177,998	177,998	-%
Member shares	-	-	-	8,525	8,525	-%
Total	43,147,556	85,319	-	1,555,843	44,788,718	
Difference	(10,026,140)	16,257,232	-	(1,486,108)	4,744,984	

Based on the current financial instruments, management estimates that a 0.75% decrease in the prime interest rate would decrease net interest income by approximately $121,000 and a 1.0% increase in the prime interest rate would increase net interest income by approximately $5,049.

15. Financial instrument risk management (continued)

Liquidity risk

The business of the Credit Union necessitates the management of liquidity risk. Liquidity risk is the risk that the Credit Union will be unable to meet a demand for cash or fund its obligations as they come due.

The Credit Union's liquidity management policy defines requirements for the type and minimum levels of assets held to manage liquidity risk; the use of liquidity projections; the monitoring of significant deposits and loan commitments; mandatory lines of credit with Central 1; and regular reporting of actual liquidity levels against policy minimums to the Board of Directors.

The Credit Union has available a credit facility with a chartered bank totalling $900,000, secured by $900,000 in bank term deposits and guaranteed investment certificates. The credit facility bears interest at prime plus 0.50%. At March 31, 2016, the credit facility was not utilized.

At March 31, 2016, liquid assets amount to 40.7% (2015 – 37.3%) of deposits and borrowings and consist of the following:

In $	***2016***	*2015*
Cash and deposits with financial institutions	**2,103,155**	1,364,110
Term deposits and GIC's with financial institutions	**17,484,880**	15,286,785
	19,588,035	16,650,895

16. Fair value of financial instruments

The estimated fair values of financial instruments are designed to approximate values at which these instruments could be exchanged in a current market. However, many of the financial instruments lack an available trading market and, therefore, fair values are based on estimates.

The fair values of cash resources, variable rate loans and deposits, other assets and liabilities are assumed to equal their book values. The fair values of fixed rate loans and deposits are determined by discounting the expected future cash flows at the estimated current market rates for loans and deposits with similar characteristics. Fair values have not been determined for assets or liabilities that are not a financial instrument.

Methods and assumptions:

The following methods and assumptions were used to estimate fair values of financial instruments:

a) the stated value for cash, short term investments, other assets, other liabilities, accrued income or expense and certain other assets and liabilities approximate their fair value due to their short term nature;

b) estimated fair values of investments are based on quoted market prices when available or quoted market prices of similar investments;

c) for variable interest rate loans that are frequently re-priced, stated values are assumed to be fair values. Fair values of other loans are estimated using discounted cash flow calculations with market interest rates for similar groups of loans and maturity dates;

d) fair value of deposits with no specified maturity term is their stated value. Fair value for other deposits is estimated using discounted cash flow calculations at market rates for similar deposits; and

16. Fair value of financial instruments (continued)

e) fair value of derivative financial instruments is established by referring to the appropriate current market yields with matching terms of maturity. The fair values reflect the estimated amounts that the Credit Union would receive or pay to terminate the contracts at the reporting date.

Estimated fair values of significant financial instruments are summarized as follows:

In $	**Fair value**	**Book value**	**2016 Fair value over book value**	Fair value	Book value	2015 Fair value over book value
Financial assets						
Cash	**2,103,155**	**2,103,155**	**-**	1,364,110	1,364,110	-
Investments	**25,511,764**	**25,511,764**	**-**	22,507,345	22,507,345	-
Member loans	**25,117,418**	**25,117,418**	**-**	25,662,247	25,662,247	-
Total	**52,732,337**	**52,732,337**	**-**	49,533,702	49,533,702	-
Financial liabilities						
Member deposits	**48,113,840**	**48,113,840**	**-**	44,602,195	44,602,195	-
Other liabilities	**200,435**	**200,435**	**-**	177,998	177,998	-
Member shares	**8,175**	**8,175**	**-**	8,525	8,525	-
Total	**48,322,450**	**48,322,450**	**-**	44,788,718	44,788,718	-
Difference	**4,409,887**	**4,409,887**	**-**	4,744,984	4,744,984	-

Fair value measurements

The Credit Union classifies fair value measurements recognized on the statement of financial position using a three tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability either directly or indirectly; and
Level 3: Unobservable inputs in which there is little or no market data, which require the Credit Union to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy base on the lowest level input that is significant to that fair value measurement. This assessment requires judgement, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

The financial instruments measured at fair value on the statement of financial position, other than cash have been classified in the fair value hierarchy as follows:

In $	***2016***	*2015*
Level 1		
Investments	**6,950,226**	6,164,794

17. Commitments

The Credit Union has entered into a commitment for premises under an operating lease which expires on October 31, 2016 with an option to renew for a further 5 years. The lease rate will be increased annually subject to the Consumer Price Index for the previous year. The minimum monthly rent under this lease is $3,649.

The Credit Union has entered into a technology services agreement for banking and other services. This agreement expires in April 2018 with an option to renew for a further 2 years. The minimum monthly commitment is approximately $2,700.

In $	***2016***	*2015*
Other administrative expenses		
Administrative	**175,506**	164,793
Advertising	**13,713**	19,840
Bonding	**17,082**	31,728
Data processing	**43,207**	55,899
Professional fees	**31,124**	30,386
Depreciation	**6,255**	4,555
	286,887	307,201