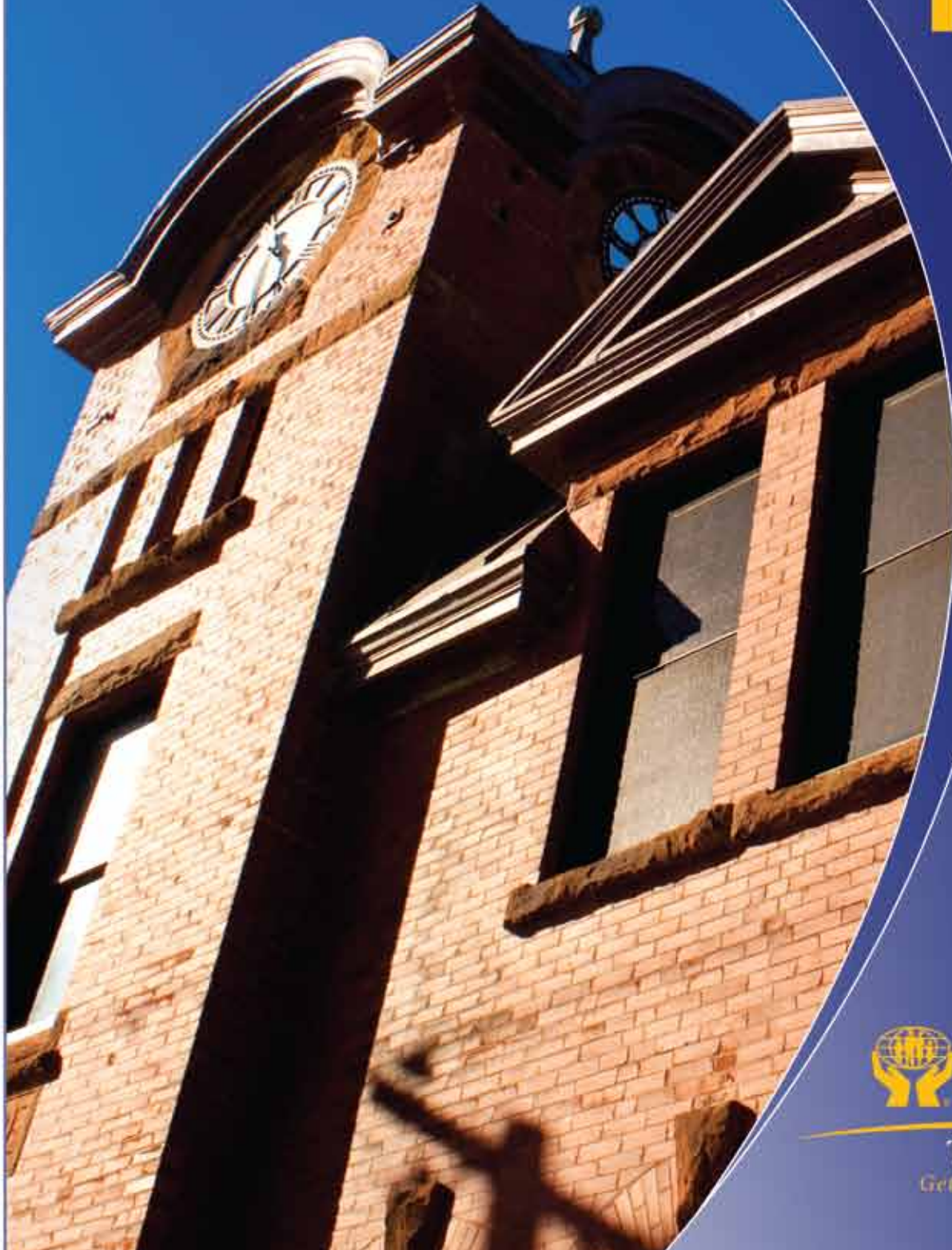


# Annual Report

# 20 10



**CREDIT  
UNION**

**TGNISH**

*Getting You There™*

TGNISH CREDIT UNION ANNUAL REPORT 2010

## Largest Network of Financial Institutions in Canada

Tignish Credit Union is part of a larger network of financial institutions that make up the Credit Union System. In Canada, the Credit Union System includes 419 Canadian Credit Unions, Concentra Financial Services Association, The Co-operators Group Limited, The CUMIS Group, Credit Union Insurance Services, Credential Financial, Credential Securities Inc., CUETS Financial, League Savings and Mortgage, and the Credit Union Deposit Insurance Corporation.

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## The Credit Union System

- Over 1,700 locations across the country
- Over five million owners
- \$121.9 billion in assets
- \$109 billion in deposits
- \$99 billion in loans
- 25,000 employees
- Together, the second largest lender to small businesses in Canada.

# PEI Credit Unions

**\$450,000** The total dollars returned to Island communities through PEI Credit Unions sponsorship initiatives in 2010.

**\$28,000** The total dollars donated to health care across the Island from the iCare MasterCard program.

**9,000** The total volunteer hours dedicated to community initiatives by PEI Credit Union staff in 2010.

**Community Champion** The national award bestowed on the Credit Unions of Prince Edward Island by the Canadian Cancer Society in recognition of their financial contribution and staff commitment to the Canadian Cancer Society Relay For Life event.



## Still #1 in Customer Service

For the **sixth** year in a row, an independent survey of Canadians ranked credit unions **first** in overall quality of customer service among all financial institutions.\*

Credit unions ranked ahead of all other financial institutions in the following categories:

- Customer Service Excellence
- Values My Business
- Branch Service Excellence

Credit unions also tied for first in the following categories:

- Financial Planning & Advice
- Telephone Banking Excellence

\*The Synovate Customer Service Index (CSI) 2010 was conducted with a total of 39,000 demographically and regionally representative sample of Canadians. The Best Banking Awards for 2010 were based on the combined results of ongoing quarterly Customer Service Index surveys ended August 2010. The CSI survey has been conducted annual since 1987.

*Credit Union Firsts*

- loans based on borrower character.
- payroll deduction service for deposits and loan payments.
- open mortgages.
- financial institutions to lend to women in their own names (in the 1960s if you can believe that).
- to offer daily interest savings.
- full-service ATM network.
- home equity lines of credit.
- debit card service.
- registered education plans.
- fully functional internet banking.
- branchless bank (Citizens Bank).
- cheque imaging service.

# Valene Perry

*Tignish Credit Union Owner*



# Tignish Credit Union Profile

After many months of study club meetings, Tignish Credit Union was incorporated on April 22, 1937 under the Credit Union Act of Prince Edward Island and began business in May of that year. Nineteen local people came together to offer an alternative to the conventional banks of the day. Many of these individuals had been involved in the establishment of Tignish Fishermen's Union (now Tignish Fisheries Co-op) and Mutual organizations for farmers or the community. In the beginning it served only the residents of Tignish and area which basically corresponded to the region served by the Parish of St. Simon and St. Jude as credit unions were not allowed to infringe on other areas.

For its first few months, Tignish Credit Union operated for Saturday hours only from the home of Fidele J. Arsenault with Gerald Handrahan as its first treasurer. It later bought its first office building for \$45 and placed it on a lot rented from Mrs. Jean Gaudet. By the time of its 2nd annual meeting in January 1939, the credit union had 181 members and showed loans of \$1,800 offering a service line made up of personal loans and share-savings. There were also credit unions operating in the adjacent communities of St. Louis, Elmsdale and Alberton. In later days, these would close with their member-owners transferring their holdings to the credit union in Tignish, which was then allowed to service the areas in which they lived.

Today, as a full-service financial institution, Tignish Credit Union has over 9900 owners and approximately \$110 million in assets. It employs 37 people either full-time or in term positions and operates a main office in Tignish, a branch office in Alberton, which was opened in 2003 and a new business center opened this year. The credit union serves primarily the residents from North Cape to Miminegash to Alberton although many who move away to find employment temporarily or permanently, continue using the credit union as their main banking center. It offers a complete, attractive package of products and services that meet everyday banking requirements as well as assists in planning for future security. The credit union offers loans, mortgages, chequing, MasterCard products, RRSPs, RESPs, Internet Banking, market-driven investments, retirement planning and much more.

During its 73-year history, Tignish Credit Union has matured in the way it offers services to its clients. The days when volunteers reviewed credit applications for decisions and assisted in offering daily services to the public have changed. Today a General Manager with the assistance of a professional staff of employees makes those decisions within a set of policies determined by the Board of Directors. Throughout its 73-year history, one thing has not changed. Tignish Credit Union continues to be owned by the member-owners who use the services and is governed by a Board of Directors made up of nine owners who are chosen by the membership at the General Meeting that is held each year.

## *Board of Directors*

*Pictured Left to Right:*

*Glenn Ellsworth*

*Larry Drouin*

*Janet Hackett*

*Walter Callaghan*

*Brenda Doyle*

*Ann Marie McInnis*

*Michael Gaudet*

*Robert Carruthers*

*Brenda McAlduff*

*“The mission of Tignish Credit Union is to provide competitive financial services tailored to meet the needs of our owners and their communities.*

*We pride ourselves in directing the organization we control and in the equality of services provided.*

*Tignish Credit Union is a community-minded co-operative that helps build through its involvement, its leadership, and the retention of financial resources in the community.”*

*- Tignish Credit Union Mission Statement*



# Tignish Credit Union Staff

## Management

*Pictured Standing Left to Right:*  
Arlene Hackett, Member Services Manager  
Roger Gallant, Commercial Accounts Manager  
Rhonda McNeill, Branch Manager  
Linda Richard, Financial Services Manager  
*Pictured Sitting:*  
Louis Shea, General Manager



## Administration

*Pictured from Left to Right:*  
Sharon Boudreault, Admin  
Charlene Handrahan, Member Service Supervisor  
Rena Matthews, Admin (Seated)  
Arlene Hackett, Member Service Manager



## Owner Services

*Pictured from Left to Right:*  
Darlene Perry, MSR  
Julie DesRoches, MSR  
Shauna Arsenault, Receptionist  
Laura Perry, MSR  
Irene Gallant, MSR  
Jody Kenny, MSR  
Bonnie Arsenault, MSR  
Yvette Gaudet, MSR  
*Missing from Picture:*  
Cindy Gaudet, MSR  
Natalie Skerry, MSR



## Lending Services

*Pictured from Left to Right:*  
Nadine Gaudette, Financial Service Officer  
Linda Richard, Financial Service Manager  
Stacey Perry, Financial Service Assistant  
Susan Gaudet, Financial Service Officer  
Colleen Handrahan, Financial Service Officer/Admin  
Donna MacKay, Financial Service Officer



## Business Services

*Pictured from Left to Right:*  
Roger Gallant, Commercial Account Manager  
Tracy Fennessey, Admin/Receptionist  
John McArthur, Commercial Account Officer  
*Missing from Picture:*  
Carol Anne Arsenault, Commercial Account Assistant



## Alberton Branch

*Pictured Standing Left to Right:*  
Bonnie MacIsaac, MSR  
Frances DesRoches, MSR  
Coralee Jones, Member Service Supervisor  
Nancy MacLeod, Receptionist  
Rhonda McNeill, Branch Manager  
*Pictured Sitting Left to Right:*  
Lorna Doyle-DesRoches, MSR  
Jarret O'Rourke, Financial Service Officer  
Tina Skerry, MSR  
*Missing from Picture:*  
Sherry Horne, MSR  
Denise Forsyth, MSR  
Kelly Perry, MSR  
Jaime LeClair, MSR



## Credential Financial

*Pictured from Left to Right:*  
RaeAnne Gallant, Admin  
Sharon Gallant, Credential Rep  
Kyla Doucette, Admin



# Benny Deagle

*Tignish Credit Union Owner*





# Board of Directors Report

## Board Governance

Each year the Board of Directors reports, as it should, on how the business of Tignish Credit Union has gone over the past year. It also highlights areas where changes might take place in the future. In general terms, Tignish Credit Union has had another successful year. What follows reviews some of the main changes that have taken place and points out items of interest.

The Board of Directors remains ultimately responsible to the owners for the success of the Credit Union. Through the by-laws the Board is given the authority and responsibility to make decisions on behalf of owners. From the year-end reports presented, owners are able to judge whether or not the Board controlled the business successfully within its authority and responsibility. The Board hires a General Manager to manage the day-to-day operations of the Credit Union with the help of the staff that he hires. The General Manager is the only employee directly responsible to and evaluated by the Board of Directors. He is evaluated based on policies, guidelines, approved budgets and attainment of goals.

Each year the Deposit Insurance Corporation (CUDIC) conducts an inspection of the Credit Union. The inspector reports directly to the Board on any areas where the Manager might not be operating within policy and alerts the Board if there appears to be trends developing that might be cause for concern. Tignish Credit Union received an overall positive inspection report this past year.

PEI Credit Union Boards have accepted the Standards of Sound Business and Financial Practices as proposed by a committee of credit union managers and volunteers under the direction of CUDIC. As a result, CUDIC has approached the Provincial Government to increase the level of deposit insurance for savings from \$125,000 per account holder to \$250,000 as promised. Once this change is enacted, each account holder will have \$250,000 insurance on his or her account plus unlimited insurance coverage for Registered Retirement Savings products: RRSPs and RRFs. The Board of Tignish Credit Union has started its review of how this credit union stands in meeting those standards. To this end, a different standard is discussed at each monthly board meeting.

## Board Meetings and Activities

Board members of the credit union are taking or have completed Board training in conjunction with system requirements. Committees are used to assist getting the work done with each member sitting on at least one committee. The move of the commercial department that was reported last year to the second floor of the Post Office building has been completed.

The Board remains very active with regular monthly meetings as well as committee and other meetings. All are to be commended for their commitment and dedication to the Credit Union. At regular meetings Board members review the financial statements and operational reports that the manager prepares to keep it informed on the progress of the credit union. The financial monitoring report (liquidity, borrowing position, loan loss reserve, profitability, equity, deposit/loan growth analysis) allows the Board to gauge where the Credit Union is on a monthly basis.

As issues become more global, the strong network of credit unions in Canada becomes very important to help credit unions serve their owners. Credit Unions confirmed at the annual meeting of Central, a vote to become part of an Atlantic Central with credit unions in New Brunswick, Nova Scotia and Newfoundland and Labrador. This will mean that CUCPEI will no longer exist after December 31, 2010. Tignish Credit Union will become a part of that new central and Louis has been appointed to the interim and inaugural Board.

The majority of Board members attended the Central Annual Meeting held in Charlottetown in March. John Handrahan continues to represent the credit union on the Credit Union Central Board. John makes periodic updates to the Board on decisions at that level and represents the wishes of the credit



union when decisions are made. John was also an integral part of the steering committee at Central in negotiating the structure of the new Atlantic Central. Board or staff members have also represented the Credit Union at different community or system gatherings.

Manager, Louis, keeps the board up to date on all products, services and other issues both on a provincial and national level. The Credit Union recognizes and thanks Louis for his leadership and for the excellent staff that serves our owners. He and they are a very big reason that our credit union is recognized for its success and why your credit union shows the results of 2009 - 2010. With income before provisions in excess of \$2.4 million, the Board is declaring a 2% dividend on share savings, a \$500,000 loan interest rebate and a \$300,000 deposit interest bonus. In total, more than \$1.3 million is being returned directly to owners. This is done because you, as owners, should benefit from the extra income without the financial health of your credit union being put at risk. This is especially true in these tough economic times. The financial statements will be reviewed later in the agenda.

## Central and System Relations

As described earlier, the PEI Credit Union system works together for the benefit of each local credit union. There is actually a full network of partners that the credit union continues to work with and that is talked about through promotions.

It is through this network that makes up Provincial, National and International system that the credit union can offer owners the strength and connectivity of a Multinational organization. Tignish Credit Union says thank you to Credit Union Centrals, sister credit unions, League Savings & Mortgage, League Data, CUIS, Concentra Financial, CUETS, Credential Financial Strategies, CUDIC, government departments and others for the co-operation and support during this year.

## Promotion and Community Activities

Tignish Credit Union continues to be active and supportive of organizations in the West Prince area whether it is in the form of a monetary donation, or a sponsorship. The staff is very active in giving of their time to support different organizations such as the walkathon for the Health Co-op, the annual IWK and Children's Wish Foundation fundraisers and again this year many employees endured the long night and put a team into the Relay for Life cancer fundraiser of which the credit union is event sponsor. Congratulations and thank you to the many staff members who helped this year in these efforts. There is a report in your booklet, which speaks for itself in showing the kind of assistance given. Please feel free to share that report with other owners so they too can take pride in their organization. It's wonderful to see how active and supportive this Credit Union is for local communities and other important charities.

## Thank You

Once again, your Credit Union has experienced a very successful year. This success can be attributed to a number of things or people. As noted earlier, the manager and staff including the Credential Financial Services (CFS) team has contributed greatly to the success and the Board thanks them for the fine service they offer. All members of the Board of Directors take their role very seriously and it has made the role of President a much easier one. The credit union exists because of its owners. It is successful when owners support it and the results of the past year would suggest that you have been supportive. For that support, the Board says thank you very much and please be proud of your business.

Respectfully submitted **Brenda McAlduff**  
President

# Manager's Comments

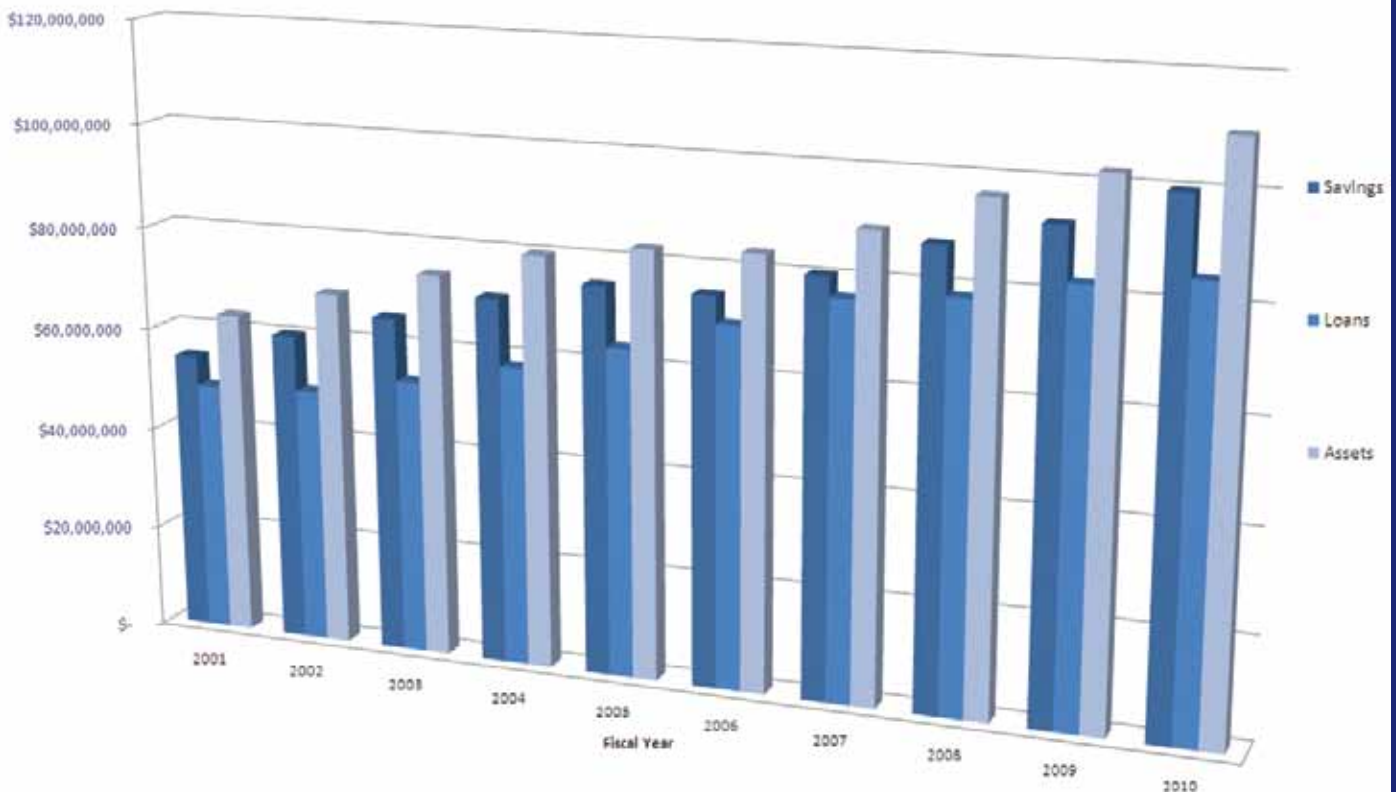
## on Financial Results



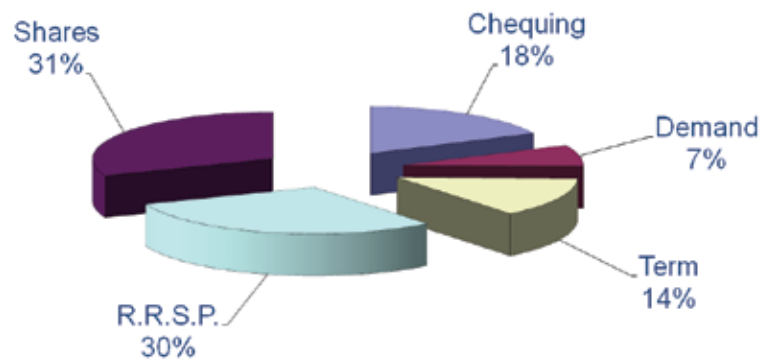
In past years, comments about financial statements in general plus standards that the credit union strives to reach have been included. These updated numbers that show the most significant figures or changes to them will hopefully make the statements more than just a bunch of figures

- Assets have reached \$110 million level at year-end, which is a growth of 7.5%.
- Loan Growth of \$2.26 million or 2.8% and are at 76% of assets. The Credit Union continues to partner with League Savings & Mortgage to finance most of the homes in this area.
- Member Deposits grew by \$7 million or 7.6% this year: Deposits remain at 91% of assets. Between direct deposit products and what is offered through Sharon Gallant with Credential Financial Strategies, the credit union can provide any investment option needed.

10 YEAR GROWTH



## Breakdown of Deposits



- Undistributed Income increased by \$547,992 or 7.6%. This is the income remaining after dividends, interest rebates and taxes for the year. The General Reserve of \$863,667 was also transferred into Undistributed Income this year simply to clean up the Financial Statements.

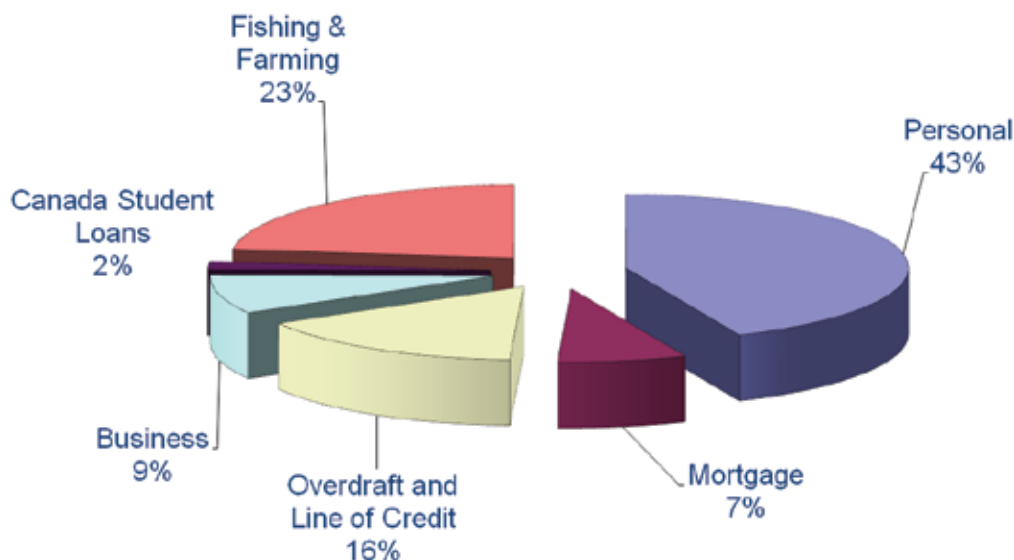
- The significant changes to income are the decrease to Investment income of \$90,000 or 28% that result simply from lower interest rates and an increase from Commissions of \$190,124 or 25% that is mainly extra monies paid by League Savings on our portfolio with them.
- The Cost of Capital expense has decreased by \$310,170 or 17% again as the result of lower interest rates.

The Board of Directors review certain areas each month at its meeting to determine whether the credit union remains strong financially. The credit union has grown again in the areas of assets, loans and deposits as shown above. Equity has also increased by \$547,992 and remains over 7% and enough money has been set aside in loan loss reserve to cover all identified risk. This was possible because profitability was 2.17% of assets before rebates and reserves. All these numbers are signs of the credit union's strength.

This strength of your credit union allows its Board and Manager some flexibility in returning extra earnings to the owners. When reviewing the final results this year, it was agreed that owners could better use

the monies rather than having it left in credit union equity. This is possible because the equity has built up over the past number of years so the business remains very strong. This extra \$800,000 represents just another benefit of doing business with your own company.

## Breakdown of Loans



**Louis Shea**  
General Manager

*Tignish Credit Union is pleased to announce our 2010 scholarship recipients; all the best in your future endeavors!*



**Jeremy Kinch**  
*Recipient of \$1,000.00*



**Alicia Martin**  
*Recipient of \$1,000.00*



**Robyn McRae**  
*Recipient of \$1,000.00*



**Deanna Pitre**  
*Recipient of \$1,000.00*

Autumn seems like a strange time to write about change and renewal, with temperatures dropping and leaves falling. But in business, 2010 is an energizing time.

2010 has been a year of global economic recovery following the severe recession of 2007-2008. If we look at the developed countries and the US, Canada has been one of the better performers in 2010. Clients are beginning to have confidence again with the stock market and the economy itself this year, currently the TSX is sitting at its highest point in over two years. Advisors are feeling a sense of renewal that the market is rebounding and the worst is over.

Over this past year Credential has been able to offer a new product, which is called the Registered Disability Savings Plan. This product is designed to provide for the long-term financial security of a person with disabilities.

If I look at our client base over the past two years, I'm really happy to say that we have acquired two significant businesses in West Prince for their Group RRSP Plans. We have increased our overall client/member base by 12% and our Insurance Revenue has also increased by 41%.


Even though this past year has been a big improvement market wise and with our client base this does not mean that we are sitting idle. Our staff, Raeanne Gallant, Kyla Doucette and I at Credential are working hard to provide products and service to you our members. Retirement Planning, Investment Products and Life Insurance are just a few of the products that we want to help you with.

We are dedicated to serve you!!

**Sharon Gallant**  
Credential Financial Strategies



# Community Involvement Report



The staff and Board of Directors of Tignish Credit Union continued to be strong supporters of the communities this past year and this report will cover a few of the highlights of that involvement.

Donations of \$40,000 were made during the year. Requests for Donations were given the same considerations as in the past. Decisions are based on how many members are benefiting from the donation and whether this event will bring people to the area, which in turn benefits local businesses. The Credit Union was a major sponsor for the Red Clay Blue Grass Festival, The Irish Folk Festival, and the Parade Sponsor of the Prince County Exhibition. It also contributed to the St. Louis Bluegrass Festival, West Prince Seniors Expo, Regional Acadian Games, Irish Moss Festival and the West Prince Music Festival.

The Credit Union continues to help local organizations such as minor hockey programs, minor ball, volleyball, soccer, golf, curling, and winter carnivals. Donations were made to the following: Tignish Medical Center, Crohns & Colitis, Diabetes, MS, Easter Seals, CNIB, Special Olympics, Canadian Mental Health, Child Find PEI, Lions Cavalcade, Cancer Society, Canadian Paraplegic Association, Children's Wish, Autism, Jr. Achievers and Big Brothers-Big Sisters.

The three year partnership with Central Credit Union and the Tyne Valley Branch of the Evangeline Credit Union to fund the Amateur Sport Fund was extended another year with agreement to revisit this endeavor next year and then decide its future. This fund was designed by the West Prince Sports Council to provide funding to athletes who compete at a National Level and has been very successful.

The Credit Unions of P.E.I. are fortunate to be able to come together to sponsor larger events that affect all of P.E.I. The Island Credit Unions announced at this year's Relay for Life Events that they were extending their Provincial Event Sponsorship for another 5 years. In addition to this monetary funding credit union staff volunteer to work bank nights in their local areas. Tignish Credit Union staff attended the Westisle bank nights along with staff from Central Credit Union in O'Leary. They also participated in the relay for life for the 5th year in a row. Nineteen staff took part with eleven of those staying for the night. The team raised over \$5,000 this year. The partnership with the four other Prince County Credit Unions as the main sponsor for the Prince County Hospital Festival of Lights Campaign continued.

Island Credit Unions donated \$200,000 to Holland College's Capital Campaign. This partnership benefits students all across P.E.I. as Holland College Centers are situated in most island communities. The Credit Union continues to combine resources with the two other Prince County Credit Unions – Central and Evangeline – when circumstances warrant the need. Recently, those 3 credit unions joined together to help with the costs

to bring in a motivational speaker to Westisle. It was a good fit for the credit unions as he spoke to all students about being leaders in their communities and then held a session for 60 students who were chosen by the teachers.

Staff continued with their own fundraising efforts and the following is a brief outline of the three main sources of fundraising and where the proceeds were given this past year. The first fundraiser is one that staff have been doing for as long as anyone can remember and that is to simply donate \$1.00 each week to participate in Casual Day Friday. The biggest donation this year was given at Christmas in conjunction with Kids West. Christmas Dinners with all the trimmings and gifts for three entire families from this area. The staff not only provided the money but also did the shopping and wrapping the gifts. This has become a very special part of Christmas and staff hopes to be able to continue this tradition for many more years to come.

The second fundraiser is the IWK Fun Day in the Park. This fundraiser is a community effort. It was held on Sunday, May 23rd. Staff raised money by selling 50-50 tickets and also helped at the Fun Day by selling tickets, barbequing and working in the canteen. This year the community raised over \$8,000 for the IWK Children's Hospital.

The third fundraiser, and certainly the largest, is the weekly 50-50 draws. This successful fundraiser continues to grow thanks to the great participation of members from all parts of the service area. In keeping with the credit union philosophy, this money is given back to the communities in areas that benefit a large number of people. In the past year, the following donations were made: \$5,000 to Tignish & Alberton Minor Hockey Associations, \$1,500 to Tignish and Alberton Figure Skating Clubs, \$5,000 to each Fire Department – Alberton, Tignish and Miminegash; \$5,000 to both Tignish & Alberton rinks; \$2,500 to the West Prince Caring Cupboard, \$500 to each elementary school to help with their lunch programs, \$3,000 to Westisle's breakfast program, \$1,500 to Callaghan's breakfast program, \$4,000 to Relay for Life, \$1,000 for the IWK, \$2,000 to the Association for Community Living for a total of \$53,500. To date, \$190,000 has been donated to our communities. Thank you to all those who take part in this terrific fundraiser. Great things are being accomplished through it.

Employees take pride in supporting community events such as getting dressed up for winter carnival days or entering a float in the Irish Moss Festival Parade and the Prince County Exhibition.

They continue to offer the school credit union program. The schools involved are Tignish, Alberton and St. Louis Elementary and the French School. The annual Easter-Beef draw for local kindergartens raised \$1,268 this year. Since beginning this fund-raiser in 1989, \$83,341.00 has been raised.

The credit union presented four \$1,000 bursaries at Westisle again this year. Congratulations to the recipients – Jeremy Kinch, Robyn McRae, Alicia Martin and Deanna Pitre. Founder awards were presented to graduating students from Tignish, St. Louis, Alberton Elementary and the French schools and M.E. Callaghan Jr. High in addition to prize money given for other grades.

As you can see, "giving back," continues to be an important part of the Credit Union's role in our communities. The credit union not only promotes but also allows the time and resources when possible. The staff takes pride in playing a vital role in the communities and is willing to help out when the need arises. The hope in presenting this report tonight is to make you aware of what the staff do over and above what is expected of them.



# Brian Richard

*Tignish Credit Union Owner*





October 20, 2010

## **Auditors' Report**

### **To the Members of Tignish Credit Union Ltd.**

We have audited the balance sheet of **Tignish Credit Union Ltd.** as at September 30, 2010 and the statements of earnings, undistributed income and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*ArsenaultBestCameronEllis*

**Chartered Accountants**

# Tignish Credit Union Ltd.

## Balance Sheet

As at September 30, 2010

	2010	2009
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and equivalents	1,687,470	1,540,575
Current accounts	14,353,309	9,410,031
Loans and mortgages (note 3)	83,970,234	81,707,527
Accrued loan interest receivable	1,313,801	1,301,820
Prepaid expenses and other	140,670	110,913
Income taxes receivable	1,409	91,692
	<u>101,466,893</u>	<u>94,162,558</u>
<b>Property and equipment</b> (note 4)	1,184,859	1,241,884
<b>Investments</b> (note 5)	<u>7,307,167</u>	<u>6,944,827</u>
	<u>109,958,919</u>	<u>102,349,269</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Member deposits (note 6)	99,758,710	92,730,164
Loan payable (note 7)	-	150,000
Accrued interest payable	1,883,248	1,720,113
Other liabilities	550,993	533,251
	<u>102,192,951</u>	<u>95,133,528</u>
<b>Contingent liability</b> (note 8)		
<b>Members' Equity</b>		
<b>General Reserve</b> (note 13)	-	863,667
<b>Undistributed income</b>	<u>7,765,968</u>	<u>6,352,074</u>
	<u>7,765,968</u>	<u>7,215,741</u>
	<u>109,958,919</u>	<u>102,349,269</u>

Approved by the Board of Directors

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**Tignish Credit Union Ltd.**  
Statement of Undistributed Income  
For the year ended September 30, 2010

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	2010 \$	2009 \$
<b>Undistributed income - Beginning of year</b>	6,352,074	5,806,922
General reserve revenue (note 13)	863,667	-
	<hr/> 7,215,741	5,806,922
Net earnings for the year	550,227	545,152
	<hr/> 7,765,968	<hr/> 6,352,074

# Tignish Credit Union Ltd.

## Statement of Earnings

For the year ended September 30, 2010

	2010 \$	2009 \$
<b>Revenue</b>		
Loan interest	5,644,579	5,516,617
Investment	225,579	316,223
Service fees	385,764	392,073
Commissions	918,445	758,321
Other income	43,184	42,840
	<u>7,217,551</u>	<u>7,026,074</u>
<b>Expenses</b>		
Staff	1,625,175	1,615,602
Premises	178,058	197,502
Insurance	247,420	241,520
Office	156,293	198,247
Service fees	763,945	721,154
General	342,584	262,574
Cost of capital	1,474,869	1,785,039
	<u>4,788,344</u>	<u>5,021,638</u>
<b>Operating earnings</b>	<u>2,429,207</u>	<u>2,004,436</u>
<b>Other expense</b>		
Share dividends	520,178	426,425
Provision for loan losses (note 3)	416,864	258,031
Loan interest rebate	500,000	300,000
Interest bonus on savings	300,000	300,000
Loss on write-off of property and equipment	12,576	-
	<u>1,749,618</u>	<u>1,284,456</u>
	679,589	719,980
<b>Provision for current income taxes</b>	<u>129,362</u>	<u>174,828</u>
<b>Net earnings for the year</b>	<u>550,227</u>	<u>545,152</u>

**Tignish Credit Union Ltd.**  
**Statement of Cash Flows**  
**For the year ended September 30, 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the year	550,227	545,152
Items not affecting cash		
Amortization	91,798	77,678
Loss on write-off of property and equipment	12,576	-
Provision for loan losses	416,864	258,031
	<u>1,071,465</u>	<u>880,861</u>
Net change in non-cash working capital items		
Increase in accrued loan interest receivable	(11,981)	(234,196)
Decrease (increase) in prepaid expenses and other	(29,757)	10,431
Decrease (increase) in income taxes receivable	90,283	(79,223)
Increase in accrued interest payable	163,135	463,644
Increase (decrease) in other liabilities	17,742	(501,032)
	<u>1,300,887</u>	<u>540,485</u>
<b>Financing activities</b>		
Increase in member deposits	7,028,546	5,113,854
Decrease in loan payable	(150,000)	-
	<u>6,878,546</u>	<u>5,113,854</u>
<b>Investing activities</b>		
Purchase of property and equipment	(47,349)	(153,998)
Increase in investments	(362,340)	(475,573)
Increase in loans and mortgages	(2,679,571)	(3,555,167)
	<u>(3,089,260)</u>	<u>(4,184,738)</u>
<b>Increase in net cash</b>	5,090,173	1,469,601
<b>Net cash - Beginning of year</b>	<u>10,950,606</u>	<u>9,481,005</u>
<b>Net cash - End of year</b>	<u>16,040,779</u>	<u>10,950,606</u>
<b>Net cash consists of</b>		
Cash and equivalents	1,687,470	1,540,575
Current accounts	14,353,309	9,410,031
	<u>16,040,779</u>	<u>10,950,606</u>
<b>Supplementary disclosure</b>		
Interest received	5,852,959	5,282,421
Interest paid	2,111,684	2,121,395
Dividends received	5,218	5,218
Dividends paid	426,425	531,231
Income taxes received	133,513	12,469
Income taxes paid	174,828	266,520

# Tignish Credit Union Ltd.

Notes to Financial Statements

September 30, 2010

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## 1 General

The Tignish Credit Union Ltd. is incorporated under the Prince Edward Island Credit Unions Act. Its principal business activities include financial and banking services for credit union members.

## 2 Summary of significant accounting policies

### Loans and mortgages

Loans and mortgages are stated at the principal amount less allowances established to recognize estimated credit exposure and impairment.

### Provision for impaired loans

A loan is classified as impaired when, in management's opinion, it is prudent to establish a provision against a certain loan for which the timely and full collection of the loan may be questionable. This provision is determined in two manners, specific provisions and general provisions.

#### Specific provision

Specific provisions are established on an individual facility basis to recognize expected credit losses. The specific provision is the amount that is allocated to reduce the carrying value of an impaired loan to its estimated realizable amount. Generally, the estimated realizable amount is either the lessor of the fair value of any security underlying the loan, net of expected costs of realization and any amount legally required to be paid by the borrower.

#### General provision

A general provision is established when required to absorb credit losses attributable to the deterioration of credit quality within major portfolios for which specific provisions have not been established. No general provision has been established as at September 30, 2010.

The provision for credit losses is maintained at an amount considered adequate to absorb estimated credit-related losses. The provision for credit losses reflects management's best estimate of the impairment existing in the portfolio and their judgments about economic conditions. If the circumstances under which these estimates and judgments were made change, there could be a significant change to the provision for credit losses currently recognized. The provision is increased by a charge to "provision for credit losses" which is a charge to income and reduced by write-offs net of recoveries.

# Tignish Credit Union Ltd.

Notes to Financial Statements

September 30, 2010

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## Property and equipment

Land is carried at cost. All other property and equipment are carried at cost less accumulated amortization. Amortization is calculated using the declining balance method as follows:

Buildings	4%, 5%, 10%
Furniture, equipment and computers	20%, 30%, 45%, 55%
Pavement	8%

Leasehold improvements are amortized using the straight-line method over 16 years.

## Investments

Investments in securities that are classified as held-to-maturity are valued at cost or amortized cost, adjusted to recognize impairment other than a temporary impairment in the underlying value.

Investments in securities that are classified as available for sale are initially recognized at acquisition cost and subsequently re-measured at fair value at each reporting date. The fair value of publicly traded securities is based on their quoted market prices. All other securities' fair value is determined by discounting the expected future cash flows at current market rates. When the fair value of the security cannot be reliably measured, it will be recorded at cost.

## Revenue recognition

### *Loan interest*

Interest accrued on loans is recognized in income except where a loan is classified as impaired. A loan is classified as impaired when a specific provision has been established, a write-off taken or when, in the opinion of management, there is a reasonable doubt as to the ultimate collectibility of principal or interest. Interest received on an impaired loan is recognized in income only if there is no longer doubt as to the collectibility of the carrying value of the loan, otherwise, the interest is credited to the principal. Loans are generally returned to accrual status when all delinquent principal and interest payments are brought current and the timely collection of both principal and interest is reasonably assured.

### *Investment and other income*

Investment and other income is recognized as revenue on an accrual basis.

### *Service fees*

Service fees income is recognized on an accrual basis in accordance with the service agreement.

### *Commissions*

Commissions income is recognized when the event creating the commissions takes place.



# Tignish Credit Union Ltd.

Notes to Financial Statements

September 30, 2010

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## Management estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions mainly considering values that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. It is reasonably possible that changes in future conditions could require a material change in the recognized amounts.

## Market value

Quoted market prices are not available for a portion of Tignish Credit Union Ltd.'s financial instruments. Consequently, market values presented for these financial instruments are estimates derived using redemption values, present values or other valuation techniques which may not be indicative of the net realizable value.

## Risk management policies

Management's risk management policies are informal and are typically performed as a part of the overall management of the entity's operations. Management's close involvement in operations identifies risks and variations from expectations leading to changes in risk management activities and requirements and actions. Management has not entered into hedging transactions to manage risk. As a part of the overall management of the entity's operations, management informally considers avoidance of undue concentrations of risk, and may require collateral to mitigate credit risk. These policies and procedures are unchanged from the prior year.

## Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the average monthly exchange rate.

## Credit risk

Credit risk is the risk that a borrower will fail to meet principal and interest obligations. Tignish Credit Union Ltd. is exposed to credit risk through its loans and mortgages, and mitigates its exposure to this risk through strict adherence to credit granting and monitoring policies and procedures. These policies include requiring collateral be pledged proportionate to the size and term of the loan and mortgage.

## Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Tignish Credit Union Ltd. is exposed to currency risk through its cash accounts and member deposits. Tignish Credit Union Ltd. maintains deposits in foreign currencies to service its member accounts.

# Tignish Credit Union Ltd.

Notes to Financial Statements

September 30, 2010

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## Fair value of financial instruments

The fair value of Tignish Credit Union Ltd.'s financial instruments are derived using the valuation methods and assumptions described below. The estimated fair values disclosed do not reflect the value of items that are not considered financial instruments, such as property and equipment. Since many of Tignish Credit Union Ltd.'s financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

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

- (a) the fair values of cash and equivalents, current accounts, accrued loan interest receivable, accrued interest payable and other liabilities are assumed to approximate book values due to their short-term nature.
- (b) The amortized cost of floating rate loans and mortgages and members deposits are assumed to equal book value as the interest rates automatically reprice to market.
- (c) The amortized cost of fixed rate loans and mortgages and fixed rate deposits is determined by discounting the expected future cash flows of these loans and deposits at the current market rates for products with similar terms and credit risks.
- (d) The fair value of available for sale investments cannot be reliably measured, therefore, they will be recorded at cost.

The entity classifies financial instruments using the following criteria:

### *Loans, mortgages and receivables*

Tignish Credit Union Ltd. classifies non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest, as loans, mortgages and receivables.

### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the intention and ability to hold to maturity.

### *Available for sale*

Available for sale financial assets are those non-derivative financial assets that have been so designated or have not been classified as loans, mortgages, receivables or held to maturity investments.

# Tignish Credit Union Ltd.

Notes to Financial Statements

September 30, 2010

## 3 Loans and mortgages

				2010	2009
	Total \$	Impaired Loans \$ (included in total)	Specific Provision \$	Net \$	Net \$
Personal	36,878,569	142,717	113,867	36,764,702	35,018,960
Business	7,237,003	1,032,382	658,338	6,578,665	7,747,779
Mortgage	6,203,374	183,037	46,516	6,156,858	5,990,623
Farming and fishing	19,580,916	603,122	95,123	19,485,793	20,216,718
Lines of credit and overdrafts	13,440,394	-	-	13,440,394	11,235,855
Student loans	1,543,822	-	-	1,543,822	1,497,592
	<u>84,884,078</u>	<u>1,961,258</u>	<u>913,844</u>	<u>83,970,234</u>	<u>81,707,527</u>

### *Continuity of provision for impaired loans*

	2010 \$	2009 \$
<b>Provision for impaired loans - Beginning of year</b>	847,229	720,419
Add: Recoveries during the year	64,911	21,639
Provision for loan losses	416,864	258,031
Less: Amounts written off during the year	<u>(415,160)</u>	<u>(152,860)</u>
<b>Provision for impaired loans - End of year</b>	<u>913,844</u>	<u>847,229</u>

### *Mortgages and other loans*

Mortgages are secured by realty mortgages with interest rates of 4.75% - 8.25%. Other loans are priced at market rates unless circumstances warrant special considerations. The loans are secured by an assignment of specific call deposits and share capital of the borrower and other specific assigned securities.

### *Tignish Credit Union Ltd.'s prime lending rate*

Tignish Credit Union Ltd.'s prime lending rate is based on the prime interest rate as posted by Credit Union Central of Prince Edward Island.

# Tignish Credit Union Ltd.

Notes to Financial Statements

September 30, 2010

## 4 Property and equipment

			2010	2009
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Land	96,500	-	96,500	96,500
Buildings	1,342,846	520,420	822,426	866,729
Furniture, equipment and computers	639,143	451,449	187,694	193,984
Pavement	106,129	36,863	69,266	75,088
Leasehold improvements	40,388	31,415	8,973	9,583
	<u>2,225,006</u>	<u>1,040,147</u>	<u>1,184,859</u>	<u>1,241,884</u>

## 5 Investments

	2010		2009	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
	\$	\$	\$	\$
<i>Held to maturity:</i>				
Liquidity reserve deposit		<u>6,141,000</u>		<u>5,804,000</u>
		2010		2009
	Fair Value	Cost	Fair Value	Cost
	\$	\$	\$	\$
<i>Available for sale:</i>				
Credit Union Central shares	870,025	870,025	844,685	844,685
League Savings & Mortgage shares	255,930	255,930	255,930	255,930
League Data shares	38,010	38,010	38,010	38,010
Co-operative membership	2,202	2,202	2,202	2,202
	<u>1,166,167</u>	<u>1,166,167</u>	<u>1,140,827</u>	<u>1,140,827</u>
Total investments		<u>7,307,167</u>		<u>6,944,827</u>

# Tignish Credit Union Ltd.

Notes to Financial Statements

September 30, 2010

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In order to comply with Credit Union national standards, Tignish Credit Union Ltd. is required to maintain on deposit in Credit Union Central of Prince Edward Island an amount equal to 6% of prior year assets. The deposit bears interest at a variable rate.

No market exists for shares of Credit Union Central of Prince Edward Island except that they may be surrendered on withdrawal from membership for proceeds equal to the paid-in value, to be received in accordance with a Tignish Credit Union Ltd. by-law providing for the redemption of its share capital.

All other equities with no specified maturity date are classified as available for sale. As there is no market value for the shares in Co-operatives, the fair value of the shares is estimated at amortized cost.

## 6 Member deposits

	2010	2009
	\$	\$
Share accounts (notes 9 and 14)	30,883,675	25,502,223
Savings and Plan 24	7,386,263	7,906,928
Chequing accounts	17,886,569	16,364,201
Term deposits	13,868,812	13,625,606
RRSP and RRIF	29,733,391	29,331,206
	<u>99,758,710</u>	<u>92,730,164</u>

*Share accounts* include the \$5 membership share plus individual member deposits.

*Share accounts* pay a dividend return at the discretion of the Board of Directors. Privileges of the shares are under the authority of the Board of Directors. The dividend rate declared and accrued for 2010 was 2% (2009 - 2%) based on the minimum monthly balance throughout the year.

*Chequing, savings and Plan 24* are on a call basis and earn interest at various rates.

Outstanding *term deposits* for periods of one to five years generally may not be withdrawn prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Fixed *term deposits* bear interest at various rates and extend for a term of up to five years.

### *RRSP and RRIF*

Concentra Financial is the trustee for the registered savings plans offered to owners. Under an agreement with the trust company, owner's contributions to the plans, as well as income earned on them, are deposited in the credit union. On withdrawal, payment of the plan proceeds is made to owners, or the parties designed by them, by the credit union, on behalf of the trust company. RRSP and RRIF term deposits bear interest at various rates.

# Tignish Credit Union Ltd.

Notes to Financial Statements

September 30, 2010

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Withdrawal privileges on all deposit accounts are subject to the overriding right of the Board of Directors to impose a waiting period.

## 7 Loan payable

	2010	2009
	\$	\$
Credit Union Central of Prince Edward Island loan repaid during the year	-	150,000

## 8 Contingent liability

	2010	2009
	\$	\$
Outstanding guarantees on behalf of members	693,000	305,000

## 9 Share accounts

Unlimited membership shares, with a par value of \$5 each, non-transferable, redeemable by Tignish Credit Union Ltd., retractable by shareholders subject to Tignish Credit Union Ltd.'s right to suspend redemption, if the redemption would impair the financial stability of Tignish Credit Union Ltd., for a period of up to twelve months by Board resolution and indefinitely by Board resolution with the approval of the Credit Union Deposit Corporation. Dividends are payable at the discretion of the Board of Directors.

## 10 Income taxes

Tignish Credit Union Ltd. has an unrecognized future income tax benefit of \$56,283 (2009 - \$56,622). The unrecognized future income tax benefit is as a result of \$469,022 (2009 - \$451,175) of timing differences available to reduce taxable income in future years.

## 11 Line of credit availability

In 2010, Tignish Credit Union Ltd. had an approved line of credit with Credit Union Central of Prince Edward Island of \$10,000,000. As of September 30, 2010, the line of credit was not being utilized.

## 12 Related party transactions

Tignish Credit Union Ltd. provides financial services to members. These members hold the loans and mortgages and member deposits and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

## 13 General reserve

In the December 18, 2009 minutes, the Board of Directors approved the transfer of the non-specific general reserve to the undistributed income.

# Tignish Credit Union Ltd.

Notes to Financial Statements

September 30, 2010

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## 14 Regulatory equity

Tignish Credit Union Ltd. has agreed to maintain an equity level equal to 5% of the total assets.

In accordance with the recommendations of the Canadian Institute of Chartered Accountants related to the financial statement presentation of financial instruments, the ownership shares are presented in the balance sheet as financial liabilities. At September 30, 2010, the equity level for regulatory purposes is as follows:

	2010	2009
	\$	\$
Ownership shares	49,710	48,915
Members' equity	7,765,968	7,215,741
Total regulatory equity	<u>7,815,678</u>	<u>7,264,656</u>
Total assets	<u>109,958,919</u>	<u>102,349,269</u>
Equity level	<u>7.2%</u>	<u>7.1%</u>

## 15 Interest rate sensitivity

The following table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, notes receivable are shown at contractual maturity but certain notes could prepay earlier.

# Tignish Credit Union Ltd.

## Notes to Financial Statements

September 30, 2010

	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	Not interest rate sensitive \$	Total \$
<b>Assets</b>					
Cash	-	-	-	1,687,470	1,687,470
Short-term deposits	14,353,309	-	-	-	14,353,309
Effective interest rate	1.00%				
Investments	7,266,955	-	-	40,212	7,307,167
Effective interest rate	2.02%				
Loans and mortgages	81,699,149	2,271,085	-	-	83,970,234
Effective interest rate	6.68%	5.47%			
Accrued interest receivable	-	-	-	1,313,801	1,313,801
Income taxes receivable	-	-	-	1,409	1,409
Prepaid expenses and other	-	-	-	140,670	140,670
Property and equipment	-	-	-	1,184,859	1,184,859
<b>Total assets</b>	<b>103,319,413</b>	<b>2,271,085</b>	<b>-</b>	<b>4,368,421</b>	<b>109,958,919</b>
<b>Liabilities and surplus</b>					
Member deposits	73,993,810	25,764,900	-	-	99,758,710
Effective interest rate	1.49%	3.53%			
Effective interest rate					
Accrued interest payable	-	-	-	1,883,248	1,883,248
Other liabilities	-	-	-	550,993	550,993
Undistributed earnings	-	-	-	7,765,968	7,765,968
	-	-	-	-	-
<b>Total liabilities and surplus</b>	<b>73,993,810</b>	<b>25,764,900</b>	<b>-</b>	<b>10,200,209</b>	<b>109,958,919</b>
<b>Interest rate sensitivity gap</b>	<b>29,325,603</b>	<b>(23,493,815)</b>	<b>-</b>	<b>(5,831,788)</b>	<b>-</b>

As at September 30, 2010, Tignish Credit Union Ltd.'s net interest spread was 4.14% (2009 - 4.03%). The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year-end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year-end interest bearing liabilities.



# LeRoy Martin

*Tignish Credit Union Owner*





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