Bruno Savings and Credit Union Limited
Financial Statements
December 31, 2018

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS
AON BEST EMPLOYER PLATINUM | CANADA
ACCOUNTING › CONSULTING › TAX
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For the year ended December 31, 2018

Management's Responsibility

To the Members of Bruno Savings and Credit Union Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment 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 and Audit and Risk Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit and Risk Committee has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP 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 Committee and management to discuss their audit findings.

February 28, 2019

General Manager

Independent Auditor's Report

To the Members of Bruno Savings and Credit Union Limited:

Opinion

We have audited the financial statements of Bruno Savings and Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Humboldt, Saskatchewan

MNP LLP

February 28, 2019

Chartered Professional Accountants

MNP

Bruno Savings and Credit Union Limited
Statement of Financial Position
As at December 31, 2018

	2018	2017
Assets		
Cash and cash equivalents *(Note 5)*	**5,042,474**	8,975,879
Investments *(Note 6)*	**8,238,280**	7,650,336
Member loans receivable *(Note 7)*	**65,519,643**	58,205,317
Other assets *(Note 8)*	**4,485**	7,383
Property, plant and equipment *(Note 9)*	**84,936**	90,091
	78,889,818	74,929,006
Liabilities		
Member deposits *(Note 11)*	**70,360,659**	67,131,506
Other liabilities *(Note 12)*	**100,093**	48,241
Membership shares *(Note 14)*	**5,985**	6,080
Equity accounts *(Note 14)*	**510,346**	522,899
	70,977,083	67,708,726
Commitment *(Note 19)*		
Members' equity		
Retained earnings	**7,912,735**	7,220,280
	78,889,818	74,929,006

Approved on behalf of the Board

Director

Director

Bruno Savings and Credit Union Limited
Statement of Comprehensive Income
For the year ended December 31, 2018

	2018	*2017*
Interest income		
Member loans	**2,628,590**	2,308,233
Investments	**415,744**	208,532
	3,044,334	2,516,765
Interest expense		
Member deposits	**952,782**	681,501
Borrowed money	**2,091**	1,231
	954,873	682,732
Net interest income	**2,089,461**	1,834,033
Provision for impaired loans *(Note 7)*	**16,600**	15,629
Net interest income before other income	**2,072,861**	1,818,404
Other income	**168,005**	141,622
Net interest and other income	**2,240,866**	1,960,026
Operating expenses		
Personnel	**746,843**	722,837
Member security	**66,602**	58,692
Organizational	**45,616**	44,190
Occupancy	**36,974**	36,052
General business	**519,293**	421,341
	1,415,328	1,283,112
Income before provision for income taxes	**825,538**	676,914
Provision for income taxes *(Note 13)*		
Current	**133,083**	106,846
Comprehensive income	**692,455**	570,068

Bruno Savings and Credit Union Limited
Statement of Changes in Members' Equity
For the year ended December 31, 2018

	Retained earnings	*Total equity*
Balance December 31, 2016	**6,650,212**	**6,650,212**
Comprehensive income	**570,068**	**570,068**
Balance December 31, 2017	**7,220,280**	**7,220,280**
Comprehensive income	**692,455**	**692,455**
Balance December 31, 2018	**7,912,735**	**7,912,735**

Statement of Cash Flows

For the year ended December 31, 2018

	2018	*2017*
Cash provided by (used for) the following activities		
Operating activities		
Interest received from members' loans	**2,587,047**	2,227,637
Interest received from investments	**420,241**	189,859
Other income received	**168,005**	141,622
Interest paid on deposits	**(920,691)**	(663,900)
Cash paid to suppliers and employees	**(1,379,374)**	(1,284,409)
Interest paid on borrowed money	**(2,091)**	(1,231)
Income taxes paid	**(99,000)**	(116,366)
	774,137	493,212
Financing activities		
Net change in member deposits	**3,197,061**	7,361,723
Net change in membership shares *(Note 14)*	**(95)**	(145)
Net change in equity accounts *(Note 14)*	**(12,553)**	(13,754)
	3,184,413	7,347,824
Investing activities		
Net change in member loans receivable	**(7,289,383)**	(171,519)
Purchases of investments	**(592,441)**	(522,232)
Purchases of property, plant and equipment	**(10,131)**	(20,375)
	(7,891,955)	(714,126)
Increase (decrease) in cash and cash equivalents	**(3,933,405)**	7,126,910
Cash and cash equivalents, beginning of year	**8,975,879**	1,848,969
Cash and cash equivalents, end of year	**5,042,474**	8,975,879

1. Reporting entity

Bruno Savings and Credit Union Limited (the “Credit Union”) was formed pursuant to the *Credit Union Act 1998* of the Province of Saskatchewan (“the Act”) and operates two Credit Union branches.

The Credit Union serves members and non-members in Bruno and Prud'homme, Saskatchewan and their surrounding communities. The address of the Credit Union’s registered office is Box 158, 511 Main Street, Bruno, Saskatchewan.

The Credit Union operates as one segment principally in personal and commercial banking in Bruno, Saskatchewan. Operating branches are similar in terms of products and services provided, methods used to distribute products and services, types of customers and the nature of the regulatory environment.

The Credit Union conducts its principal operations through two branches, offering products and services including deposit business, individual lending, and independent business and commercial lending. The deposit business provides a wide range of deposit and investment products and sundry financial services to all members. The lending business provides a variety of credit products and services designed specifically for each particular group of borrowers. Other business comprises business of a corporate nature such as insurance, investment, risk management, asset liability management, treasury operations and revenue and expenses not expressly attributed to the business units.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

The financial statements were approved by the Board of Directors and authorized for issue on February 28, 2019.

2. Change in accounting policies

The Credit Union adopted the following new and/or revised standards, effective January 1, 2018. Adoption of the following new and/or revised standards, had a material impact on the Credit Union’s financial statements.

IFRS 9 Financial instruments

Effective January 1, 2018 (hereafter referred to as the “initial date of application”), the Credit Union adopted IFRS 9 as issued in July 2014. The requirements of IFRS 9 are substantially different from those of IAS 39 *Financial instruments: recognition and measurement*. The new standard fundamentally alters the classification and measurement of financial assets subsequent to initial recognition, including impairment.

The key changes to the Credit Union’s accounting policies resulting from adoption of IFRS 9 are summarized below.

Classification of financial assets and financial liabilities

IFRS 9 requires financial assets be classified into one of three subsequent measurement categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss. Classification is based on the business model under which a financial asset is managed and the nature of its contractual cash flows. IFRS 9 eliminates the following IAS 39 classification categories: available-for-sale, held-to-maturity, and loans and receivables.

Derivatives embedded within host contracts that are financial assets in the scope of IFRS 9 are no longer separated from the host contract. Instead, the whole hybrid contract is assessed for classification in accordance with the above requirements.

The classification and measurement of financial liabilities is largely retained from IAS 39.

Impairment of financial assets

IFRS 9 replaces the methodology under IAS 39 and IAS 37 *Provisions, contingent liabilities and contingent assets* of recognizing impairment losses when incurred with a forward-looking expected credit loss model which requires a more timely recognition of losses expected to occur over the contractual life of the financial asset. IFRS 9 uses a single model for recognizing impairment losses on financial assets. This model also applies to certain loan commitments, financial guarantee contracts, trade receivables and contract assets. Application of the IFRS 9 model results in earlier recognition of impairment losses than under IAS 39. Equity investments are no longer assessed for impairment as all equity investments are measured at fair value.

2. Change in accounting policies *(Continued from previous page)*

Transition

In accordance with the transitional provisions provided in IFRS 9, the Credit Union has applied the changes in accounting policies resulting from the adoption of IFRS 9 retrospectively but has elected not to restate comparative figures. All comparative information presented and disclosed for the prior year reflects the requirements of IAS 39. The comparative information related to the carrying amounts of loans commitments and financial guarantee contracts reflects the requirements of IAS 37 *Provisions, contingent liabilities and contingent assets*. Additional transitional provisions applied are described below.

Classification and measurement

For the purposes of determining the classification of financial assets, the business model test has been applied on the basis of facts and circumstances existing at the date of initial application with the resulting classification applied retrospectively.

In assessing the contractual cash flow characteristics, it was impracticable to assess the modified time value of money element of certain financial assets on the basis of facts and circumstances existing at initial recognition of the assets. Accordingly, the contractual cash flows of those financial assets were assessed at the date of initial application without taking into account these requirements of IFRS 9.

Impairment

The credit risk at the date that a financial asset was initially recognized or, for loan commitments and financial guarantee contracts, the date that the entity became a party to the irrevocable commitment, has been determined on the basis of reasonable and supportable information available without undue cost or effort. This has been compared to the credit risk at the date of initial application for the purpose of determining whether there has been a significant increase in credit risk.

For the purposes of this assessment, the Credit Union has assumed that for low credit risk financial assets, credit risk has not increased significantly since initial recognition.

Notwithstanding the above, the Credit Union has applied the rebuttable presumption that there has been a significant increase in credit risk if contractual payments on a financial asset are more than 30 days past due.

For certain financial assets, the Credit Union was unable to determine whether there has been a significant increase in the credit risk since initial recognition without undue cost or effort. As a result, the loss allowance for these financial assets will be recognized at an amount equal to lifetime expected credit losses at each reporting date until those assets are derecognized unless the credit risk is considered low at a future reporting date.

2. Change in accounting policies *(Continued from previous page)*

Initial application of IFRS 9

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following tables present the measurement categories and carrying amounts under IAS 39 as at December 31, 2017 and the new measurement categories and carrying amounts under IFRS 9 for the Credit Union's financial assets and financial liabilities as at January 1, 2018.

In thousands	Sub-note	IAS 39 classification	IFRS 9 classification	IAS 39 carrying amount	IFRS 9 carrying amount
Financial assets					
Cash		FVTPL (designated)	FVTPL (mandatory)	**1,976**	**1,976**
Cash equivalents		FVTPL (designated)	Amortized cost	**7,000**	**7,000**
SaskCentral liquidity deposits	1	Loans and receivables	Amortized cost	**6,676**	**6,676**
SaskCentral and Concentra Bank shares		Available-for-sale	FVTPL (mandatory)	**975**	**975**
Member loans receivable		Loans and receivables	Amortized cost	**58,205**	**58,205**
Total financial assets				**74,832**	**74,832**
Financial liabilities					
Member deposits		Amortized cost	Amortized cost	**67,132**	**67,132**
Accounts payable		Amortized cost	Amortized cost	**48**	**48**
Membership shares		Amortized cost	Amortized cost	**6**	**6**
Equity accounts		Amortized cost	Amortized cost	**523**	**523**
Total financial liabilities				**67,709**	**67,709**

Application of the accounting policies adopted on the date of initial application of IFRS 9 resulted in the reclassifications as set out in the table above and explained below:

1 – SaskCentral liquidity deposits redeemable prior to December 31, 2017 became non-redeemable at the transition date and are recognized at amortized cost.

2. Change in accounting policies *(Continued from previous page)*

The following table reconciles carrying amounts previously reported under IAS 39 on December 31, 2017 to the carrying amounts under IFRS 9 on January 1, 2018.

In thousands	IAS 39	Reclassification	Remeasurement	IFRS 9
Financial assets				
Amortized cost				
Cash and cash equivalents				
Opening balance	-			
From FVTPL		7,000		
Closing balance cash and cash equivalents				7,000
SaskCentral liquidity deposits				
Opening balance	6,676			
Closing balance SaskCentral liquidity deposits				6,676
Member loans receivable				
Opening balance	58,205			
Closing balance member loans receivable				58,205
Total amortized cost	64,881	7,000	-	71,881
FVTPL				
Cash and cash equivalents				
Opening balance	8,976			
To amortized cost		(7,000)		
Closing balance cash and cash equivalents				1,976
SaskCentral and Concentra Bank shares				
Opening balance	-			
From Available-for-sale		975		
Closing balance SaskCentral and Concentra Bank shares				975
Total FVTPL	8,976	(6,025)	-	2,951
Total financial assets	73,857	975	-	74,832

2. Change in accounting policies *(Continued from previous page)*

In thousands	IAS 39	Reclassification	Remeasurement	IFRS 9
Financial liabilities				
Amortized cost				
Member deposits				
Opening balance	**67,132**			
Closing balance member deposits				**67,132**
Accounts payable				
Opening balance	**48**			
Closing balance accounts payable				**48**
Membership shares				
Opening balance	**6**			
Closing balance membership shares				**6**
Equity accounts				
Opening balance	**523**			
Closing balance equity accounts				**523**
Total amortized cost	**67,709**	-	-	**67,709**
Total financial liabilities	**67,709**	-	-	**67,709**

IFRS 15 Revenue from contracts with customers

Effective January 1, 2018 (hereafter referred to as the "initial date of application"), the Credit Union adopted IFRS 15 *Revenue from contracts with customers* as issued by the IASB in May 2014, with clarifying amendments issued in April 2016. The standard specifies how and when entities recognize, measure, and disclose revenue. The standard supersedes all current standards dealing with revenue recognition, including 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*.

Transition

The Credit Union applied the changes in the accounting policies resulting from IFRS 15 retrospectively with the cumulative effect of initially applying IFRS 15 recognized as an adjustment to the opening balance of retained earnings at January 1, 2018. The comparative information contained within these financial statements has not been restated and continues to be reported under previous revenue standards.

The application of the standard has not resulted in a change in the Credit Union's accounting policy for revenue recognition. Refer to Note 4 for details on the Credit Union's revenue recognition policies.

Initial application of IFRS 15

There was no material impact on the financial statements from the retrospective application of IFRS 15 *Revenue from contracts with customers*.

3. Basis of preparation

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments.

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Allowance for impaired loans – applicable before January 1, 2018

The Credit Union reviews its individually significant loans at each reporting date to assess whether an impairment loss should be recognized. In particular, judgment 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 judgments 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 receivable 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 collective provision assessment takes account of data from the loan portfolio such as credit quality, delinquency, historical performance and industry economic outlook. The impairment loss on member loans receivable is disclosed in more detail in Note 7.

Key assumptions in determining the allowance for impaired loans collective provision – applicable before January 1, 2018

The Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other objective evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

For purposes of the collective provision loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

3. Basis of presentation *(Continued from previous page)*

Key assumptions in determining the allowance for expected credit losses – applicable from January 1, 2018

At each reporting period, financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrowers' ability to meet debt obligations:

- Expected significant increase in unemployment rates, interest rates
- Declining revenues, working capital deficiencies, increases in balance sheet leverage and liquidity
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the Credit Union develops a number of assumptions as follows:

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options and demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Gross domestic product
- Inflation
- Loan to value ratios
- Housing price indicators

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Credit Union uses judgment to weight these scenarios.

Classification of financial assets – applicable from January 1, 2018

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to members do not result in payments that are not solely payments of principal and interest because they represent reasonable additional compensation for early termination of the contract.

3. Basis of presentation *(Continued from previous page)*

Financial instruments not traded on active markets - applicable before January 1, 2018

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.

Fair value of unquoted equity instruments - applicable after January 1, 2018

The Credit Union has assessed that the fair values of its unquoted equity instruments, SaskCentral shares and Concentra Bank shares approximates its cost based on the terms that the equity investments cannot be transferred, the shares cannot be sold and new shares are issued at par value of all currently held shares.

Impairment of available-for-sale financial assets - applicable before January 1, 2018

Management determines when an available-for-sale financial asset is impaired in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.* This determination requires significant judgement. Management evaluates the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

When the fair value declines, management makes assumptions about the decline in value to determine if it is an impairment to be recognized in profit or loss.

At December 31, 2017, no impairment losses were recognized for available-for-sale assets. The carrying amount of available-for-sale assets at December 31, 2017 was $974,511.

Impairment of financial assets – applicable after January 1, 2018

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets and determining whether there has been a significant increase in credit risk since initial recognition in accordance with IFRS 9 *Financial Instruments*. For more information, refer to Note 17.

Impairment of non-financial assets

At each reporting date, the Credit Union assesses whether there are any indicators of impairment for non-financial assets. Non-financial assets that have an indefinite useful life or are not subject to amortization, such as goodwill, are tested annually for impairment or more frequently if impairment indicators exist. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude on non-capital losses available for carry forward and of the balances in various tax pools as the corporate tax returns have not been prepared as of the date of financial statement preparation. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material. Further details are contained in Note 13.

Useful lives of property, plant and equipment

Estimates must be utilized in evaluating the useful lives of all property, plant and equipment for calculation of the depreciation for each class of assets. For further discussion of the estimation of useful lives, refer to the heading property, plant and equipment contained in Note 4.

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

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.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Credit Union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in net income.

Revenue recognition - Policy applicable before January 1, 2018

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 in profit or loss for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Interest penalties received as a result of loan prepayments by members are recognized as income in the year in which the prepayment is made, unless only minor modifications (based on a present value of future cash flows test) were made to the loan in which case they are deferred and amortized using the effective interest method.

Fees related to the origination or renewal of a loan are considered an integral part of the yield earned on a loan and are recognized using the effective interest method over the estimated repayment term of the related loan.

Investment income is recognized as interest is earned on interest-bearing investments, and when dividends are declared on shares.

Investment security gains and losses are recognized in accordance with the requirements of their classification as outlined further under the *Financial Instruments* policy note.

Loan syndication fees are recognized on completion of the syndication arrangement. Incremental direct costs for originating or acquiring a loan are netted against origination fees.

Commission revenue is recognized net of broker commission expense as earned on the effective date of each policy.

Other revenue is recognized as services are provided to members.

4. Summary of significant accounting policies *(Continued from previous page)*

Revenue recognition - Policy applicable from January 1, 2018 under IFRS 15 revenue from contracts with customers

The following describes the Credit Union's principal activities from which it generates revenue.

Service charge fees, commissions and other revenue

The Credit Union generates revenue from providing financial services to its members. Revenue is recognized as services are rendered.

The Credit Union does not have an enforceable right to payment until services are rendered and commission revenue earned when the products are sold.

The amount of revenue recognized on these transactions is based on the price specified in the contract.

The Credit Union does not expect to have any contracts where the period between the transfer of the promised goods or services to the member and payment by the member exceeds one year. Consequently, the Credit Union does not adjust any of the transaction prices for the time value of money.

Revenue recognition for items outside the scope of IFRS 15 is included in the financial instruments section of Note 4.

Financial instruments - Policy applicable before January 1, 2018

Classification and measurement

All financial instruments are initially recognized at fair value at 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 as described below. Transactions to purchase or sell these items are recorded on the settlement date. During the year, there has been no reclassification of financial instruments.

Financial instruments classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through net income. The Credit Union's financial instruments classified as fair value through profit or loss include cash and cash equivalents.

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Certain equity instruments which do not trade in an open market and whose fair value cannot be reliably measured are recorded at cost. The Credit Union's financial instruments classified as available-for-sale include SaskCentral and Concentra Bank shares.

Financial assets classified as held-to-maturity are subsequently measured at amortized cost using the effective interest rate method. The Credit Union does not hold any financial instruments classified as held-to-maturity.

Financial assets classified as loans and receivables are subsequently measured at amortized cost. The Credit Union's financial instruments classified as loans and receivables include all member loans receivable and accrued interest thereon, and SaskCentral liquidity pool investments.

Financial instruments classified as other financial liabilities include member deposits, accounts payable, membership shares and equity accounts. Other financial liabilities are subsequently carried at amortized cost.

Derecognition of financial assets

Derecognition of a financial asset occurs when:

- The Credit Union does not have rights to receive cash flows from the asset;
- 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:
    - The Credit Union has transferred substantially all the risks and rewards of the asset, or
    - The Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4. Summary of significant accounting policies *(Continued from previous page)*

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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the statement of comprehensive income.

Derivative financial instruments

Derivative instruments are recorded at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recorded in net income.

Financial instruments – Policy applicable from January 1, 2018

Financial assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Credit Union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Debt instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in net income. Financial assets measured at amortized cost are comprised of cash equivalents, SaskCentral liquidity deposits and member loans receivable.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in net income. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to net income. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.

4. Summary of significant accounting policies *(Continued from previous page)*

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in net income. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and SaskCentral and Concentra Bank shares.
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in net income. The Credit Union does not hold any financial assets designated to be measured at fair value through profit or loss.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. Equity investments measured at fair value through profit or loss are comprised of shares in SaskCentral and Concentra Bank.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union's claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Credit Union reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments, as well as lease receivables, contract assets, and any financial guarantee contracts and loan commitments not measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

For member loans receivable, the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union applies the simplified approach for trade receivables that do not contain a significant financing component. Using the simplified approach, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

4. Summary of significant accounting policies *(Continued from previous page)*

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;
- For loan commitments and financial guarantee contracts, as a provision; and
- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision.

Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 17 for additional information about the Credit Union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Credit Union applies its accounting policies for the derecognition of a financial asset to a part of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only a pro-rata share of specifically identified cash flows from a financial asset.

In all other situations the Credit Union applies its accounting policies for the derecognition of a financial asset to the entirety of a financial asset.

The Credit Union derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Credit Union either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Credit Union derecognizes the financial asset. At the same time, the Credit Union separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in net income. Such transactions include syndications of member loans.

4. Summary of significant accounting policies *(Continued from previous page)*

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in net income. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

Financial liabilities

Recognition and initial measurement

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest method.

Interest, gains and losses related to financial liabilities are recognized in net income.

Derecognition of financial liabilities

The Credit Union derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Dividend income

Dividend income is recorded in profit or loss when the Credit Union's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Credit Union, and the amount of the dividend can be measured reliably.

Interest

Interest income and expense are recognized in net income using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

4. Summary of significant accounting policies *(Continued from previous page)*

Offsetting

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Credit Union has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

Collateral

The Credit Union recognizes the proceeds from the sale of any non-cash collateral that has been pledged to it and a liability measured at fair value for its obligation to return the collateral.

If a debtor defaults under the terms of its contract and is no longer entitled to the return of any collateral, the Credit Union recognizes the collateral as an asset initially measured at fair value or, if it has already sold the collateral, derecognizes its obligation to return the collateral.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Credit Union’s cash management system.

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.

Policy applicable from January 1, 2018

SaskCentral and Concentra Bank deposits and shares

SaskCentral and Concentra Bank deposits are measured at amortized cost. Shares are measured at fair value, with adjustments to fair value recognized in profit or loss.

Policy applicable before January 1, 2018

SaskCentral and Concentra Bank deposits and shares

SaskCentral and Concentra Bank deposits are accounted for as held-to-maturity, adjusted to recognize other than a temporary impairment in the underlying value, or as available-for-sale, based on management’s intent. Shares are accounted for as available-for-sale at cost, as no market exists for these investments.

Member loans receivable - Policy applicable before January 1, 2018

Loans are initially recognized at their fair value and subsequently measured at amortized cost. Amortized cost is calculated as the loans’ principal amount, less any allowance for anticipated losses, plus accrued interest. Interest revenue is recorded on the accrual basis using the effective interest method. Loan administration fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

4. Summary of significant accounting policies *(Continued from previous page)*

Allowance for loan impairment - Policy applicable before January 1, 2018

Allowance for loan impairment represents specific and collective provisions established as a result of reviews of individual loans and groups of loans. In particular, judgment 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 judgments about the credit worthiness of 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 receivable that have been assessed individually and found not to be impaired are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective/ general assessment takes account of data from the loan portfolio and based on analysis of historical data, such as credit quality, levels of arrears, historical performance and economic outlook.

Individual allowances are established by reviewing the credit worthiness of individual borrowers and the value of the collateral underlying the loan. Collective allowances are established by reviewing specific arrears and current economic conditions.

Restructured loans are not considered impaired where reasonable assurance exists that the borrower will meet the terms of the modified debt agreement. Restructured loans are defined as loans greater than 90 days delinquent that have been restructured outside the Credit Union's normal lending practices as it relates to extensions, amendments and consolidations.

Loans are classified as impaired, and a provision for loss is established, when there is no longer reasonable assurance of the timely collection of the full amount of principal or interest. It is the Credit Union's policy that whenever a payment is 90 days past due, loans are classified as impaired unless they are fully secured or collection efforts are reasonably expected to result in repayment of the debt.

In such cases, a specific provision is established to write down the loan to the estimated future net cash flows from the loan discounted at the loans' original effective interest rate. In cases where it is impractical to estimate the future cash flows, the carrying amount of the loan is reduced to its fair value calculated based on an observable market price. Any previously accrued but unpaid interest on the loan is charged to the allowance for loan impairment. Interest income after the impairment is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Impairment of financial assets - Policy applicable before January 1, 2018

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 financial asset, it includes the 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.

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 flows. 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 net income.

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 provisions for impaired financial assets, prepayment losses, and costs to securitize and service financial assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net income.

4. Summary of significant accounting policies *(Continued from previous page)*

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.

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 net 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 net income.

Syndication

The Credit Union syndicates individual assets with various other financial institutions primarily to manage credit risk, create liquidity and manage regulatory capital for the Credit Union. Syndicated loans transfer substantially all the risks and rewards related to the transferred financial assets and are derecognized from the Credit Union's statement of financial position. All loans syndicated by the Credit Union are on a fully serviced basis. The Credit Union receives fee income for services provided in the servicing of the transferred financial assets.

Property, plant and equipment

Property, plant 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 parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is provided using the declining balance method for buildings and the straight-line method for furniture and equipment at rates intended to depreciate the cost of the assets over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition.

The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Rate
Buildings	5 - 10 %
Furniture and equipment	10 - 33 %

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Gains or losses on the disposal of property, plant and equipment will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in the statement of comprehensive income as other income or loss, respectively.

4. Summary of significant accounting policies *(Continued from previous page)*

Income taxes

The Credit Union accounts for income taxes using the asset and liability method. Current and deferred taxes are recognized in net income except to the extent that the tax is recognized either in other comprehensive income or directly in equity. Under this method, the provision for income taxes is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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.

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.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

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.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a finance lease. At the inception of a finance lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair market value at inception of the lease. Assets under finance leases are amortized on a straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Employee benefits

The Credit Union's post employment benefit programs consist of a defined contribution plan.

Credit Union contributions to the defined contribution plan are expensed as incurred. Pension benefits of $35,740 (2017 – $34,092) were paid to the defined contribution retirement plan during the year.

Membership shares and equity accounts

Membership shares and equity accounts are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union Board of Directors are classified as equity. Shares redeemable subject to regulatory restrictions are accounted for using the criteria set out in IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*.

Standards issued but not yet effective

The Credit Union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2018 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.

4. Summary of significant accounting policies *(Continued from previous page)*

IFRS 9 Financial instruments

Amendments to IFRS 9, issued in October 2017, address the classification of certain prepayable financial assets. The amendments clarify that a financial asset that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation may be eligible to be measured at either amortized cost or fair value through other comprehensive income. This classification is subject to the assessment of the business model in which the particular financial asset is held as well as consideration of whether certain eligibility conditions are met.

The amendments are effective for annual periods beginning on or after January 1, 2019. The Credit Union has not yet determined the impact of these amendments on its financial statements.

IFRS 16 Leases

IFRS 16, issued in January 2016, introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard will supersede IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Credit Union has not yet determined the impact of this standard on its financial statements.

IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 was issued in June 2017 to specify how to reflect the effects of uncertainty in accounting for income taxes. The interpretation aims to reduce the diversity in how entities recognise and measure a tax liability or tax asset when there is uncertainty over income tax treatments.

The new interpretation is effective for annual periods beginning on or after January 1, 2019. The Credit Union has not yet determined the impact of this interpretation on its financial statements.

5. Cash and cash equivalents

	2018	*2017*
Cash	**4,042,474**	1,975,879
Cash equivalents	**1,000,000**	7,000,000
	5,042,474	8,975,879

6. Investments

	2018	2017
Measured at fair value through profit or loss		
SaskCentral and Concentra Bank shares (2017 - Available-for-sale)	**974,511**	974,511
Measured at amortized cost		
SaskCentral liquidity deposits (2017 - Loans and receivables)	**7,229,323**	6,636,882
Accrued interest	**34,446**	38,943
	8,238,280	7,650,336

The table below shows the credit risk exposure on investments, excluding liquidity reserves and balances on deposit with SaskCentral and Concentra Bank. Ratings are as provided by Dominion Bond Rating Services ("DBRS") unless otherwise indicated.

	2018	2017
Investment portfolio rating		
A	**300,011**	300,011
R1	**674,500**	674,500
	974,511	974,511

SaskCentral shares are included in the R1 category above and Concentra Bank shares are included in the A category above.

Statutory Liquidity:

Pursuant to Regulations, SaskCentral requires that the Credit Union maintain 10% of its total liabilities in specified liquidity deposits. The provincial regulator for Credit Unions, Credit Union Deposit Guarantee Corporation ("CUDGC"), requires that the Credit Union adhere to these prescribed limits and restrictions. As of December 31, 2018 the Credit Union met the requirement.

Liquidity Coverage Ratio:

Effective January 1, 2017 the Credit Union has implemented a Liquidity Coverage Ratio ("LCR") to be phased in over a two-year period. This is a regulatory requirement of CUDGC, with the minimum beginning at 80% as of January 1, 2017. The minimum requirement rises in equal steps of 10% annually to reach 100% on January 1, 2019 and continue thereafter. The objective of the LCR is to ensure that the Credit Union has an adequate stock of unencumbered high-quality liquid assets ("HQLA") that:

- consists of cash or assets that can be converted into cash at little or no loss of value; and
- meets its liquidity needs for a 30-calendar day stress scenario, by which time it is assumed corrective actions have been taken by the Credit Union and/or CUDGC.

This stress scenario noted above is viewed as a minimum requirement. The Credit Union conducts additional stress tests to assess the level of liquidity to hold beyond the regulatory minimum, and constructs scenarios that could cause difficulties for specific business activities. Internal stress tests have longer time horizons and results are reported to CUDGC upon request.

The LCR is calculated as the value of the stock in HQLA in stressed conditions divided by the total net cash outflows over the next 30 calendar days.

As at December 31, 2018, the Credit Union is in compliance with regulatory requirements.

7. Member loans receivable

Principal and allowance by loan type:

					2018
	Principal performing	**Principal impaired**	**Allowance specific**	**Allowance for expected credit losses**	**Net carrying value**
Government guaranteed	2,865,193	-	-	-	**2,865,193**
Residential and farm mortgages	41,026,980	-	-	2,274	**41,024,706**
Commercial mortgages	1,649,322	-	-	-	**1,649,322**
Personal loans	6,425,938	6,259	6,259	2,045	**6,423,893**
Leases	4,422,206	-	-	-	**4,422,206**
Non-personal loans	8,690,417	-	-	-	**8,690,417**
Total	65,080,056	6,259	6,259	4,319	**65,075,737**
Accrued interest	443,906	-	-	-	**443,906**
	65,523,962	6,259	6,259	4,319	**65,519,643**

					2017
	Principal performing	Principal impaired	Allowance specific	Allowance collective	Net carrying value
Government guaranteed	3,284,465	-	-	-	3,284,465
Residential and farm mortgages	36,290,174	-	-	-	36,290,174
Commercial mortgages	1,095,570	-	-	-	1,095,570
Personal loans	6,333,460	14,599	14,599	-	6,333,460
Leases	2,482,614	-	-	-	2,482,614
Non-personal loans	8,317,701	-	-	-	8,317,701
Total	57,803,984	14,599	14,599	-	57,803,984
Accrued interest	401,333	1,030	1,030	-	401,333
	58,205,317	15,629	15,629	-	58,205,317

The allowance for loan impairment changed as follows:

	2018	*2017*
Balance, beginning of year	**15,629**	-
Provision for impaired loans	**16,600**	15,629
	32,229	15,629
Less: loans written off, net of recoveries	**21,651**	-
Balance, end of year	**10,578**	15,629

8. Other assets

	2018	*2017*
Prepaid expenses	**4,485**	6,229
Corporate income tax receivable	**-**	1,154
	4,485	7,383

9. Property, plant and equipment

	Land	*Buildings*	*Furniture and equipment*	*Total*
Cost				
Balance at December 31, 2016	**2,050**	**249,051**	**294,877**	**545,978**
Additions	**-**	**-**	**20,375**	**20,375**
Disposals	**-**	**-**	**(38,770)**	**(38,770)**
Balance at December 31, 2017	**2,050**	**249,051**	**276,482**	**527,583**
Additions	**-**	**-**	**10,131**	**10,131**
Disposals	**-**	**-**	**(12,211)**	**(12,211)**
Balance at December 31, 2018	**2,050**	**249,051**	**274,402**	**525,503**
Accumulated depreciation				
Balance at December 31, 2016	**-**	**172,502**	**286,627**	**459,129**
Depreciation	**-**	**4,133**	**13,000**	**17,133**
Disposals	**-**	**-**	**(38,770)**	**(38,770)**
Balance at December 31, 2017	**-**	**176,635**	**260,857**	**437,492**
Depreciation	**-**	**3,895**	**11,391**	**15,286**
Disposals	**-**	**-**	**(12,211)**	**(12,211)**
Balance at December 31, 2018	**-**	**180,530**	**260,037**	**440,567**
Net book value				
At December 31, 2017	2,050	72,416	15,625	90,091
At December 31, 2018	**2,050**	**68,521**	**14,365**	**84,936**

10. Line of credit

The Credit Union has an approved line of credit limit of $1,278,000 (2017 - $1,278,000) with SaskCentral. Borrowings are secured by an assignment, hypothecation, charge and pledge of all book debts and accounts to SaskCentral and bear an annual interest rate based on SaskCentral's prime rate of interest minus 0.5% (2018 - 3.45%), with no fixed repayment dates. As at December 31, 2018, the Credit Union is not utilizing the line of credit.

11. Member deposits

	2018	2017
Chequing, Savings, Plan 24 and other	**48,116,425**	46,053,887
Term deposits	**14,998,673**	13,729,461
Registered savings plans	**6,997,807**	7,132,495
Accrued interest savings and deposits	**247,754**	215,663
	70,360,659	67,131,506

Member deposits are subject to the following terms:

Chequing, savings and Plan 24 products are due on demand and bear interest at rates up to 1.75% (2017 - 1.25%).

Term deposits are subject to fixed and variable rates of interest up to 2.90% (2017 - 2.75%), with interest payments due monthly, annually or on maturity.

Registered savings plans are subject to fixed and variable rates of interest up to 2.90% (2017 - 2.75%), with interest payments due monthly, annually or on maturity.

12. Other liabilities

	2018	2017
Accounts payable	**67,164**	48,241
Corporate income tax payable	**32,929**	-
	100,093	48,241

13. Income tax

Income tax expense recognized in net income

The applicable tax rate for the Credit Union is the aggregate of the federal income tax rate of 15% (2017 - 15%) and the provincial tax rate of 7% (2017 - 4.44%).

Reconciliation between average effective tax rate and the applicable tax rate

	2018	2017
Applicable tax rate	**27.00 %**	26.75 %
Reduction for Credit Unions	**(5.00)%**	(7.31)%
Income eligible for deduction	**(5.59)%**	(3.40)%
Non-deductible and other items	**(0.29)%**	(0.26)%
Average effective tax rate (tax expense divided by profit before tax)	**16.12 %**	15.78 %

In March 2017, the provincial government announced a decrease in the provincial tax rate to 11% in half-point increments effective July 1, 2017 and July 1, 2019. This proposal was subsequently reversed with the tax rate reverting to the previous 12% rate effective January 1, 2018. The resulting general provincial income tax rate for 2018 will be 12% (2017 - 11.75%).

The provincial government also announced a phase-out of the credit union tax reduction over a four year period commencing in 2017. For 2018, 50% of the Credit Union's income will be taxed at 2% and the other 50% will be taxed at 12% provincially. By 2020, 100% of the Credit Union's taxable income will be taxed at a rate of 12%.

14. Membership shares and equity accounts

Authorized:

Unlimited number of Membership shares, at an issue price of $5.

Issued:

	2018	2017
1,197 Membership shares (2017 - 1,216)	**5,985**	6,080
Equity accounts	**510,346**	522,899
Total	**516,331**	528,979

All membership shares and equity accounts are classified as liabilities.

When an individual becomes a member of the Credit Union, they are issued a membership share at $5 per share. Each member of the Credit Union has one vote, regardless of the number of common shares held.

Equity accounts are established as a means of returning excess earnings to the members and at the same time increasing the Credit Union's equity base.

During the year, the Credit Union redeemed a net of 19 (2017 - 29) membership shares.

15. Related party transactions

Key management compensation of the Credit Union

Key management personnel ("KMP") of the Credit Union consist of the General Manager, Loans Manager and Branch Supervisors and members of the Board of Directors. KMP remuneration includes the following expenses:

	2018	2017
Salary and short term benefits	**367,373**	365,211

Transactions with key management personnel

The Credit Union, in accordance with its policy, may grant credit to its directors, management and staff at concessional rates of interest on their loans and facilities.

Loans made to directors and KMP are approved under the same lending criteria applicable to members and are included in member loans receivable on the statement of financial position. There are no loans to KMP that are impaired.

Directors, management and staff of the Credit Union hold deposit accounts. These accounts are maintained under the same terms and conditions as accounts of other members, and are included in member deposits on the statement of financial position.

There are no benefits or concessional terms and conditions applicable to the family members of KMP.

These loans and deposits were made in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

15. Related party transactions *(Continued from previous page)*

	2018	2017
Aggregate of loans to KMP	**3,361,526**	2,559,351
Aggregate revolving credit facilities to KMP	**1,325,500**	1,734,500
Less: membership shares and equity accounts	**(9,778)**	(12,957)
	4,677,248	4,280,894

	2018	2017
During the year the aggregate value of loans disbursed to KMP amounted to:		
Mortgages	**705,000**	300,000
Loans	**386,000**	362,490
	1,091,000	662,490

	2018	2017
Income and expense transactions with KMP consisted of:		
Interest and other revenue earned on loans to KMP	**139,592**	104,107
Interest paid on member deposits to KMP	**52,015**	34,871

	2018	2017
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	**2,107,571**	1,703,543
Term deposits	**468,543**	436,740
Registered plans	**579,552**	520,145
Total value of member deposits due to KMP	**3,155,666**	2,660,428

Directors' fees and expenses

	2018	2017
Directors' fees and committee remuneration	**16,840**	15,800
Directors' expenses	**3,807**	3,630
Meeting, training and conference costs	**3,786**	3,794

SaskCentral and Concentra Bank

The Credit Union is a member of SaskCentral which acts as a depository for surplus funds received from and loans made to credit unions. SaskCentral also provides other services for a fee to the Credit Union and acts in an advisory capacity.

The Credit Union is related to Concentra Bank, which is owned in part by SaskCentral. Concentra Bank provides financial intermediation and trust services to Canadian credit unions and associated commercial and retail customers.

Interest earned on investments during the year ended December 31, 2018 amounted to $415,744 (2017 - $208,532).

Interest paid on borrowings during the year ended December 31, 2018 amounted to $2,091 (2017 - $1,231).

Payments made for affiliation dues for the year ended December 31, 2018 amounted to $141,071 (2017 - $115,811).

15. Related party transactions *(Continued from previous page)*

Celero Solutions

The Credit Union has entered into an agreement with Celero Solutions to provide the delivery of banking system services and the maintenance of the infrastructure needed to ensure uninterrupted delivery of such services. Celero Solutions was formed as a joint venture by the Credit Union Centrals of Alberta, Saskatchewan and Manitoba along with Concentra Bank.

16. Capital management

A capital management framework is included in policies and procedures established by the Board of Directors. The Credit Union's objectives when managing capital are to:

- Adhere to regulatory capital requirements as minimum benchmarks;
- Co-ordinate strategic risk management and capital management;
- Develop financial performance targets/budgets/goals;
- Administer a patronage program that is consistent with capital requirements;
- Administer an employee incentive program that is consistent with capital requirements; and
- Develop a growth strategy that is coordinated with capital management requirements.

CUDGC prescribes capital adequacy measures and minimum capital requirements. The capital adequacy rules issued by CUDGC have been based on the Basel III framework, consistent with the financial industry in general.
The Credit Union follows a risk-weighted asset calculation for credit and operational 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 1,250% is assigned. The ratio of regulatory capital to risk-weighted assets is calculated and compared to the standard outlined by CUDGC. Regulatory standards require credit unions to maintain a minimum total eligible capital to risk-weighted assets of 8%, a minimum tier 1 capital to total assets of 6% and a minimum common equity tier 1 capital to risk-weighted assets of 4.5%. Eligible capital consists of total tier 1 and tier 2 capital. In addition to the minimum capital ratios, the Credit Union is required to hold a capital conservation buffer of 2.5%. The capital conservation buffer is designed to avoid breaches of the minimum capital requirement.

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 consists of two components: common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital includes retained earnings, contributed surplus and accumulated other comprehensive income ("AOCI"). Deductions from common equity tier 1 capital include goodwill, intangible assets, deferred tax assets (except those arising from temporary differences), increases in equity capital resulting from securitization transactions, unconsolidated substantial investments and fair value gains (losses) on own use property. Additional tier 1 capital consists of qualifying membership shares and other investment shares issued by the Credit Union that meet the criteria for inclusion in additional tier 1 capital.

Tier 2 capital includes a collective allowance for credit losses to a maximum of 1.25% of risk-weighted assets, subordinated indebtedness, and qualifying membership shares or other investment shares issued by the Credit Union that meet the criteria for inclusion in tier 2 capital and are not included in tier 1 capital.

Regulatory standards also require the Credit Union to maintain a minimum leverage ratio of 5%. This ratio is calculated by dividing eligible capital by total assets less deductions from capital plus specified off-balance sheet exposures. Based on the type of off-balance sheet exposure, a conversion factor is applied to the leverage ratio.

16. Capital management *(Continued from previous page)*

The following table compares CUDGC regulatory standards to the Credit Union's board policy for 2018:

	Regulatory standards	***Board standards***
Total eligible capital to risk weighted assets	**10.50 %**	**11.50 %**
Tier 1 capital to risk-weighted assets	**8.50 %**	**9.00 %**
Common equity tier 1 capital to risk-weighted assets	**7.00 %**	**7.50 %**
Leverage ratio	**5.00 %**	**6.50 %**

During the year, the Credit Union complied with all internal and external capital requirements.

The following table summarizes key capital information:

	2018	*2017*
Eligible capital		
Common equity tier 1 capital	**7,912,735**	7,220,280
Additional tier 1 capital	**-**	-
Total tier 1 capital	**7,912,735**	7,220,280
Total tier 2 capital	**520,650**	528,979
Total eligible capital	**8,433,385**	7,749,259
Risk-weighted assets		
Total eligible capital to risk-weighted assets	**13.89 %**	14.07 %
Tier 1 capital to risk-weighted assets	**13.03 %**	13.11 %
Common equity tier 1 capital to risk-weighted assets	**13.03 %**	13.11 %
Leverage ratio	**10.51 %**	10.16 %

17. Financial instruments

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.

Accordingly, 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 risk management policies approved by its Board of Directors.

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

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

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Audit and Risk Committee and Conduct Review Committee.

There have been no significant changes from the previous year in the Credit Union's risks to which it is exposed or its general policies and procedures for managing risk.

17. Financial instruments *(Continued from previous page)*

Credit risk

Credit risk is the risk of financial 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.

Risk management process

Credit risk management is integral to the Credit Union's activities. Management and the Board of Directors are responsible for developing and implementing the credit risk management practices of the Credit Union by establishing the relevant policies and procedures. Management carefully monitors and manages the Credit Union's exposure to credit risk by reviewing member credit extension policies and guidelines and reviewing the performance of loan portfolios, including default events and past due status. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid.

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

- Loan security (collateral) requirements
  - 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; and
  - Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security.
- Borrowing member capacity (repayment ability) and character requirements
- Limits on aggregate credit exposure per individual and/or related parties
- Limits on concentration of credit risk by loan type, industry and economic sector
- Limits on the types of credit facilities and services offered
- Internal loan approval processes and loan documentation standards
- Loan re-negotiation, extension and renewal processes
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors
- Control and monitoring processes including portfolio risk identification and delinquency tolerances
- Timely loan analysis processes to identify, access and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes
- Loan syndication processes

The Credit Union's credit risk policies, processes and methodologies are reviewed periodically to ensure they remain relevant and effective in managing credit risk.

To meet the needs of its members and to 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:

- Guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party; and
- Commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit and credit cards), guarantees or letters of credit.

17. Financial instruments *(Continued from previous page)*

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:

	2018	*2017*
Unadvanced lines of credit	**11,400,887**	10,364,288
Authorized unadvanced loans	**1,239,674**	1,169,190
Standby letters of credit	**10,000**	60,000
Credit card guarantees	**115,500**	100,500
	12,766,061	11,693,978

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Credit Union considers member loans to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the Credit Union's internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Credit Union's past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Credit Union.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the Credit Union takes into account all reasonable and supportable information, include forward-looking information, available without undue cost or effort in making this assessment. The Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers. The Credit Union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming. When a financial instrument is considered to have low credit risk, it is assumed that there has not been a significant increase in credit risk since initial recognition.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its members. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its internal credit risk policies. In making this assessment, the Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings.

17. Financial instruments *(Continued from previous page)*

Measurement of expected credit losses

The Credit Union measures expected credit losses for member loans on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type (government guaranteed, residential and farm mortgages, commercial mortgages, personal loans, leases and non-personal loans). Otherwise, expected credit losses are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union utilizes complex modelling, which uses current banking system loan data to assess probability of default, loss given default, and present value calculations. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its members and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses and determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the security relating to the loan has been sold and there are remaining amounts outstanding or when the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

17. Financial instruments *(Continued from previous page)*

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments* (2018) and IAS 39 *Financial instruments: recognition and measurement* (2017). The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

Except as noted below, the gross carrying amount of financial assets represents the maximum exposure to credit risk for that class of financial asset.

In thousands	*12-month ECL*	*2018 Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Residential and farm mortgages				
Low risk	**40,306**	**-**	**-**	**40,306**
Moderate risk	**-**	**457**	**-**	**457**
High risk	**-**	**-**	**264**	**264**
Total gross carrying amount	**40,306**	**457**	**264**	**41,027**
Less: loss allowance	**2**	**-**	**-**	**2**
Total carrying amount	**40,304**	**457**	**264**	**41,025**
Personal loans				
Low risk	**6,364**	**-**	**-**	**6,364**
Moderate risk	**-**	**39**	**-**	**39**
High risk	**-**	**-**	**29**	**29**
Total gross carrying amount	**6,364**	**39**	**29**	**6,432**
Less: loss allowance	**2**	**-**	**6**	**8**
Total carrying amount	**6,362**	**39**	**23**	**6,424**
Government guaranteed, commercial mortgages, leases and non-personal loans				
Low risk	**17,603**	**-**	**-**	**17,603**
Moderate risk	**-**	**307**	**-**	**307**
High risk	**-**	**-**	**161**	**161**
Total gross carrying amount	**17,603**	**307**	**161**	**18,071**
Less: loss allowance	**-**	**-**	**-**	**-**
Total carrying amount	**17,603**	**307**	**161**	**18,071**
Total				
Low risk	**64,273**	**-**	**-**	**64,273**
Moderate risk	**-**	**803**	**-**	**803**
High risk	**-**	**-**	**454**	**454**
Total gross carrying amount	**64,273**	**803**	**454**	**65,530**
Less: loss allowance	**4**	**-**	**6**	**10**
Total carrying amount	**64,269**	**803**	**448**	**65,520**

17. Financial instruments *(Continued from previous page)*

In thousands	*2017 Total*
Residential and farm mortgages	
Total gross carrying amount	36,290
Less: loss allowance	-
Total carrying amount	36,290
Personal loans	
Total gross carrying amount	6,348
Less: loss allowance	15
Total carrying amount	6,333
Government guaranteed, commercial mortgages, leases and non-personal loans	
Total gross carrying amount	15,583
Less: loss allowance	1
Total carrying amount	15,582
Total	
Total gross carrying amount	58,221
Less: loss allowance	16
Total carrying amount	58,205

Concentrations of credit risk

Concentration of credit risk exists if a number of borrowers are exposed to similar economic risks by being engaged in similar economic activities or being 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 Bruno, Saskatchewan and surrounding area.

17. Financial instruments *(Continued from previous page)*

Amounts arising from expected credit losses

Reconciliation of the loss allowance

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent the allowance account for credit losses measured under the requirements of IAS 39 *Financial instruments: recognition and measurement*.

In thousands	*12-month ECL*	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*IAS Comparatives*	*Total*
Residential and farm mortgages					
Balance at January 1, 2017	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
Balance at December 31, 2017	-	-	-	-	-
Balance at January 1, 2018	-	-	-	-	-
Net remeasurement of loss allowance	2	-	-	-	2
Balance at December 31, 2018	2	-	-	-	2
Personal loans					
Balance at January 1, 2017	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	15	15
Balance at December 31, 2017	-	-	-	15	15
Balance at January 1, 2018	-	-	-	15	15
Transfer to lifetime ECL (credit impaired)	-	-	15	(15)	-
Net remeasurement of loss allowance	2	-	(9)	-	(7)
Balance at December 31, 2018	2	-	6	-	8
Government guaranteed, commercial mortgages, leases and non-personal loans					
Balance at January 1, 2017	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
Balance at December 31, 2017	-	-	-	-	-
Balance at January 1, 2018	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
Balance at December 31, 2018	-	-	-	-	-

Financial instruments for which the impairment requirements of IFRS 9 do not apply

The carrying amount of SaskCentral and Concentra Bank shares, as disclosed in Note 6, best represents the Credit Union's maximum exposure to credit risk for those items. The Credit Union holds no collateral or other credit enhancements on these balances.

17. Financial instruments *(Continued from previous page)*

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 rates, 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.

Market risk arises from changes in interest rates that affect the Credit Union's net interest income. Exposure to this risk directly impacts the Credit Union's income from its loan and deposit portfolios. The Credit Union's objective is to earn an acceptable net return on these portfolios, without taking unreasonable risk, while meeting member owner needs.

Risk measurement

The Credit Union's risk position is measured and monitored each month to ensure compliance with policy. Management provides monthly reports on these matters to the Credit Union's Board of Directors.

Objectives, policies and processes

Management is responsible for managing the Credit Union's interest rate risk, monitoring approved limits and compliance with policies. The Credit Union manages market risk by developing and implementing asset and liability management policies, which are approved and periodically reviewed by the Board.

The Credit Union's goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Credit Union's investment and asset liability management policies periodically to ensure they remain relevant and effective in managing and controlling risk.

Interest rate risk

Interest rate risk is the sensitivity of the Credit Union’s financial condition to movements in interest rates. Cash flow interest rate risk is the risk that the future cash flows of the Credit Union’s financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Interest margins reported in the profit or loss may increase or decrease in response to changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments.

In managing interest rate risk, the Credit Union relies primarily upon use of asset - liability and interest rate sensitivity simulation models, which is monitored by the Credit Union.

Sensitivity analysis is used to assess the change in value of the Credit Union’s financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a quarterly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union estimates that an immediate and sustained 100 basis point increase in interest rates would increase net interest income by $31,590 (2017 - $50,620) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net interest income by $31,590 (2017 - $50,620) over the next 12 months.

Other types of interest rate risk are basis risk (the risk of loss arising from changes in the relationship of interest rates which have similar but not identical characteristics; for example, the difference between prime rates and the Canadian Deposit Offering Rate) and prepayment risk (the risk of loss of interest income arising from the early repayment of fixed rate mortgages and loans), both of which are monitored on a regular basis and are reported to the Board of Directors.

17. Financial instruments *(Continued from previous page)*

The Credit Union's major source of income is financial margin which is the difference between interest earned on investments and loans to members and interest paid to members on their deposits. The objective of managing the financial margin is to match re-pricing or maturity dates of loans and investments and member deposits within policy limits. These limits are intended to limit the Credit Union's exposure to changing interest rates and to wide fluctuations of income during periods of changing interest rates. The differential represents the net mismatch between loans and investments and member deposits for those particular maturity dates. Certain items on the statement of financial position, such as non-interest bearing member deposits and equity do not provide interest rate exposure to the Credit Union. These items are reported as non-interest rate sensitive in the table below.

Amounts with variable interest rates, or due on demand, are classified as on demand.

A significant amount of member loans receivable and member deposits can be settled before maturity on payment of a penalty. No adjustment has been made for repayments that may occur prior to maturity.

Interest rate sensitivity

In the table below, the carrying amounts of financial instruments are presented in the periods in which they next re-price to market rates or mature and are summed to show the net interest rate sensitivity gap.

Contractual re-pricing and maturity

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

(In thousands)

	On demand	*Within 3 months*	*Over 3 months to 1 year*	*Over 1 year to 5 years*	*Over 5 years*	*Non-Interest Sensitive*	*2018 Total*	*2017 Total*
Assets								
Cash and cash equivalents	1,000	-	-	-	-	4,042	**5,042**	8,976
Average yield %	*1.35*	-	-	-	-	-	*0.27*	*0.62*
Investments	2,370	-	800	4,359	-	709	**8,238**	7,650
Average yield %	*1.99*	-	*1.85*	*2.01*	-	-	*1.79*	*1.46*
Member loans receivable	35,473	1,818	6,325	21,164	296	444	**65,520**	58,205
Average yield %	*4.60*	*4.25*	*4.37*	*4.22*	*4.90*	-	*4.41*	*4.06*
Subtotal	**38,843**	**1,818**	**7,125**	**25,523**	**296**	**5,195**	**78,800**	74,831
Liabilities								
Member deposits	38,091	6,176	9,639	8,914	-	7,541	**70,361**	67,132
Average yield %	*1.51*	*1.75*	*2.07*	*2.24*	-	-	*1.53*	*1.18*
Accounts payable	-	-	-	-	-	67	**67**	48
Membership shares	-	-	-	-	-	6	**6**	6
Equity accounts	-	-	-	-	-	510	**510**	523
Subtotal	**38,091**	**6,176**	**9,639**	**8,914**	**-**	**8,124**	**70,944**	67,709
Net sensitivity	**752**	**(4,358)**	**(2,514)**	**16,609**	**296**	**(2,929)**	**7,856**	7,122

17. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such liquidity for operating and regulatory purposes. Refer to Note 6 for further information about the Credit Union's regulatory requirements.

Liquidity risk is managed through a three tiered structure consisting of the local Credit Union level, the provincial Credit Union level and the national Credit Union level.

Locally, the Credit Union manages its liquidity position from three perspectives:

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows;
- Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union’s responses thereto.

The primary liquidity risk policies and procedures include the following:

- Liquidity risk management framework to measure and control liquidity risk exposure;
- Measurement of cashflows;
- Maintenance of a line of credit and borrowing facility with SaskCentral and others;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits, term deposits and the sources of deposits; and
- Contingency planning.

Provincially, SaskCentral manages a statutory liquidity pool of marketable investment securities on behalf of Saskatchewan Credit Unions to facilitate clearing and settlement, daily cash flow management and emergency liquidity support. Nationally, credit union centrals are represented by one central which acts as the Group Clearer, Central 1 Credit Union. The Group Clearer is a member of the Canadian Payments Association and pools provincial cash flows to settle with the Bank of Canada.

The following table details contractual maturities of financial liabilities:

As at December 31, 2018:

	< 1 year	**1-2 years**	**> 2 years**	**Total**
Member deposits	**61,446,659**	**5,451,000**	**3,463,000**	**70,360,659**
Accounts payable	**67,164**	**-**	**-**	**67,164**
Membership shares	**-**	**-**	**5,985**	**5,985**
Equity accounts	**-**	**-**	**510,346**	**510,346**
Total	**61,513,823**	**5,451,000**	**3,979,331**	**70,944,154**

As at December 31, 2017:

	< 1 year	1-2 years	> 2 years	Total
Member deposits	57,923,506	5,377,000	3,831,000	67,131,506
Accounts payable	48,241	-	-	48,241
Membership shares	-	-	6,080	6,080
Equity accounts	-	-	522,899	522,899
Total	57,971,747	5,377,000	4,359,979	67,708,726

17. Financial instruments *(Continued from previous page)*

The Credit Union manages liquidity risk on a net asset and liability basis. The following tables explain the contractual maturities of financial assets held for the purpose of managing liquidity risk.

As at December 31, 2018

	< 1 year	1-2 years	> 2 years	Total
Cash and cash equivalents	5,042,474	-	-	5,042,474
Investments	3,204,958	1,123,302	3,910,020	8,238,280
Member loans receivable	44,059,643	6,654,000	14,806,000	65,519,643
Total	**52,307,075**	**7,777,302**	**18,716,020**	**78,800,397**

As at December 31, 2017

	< 1 year	1-2 years	> 2 years	Total
Cash and cash equivalents	8,975,879	-	-	8,975,879
Investments	3,627,523	800,000	3,222,813	7,650,336
Member loans receivable	44,537,317	4,776,000	8,892,000	58,205,317
Total	57,140,719	5,576,000	12,114,813	74,831,532

18. Fair value measurements

The Credit Union classifies fair value measurements recognized in 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
- Level 3: Unobservable inputs for which there is little or no market data and which require the Credit Union to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

The Credit Union considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the beginning of the reporting period, the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

In determining fair value measurements, the Credit Union uses the net present value techniques and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

18. Fair value measurements *(Continued from previous page)*

Financial assets and financial liabilities measured at fair value

The Credit Union's financial assets and financial liabilities measured at fair value in the statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

				2018
	Fair Value	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Cash	**4,042,474**	**4,042,474**	**-**	**-**
SaskCentral and Concentra Bank shares	**974,511**	**-**	**-**	**974,511**
Total financial assets	**5,016,985**	**4,042,474**	**-**	**974,511**

				2017
	Fair Value	*Level 1*	*Level 2*	*Level 3*
Financial assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	8,975,879	8,975,879	-	-
Available-for-sale financial assets				
SaskCentral and Concentra Bank shares	974,511	-	-	974,511
Total financial assets	9,950,390	8,975,879	-	974,511

Level 2 and Level 3 fair value measurements

All fair values disclosed and categorized within Level 2 of the hierarchy use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

For fair value measurements of Level 3 SaskCentral and Concentra Bank shares, the Credit Union has assumed that the fair value of the amounts is comparable to their amortized cost, which equals the par value of the shares. The shares are not quoted or traded, however when new shares are offered the price remains the same as the par value of all currently available shares. There was no impact of the measurement on profit or loss for the year.

Financial instruments not measured at fair value

The carrying amount, fair value, and categorization into the fair value hierarchy of all other financial assets and financial liabilities held by the Credit Union and not measured at fair value on the statement of financial position are as follows:

					2018
	Carrying amount	***Fair Value***	***Level 1***	***Level 2***	***Level 3***
Financial assets measured at amortized cost					
Cash equivalents	**1,000,000**	**1,000,000**	**1,000,000**	**-**	**-**
Investments	**7,263,769**	**7,243,917**	**-**	**7,243,917**	**-**
Member loans receivable	**65,519,643**	**65,249,319**	**-**	**65,249,319**	**-**
Total financial assets	**73,783,412**	**73,493,236**	**1,000,000**	**72,493,236**	**-**

18. Fair value measurements *(Continued from previous page)*

					2018
	Carrying amount	***Fair Value***	***Level 1***	***Level 2***	***Level 3***
Financial liabilities measured at amortized cost					
Member deposits	**70,360,659**	**70,591,040**	**-**	**70,591,040**	**-**
Accounts payable	**67,164**	**67,164**	**-**	**67,164**	**-**
Membership shares	**5,985**	**5,985**	**-**	**-**	**5,985**
Equity accounts	**510,346**	**510,346**	**-**	**-**	**510,346**
Total financial liabilities	**70,944,154**	**71,174,535**	**-**	**70,658,204**	**516,331**

					2017
	Carrying amount	*Fair Value*	*Level 1*	*Level 2*	*Level 3*
Financial assets					
Investments	6,675,825	6,620,133	-	6,620,133	-
Member loans receivable	58,205,317	58,152,271	-	58,152,271	-
Total financial assets	64,881,142	64,772,404	-	64,772,404	-
Financial liabilities					
Member deposits	67,131,506	67,392,938	-	67,392,938	-
Accounts payable	48,241	48,241	-	48,241	-
Membership shares	6,080	6,080	-	-	6,080
Equity accounts	522,899	522,899	-	-	522,899
Total financial liabilities	67,708,726	67,970,158	-	67,441,179	528,979

Level 2 and Level 3 fair value measurements for financial instruments not measured at fair value

Valuation techniques and inputs for Level 2 and Level 3 fair value measurements are as follows:

All fair values disclosed and categorized within Level 2 of the hierarchy use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

As there is no observable market data for all fair values disclosed and categorized within Level 3 of the hierarchy, the Credit Union has assumed that the fair value of the amounts is comparable to their amortized cost.

19. Commitment

In 2009, the Credit Union entered into a ten year commitment for the provision of retail banking services provided by Celero with a five year contract renewal option. In 2016, the contract was renewed for an additional seven years commencing in 2016. The annual operating fee is calculated as a percentage of the aggregate fees paid by all Credit Unions using the new banking system.

20. Summary information about financial assets and financial liabilities

The following tables provide a reconciliation between line items in the statement of financial position and the categories of financial instruments.

	As at December 31, 2018		
	Mandatorily at FVTPL	***Amortized cost***	***Total carrying amount***
Financial assets			
Cash and cash equivalents	**4,042,474**	**1,000,000**	**5,042,474**
Investments	**974,511**	**7,263,769**	**8,238,280**
Member loans receivable	**-**	**65,519,643**	**65,519,643**
Total financial assets	**5,016,985**	**73,783,412**	**78,800,397**
Financial liabilities			
Member deposits	**-**	**70,360,659**	**70,360,659**
Accounts payable	**-**	**67,164**	**67,164**
Membership shares	**-**	**5,985**	**5,985**
Equity accounts	**-**	**510,346**	**510,346**
Total financial liabilities	**-**	**70,944,154**	**70,944,154**

				As at December 31, 2017		
	Held-to-maturity	*Loans and receivables*	*Available-for-sale*	*FVTPL (Held-for-trading)*	*Financial liabilities*	*Total carrying amount*
Financial assets						
Cash and cash equivalents	-	-	-	8,975,879		8,975,879
Investments	-	6,675,825	974,511	-		7,650,336
Member loans receivable	-	58,205,317	-	-		58,205,317
Total financial assets	-	64,881,142	974,511	8,975,879		74,831,532
Financial liabilities						
Member deposits				-	67,131,506	67,131,506
Accounts payable				-	48,241	48,241
Membership shares				-	6,080	6,080
Equity accounts				-	522,899	522,899
Total financial liabilities				-	67,708,726	67,708,726

21. Other legal and regulatory risk

Legal and regulatory risk is the risk that the Credit Union has not complied with requirements set out in terms of compliance such as standards of sound business practice, anti-money laundering legislation or their code of conduct/conflict of interest requirements. In seeking to manage these risks, the Credit Union has established policies and procedures and monitors to ensure ongoing compliance.

22. Comparative figures

Certain prior year comparative figures have been reclassified to conform to the current year presentation.