Annual Report

CREDIT UNION
NBTA

2016

Your NBTA Credit Union is a full-service financial organization with members from all over the Province. We strive to meet your various needs by working hard to create an environment of trust, reliability and financial security.

As part of this commitment, your Staff and Board of Directors participate with many community-based projects. The following is a list of some of the activities and organizations that benefit from direct financial support and volunteer hours.

- Fredericton Soup Kitchen
- Canadian Red Cross & Blood Services
- Lakeland Industries
- Heart & Stroke Foundation
- Fredericton Home Show
- Safe Grad Programs
- Canadian Cancer Society
- Kidney Foundation
- Homecoming 2017
- McAdam High Social Committee
- Stanley Fair
- DECH Neonatal Unit
- Adopt-A-Highway
- Hospice
- Boys and Girls Club
- Santa's Helpers
- Various private fund raisers
- Stan Cassidy Foundation
- Christmas Family
- NBTA Sponsorship
- Adopt-a School
- Knights of Columbus
- Various Churches
- Area Food Banks
- NBTA Credit Union Scholarships
- Relay for Life
- Junior Achievement
- Alzheimer Society
- Miramichi Area Retired Teachers
- NB Lung Association
- Miramichi Salmon Association
- Oromocto SPCA
- Grad Class Advisor

We are always open to your ideas and suggestions in support of other worthy causes.

Your Credit Union will continue striving to meet the goals of a financially successful and environmentally responsible organization. As always, our motto "The Educated Choice" will be our focus.

Dave Gorman Financial Strategies Inc.

Own More Wealth. Let Me Show You How.

Available to NBTA Credit Union owners is a financial planning program designed specifically for you and your needs.

Dave Gorman, can help answer your financial questions and review your overall financial situation. Let Mr. Gorman show you how to save taxes, diversify your investments and choose the right savings plan. Mr. Gorman can make available to you a wide range of products and services. For example:

- Money Management
- Retirement Planning
- Education Planning
- Investment Planning
- Estate Planning
- Life Insurance
- Business Insurance
- Critical Illness Insurance
- Income Replacement Insurance
- Health and Dental Plans
- Segregated Funds
- Diversifying investments
- Exercising the best investment options

Dave Gorman has been a member of the Million Dollar Round Table for the last 10 years and a second-time Court of the Table qualifier. Founded in 1927, the Million Dollar Round Table is a global, independent association of more than 43,000 of the world's leading life insurance and financial services professionals from more than 500 companies in 67 countries. MDRT members demonstrate exceptional professional knowledge, strict ethical conduct and outstanding client service. MDRT membership is recognized internationally as the standard of excellence in the life insurance and financial services business.

Keeping more of what you earn. Earning more on what you have kept is simply a matter of getting professional advice that is right for you.

Dave Gorman, CPCA, CWC, LUATC
Dave Gorman Financial Strategies Inc.
506.462.0203 (Office)
dgorman@davegormanfinancial.com

Dear Member /Owner

Are you interested in becoming a future member of the Board of Directors or a member of one of the Committees of NBTA Credit Union?

If so, please contact the Credit Union office, and we will be sure to contact you in coming years.

Remember, you are an owner of this credit union, and being a director or committee member enables you to participate fully in the changes and progress of NBTA Credit Union.

Name _____

Account # _____

Telephone # _____

Occupation _____

Yes, I am interested in becoming:

A Director _____

A Committee Member _____

Please mail to: NBTA Credit Union
P O Box 752
Fredericton, NB
E3B 5R6

NBTA Credit Union Limited
Board of Directors 2016

Bob Fitzpatrick	President
Lynn Steeves	1st Vice President
Paulette Moore	2nd Vice President
Dale Weldon	Corporate Secretary
Gary Anderson	Board of Director
Kim Moffitt	Board of Director
Peter Palmer	Board of Director
Grant Hendry	Board of Director
Kevin Montague	Board of Director
Ben Palmer	Youth Board Representative

Staff

Margery Nichol	General Manager
Janet Boyce	Loans Clerk
Pamela Campbell	Payroll/IT Administrator
Mark Gorman	Marketing Manager
Jill Harris	Loans and Mortgage Officer
Rachel Harvey	Member Services Representative
Kristy MacKinnon	Member Services Representative
Meghan Reed	Member Services Representative
Chris Reid	Account Specialist
Tracy Russell	Executive Assistant
Dawna Scott	Member Service Supervisor
Shawnalynn Swain	Loans and Mortgage Officer
Patria White	Collections, Compliance and Accounting Officer

Deceased Members January 2016 – December 2016

Sandi Bell

Marc Prosser

Warren McPhee Jr.

Edith Mills

Percy Bamford

Susan Payne

Hugh Crouse

John Mills

Joe Somerville

Robert Hall

Weldon Matthews

Roberta Watson

Teresa McGillicuddy

James Masson

Michael McLenahan

Leonard Orser

Lynn McCarthy

NBTA CREDIT UNION LIMITED
FORTY-FIFTH
ANNUAL GENERAL MEMBERSHIP MEETING
Wednesday, April 26, 2017

AGENDA

1. Call to Order

Singing of O' Canada

2. Moment of Silence in Memory of Deceased Members
3. Determination of Quorum
4. Approval of Agenda
5. Approval of Forty-Fourth AGM Minutes – April 16, 2016.
6. Appointment of Scrutineers
7. Nominating Committee Report and Election of Directors
8 Introduction of Guests
9 Guest Speakers
   (a) Gerard Giovannetti, Atlantic Central and League Savings & Mortgage
   (b) Dave Gorman, Dave Gorman Financial Strategies
   (c) Guy Arseneault, NBTA

Short Break

10. Reports
   (a) President's Report
   (b) General Manager's Report
   (c) Auditor Report and Financial Statements
11. Approval of reports
12. Recommendations from the Board of Directors
   (a) Credit Unions Act – Section 180 (1)
   (b) Appointment of Auditors
   (c) Patronage Rebate
13. Introduction of New Directors and Oath of Office
14. Awards - Retiring Directors
15. New Business
   (a)
16. Adjournment

MINUTES
NEW BRUNSWICK TEACHERS' ASSOCIATION
CREDIT UNION LIMITED
44th ANNUAL GENERAL MEETING
Thursday, April 14, 2016

The Forty-Fourth Annual General Membership Meeting of the New Brunswick Teachers' Association Credit Union Limited was held on Thursday, April 14, 2016, at the NBTF Building, 650 Montgomery Street, Fredericton, NB.

The registration list of members is on file at the Credit Union office.

CALL TO ORDER

The President, Bob Fitzpatrick, called the meeting to order at 7:00 p.m.

The President asked those in attendance to stand for the singing of our National Anthem.

MOMENT OF SILENCE

The President asked those in attendance to share in a moment of silence in memory of our members who passed away throughout the year.

QUORUM

The President asked the Corporate Secretary, Donna Cormier, to report if a quorum was present. Donna declared we have 43 members registered; therefore, a quorum was present.

APPROVAL OF AGENDA

Pat O'Brien/Helen Crawford

THAT THE AGENDA BE APPROVED AS DISTRIBUTED. Carried

APPROVAL OF FORTY-THIRD ANNUAL GENERAL MEETING MINUTES, APRIL 16, 2015

Christine Montague/Ken McIntyre

THAT THE MINUTES OF THE FORTY-THIRD ANNUAL GENERAL MEETING HELD ON, APRIL 16, 2015, BE APPROVED. Carried

APPOINTMENT OF SCRUTINEERS

The President appointed Dawna Scott and Patria White as scrutineers. He explained that the scrutineers would be responsible for counting election ballots.

REPORT OF NOMINATING COMMITTEE

Member of the Nominating Committee, Kevin Montague, introduced the following candidates for a position as director on the NBTA Credit Union Board:

Bob Fitzpatrick
Grant Hendry
Mike Smith
Lynn Steeves
Dale Weldon

Nominations from the floor were called. There were no nominations from the floor. Each candidate spoke on their qualifications and interest in serving as a member of the Board. Ballots were collected by the scrutineers.

INTRODUCTION OF GUESTS

The President introduced the Guests in attendance.

- Gerard Giovinetti, Director of Retail Sales and Business Development, Atlantic Central
- Dave Gorman, Mutual Funds Specialist, Insurance Specialist and Wealth Consultant, Dave Gorman Financial Strategies Inc.
- Rose Brewster, Branch Manager, Progressive Credit Union
- Larry Jamieson, Executive Director NBTA
- Gar Conklin, President, Progressive Credit Union
- Rhonda Calhoun, CEO Progressive Credit Union
- Paula Curtis, Account Assistant, Dale Gorman Financial Strategies Inc.
- Neilson Woodman, Senior Accountant, Deloitte
- Dale Weldon, Senior Consultant/Office Manager, Johnson
- Geoff Cochrane, Partner, Deloitte

GUEST SPEAKERS

The President introduced the following guest speakers

Gerard Giovinetti , Director of Retail Sales and Business Development with Atlantic Central spoke on the connections between credit unions, Atlantic Central and League Savings and Mortgage. The Credit Union will continue to grow with new initiatives and electronic improvements. Credit Unions are a different approach to banking, keeping our Members our number one priority.

Dave Gorman, Mutual Funds Investment Specialist, Insurance Specialist and Wealth Consultant, Dave Gorman Financial Strategies Inc. message was on the change from Credential Financial Strategies to Dave Gorman Financial Strategies. He explained why the change was made, the potential benefits for the credit unions involved and how the change didn't cause any changes for the Members.

Larry Jamieson, Executive Director of NBTA, brought greetings from NBTA.

REPORTS

The President, Bob Fitzpatrick, reported on behalf of the Board of Directors for the fiscal year ending December 31, 2015.

Margery Nichol, General Manager, reported on the previous year's activities and introduced the Credit Union Staff.

Geoff Cochrane, Partner with Deloitte spoke to explain what as auditors they do.

Margery Nichol, General Manager, presented the audited financial statements.

Alberta McNutt/Brenda Trafford

THAT THE ABOVE REPORTS BE APPROVED AS PRESENTED. Carried.

RECOMMENDATIONS TO THE OWNERS

CREDIT UNIONS ACT - SECTION 180 (1)

Alberta McNutt/Sandra Boone

BE IT RESOLVED THAT WITH REGARD TO THE CREDIT UNIONS ACT, SECTION 180 (1), THE MEMBERSHIP CHOOSES TO DIRECT THE DIRECTORS OF THE CREDIT UNION TO APPOINT THE REPRESENTATIVES. Carried.

AUDITORS

Helen Crawford/Paul Munro

THAT THE FIRM OF DELOITTE BE APPOINTED AUDITORS FOR THE FISCAL YEAR JANUARY 1, 2016, TO DECEMBER 31, 2016. Carried

PATRONAGE REBATE

Ken McIntyre/Christine Montague

THAT A PATRONAGE REBATE OF 5% BASED ON INTEREST PAID ON LOANS AND INTEREST EARNED ON SAVINGS ACCOUNTS FOR THE PERIOD JANUARY 1, 2015, TO DECEMBER 31, 2015, BE PAID TO MEMBERS OF RECORD AS AT DECEMBER 31, 2015. Carried.

INTRODUCTION OF NEW DIRECTORS

Member of the Nominating Committee, Kevin Montague, introduced the successful candidates of the election.

3 year terms: Bob Fitzpatrick
Grant Hendry
Lynn Steeves
Dale Weldon

DESTRUCTION OF BALLOTS

Paulette Moore/Donna Cormier

THAT THE BALLOTS BE DESTROYED. Carried

Pat O'Brien/Pat White

THAT THE SCRUTINEERS DESTROY THE BALLOTS. Carried

OATH OF OFFICE

Member of the Nominating Committee, Kevin Montague read aloud the Oath of Office to which the new directors replied "I Do".

AWARDS

RETIRING DIRECTORS

The President presented Sandra Boone with a certificate of appreciation for her nine years of service and dedication.

The President presented Donna Cormier with a certificate of appreciation for her years of service and dedication.

LONG-TERM-SERVICE

Two staff members received a certificate of appreciation and a service pin for their years of dedicated service:

- Dawna Scott for 10 years of service
- Mark Gorman for 10 years of service

NEW BUSINESS

Kevin spoke about his 9 year term being completed in November of this year and thanked the Board and Staff.

Bob thanked Mike Smith for running for a position on the Board of Directors. It isn't always easy to find people to put their name forward.

CORPORATE SPONSORS

The President read the names of our corporate sponsors who very graciously donated the lovely gifts the membership was about to receive. Staff then delivered the prizes as the member's ticket numbers were drawn.

ADJOURNMENT

The President reminded Board Members of the meeting to be held immediately following adjournment of this session.

There being no further business, the meeting adjourned at 8:41 p.m.

Heather Palmer/Benjamin Palmer

THAT THE MEETING BE ADJOURNED. Carried.

_____ _____

President Secretary

2016 President's Report
Bob Fitzpatrick

Background

I am pleased to report that the NBTA Credit Union has had another successful year. In a climate of historically low interest rates and unprecedented competition in the Credit Union/Banking system our small credit union has held its own and continued to grow.
The success we have enjoyed is due to the diligent work of our staff, Board and management. In difficult financial circumstances when the trend is towards larger and larger financial institutions that are moving away from personalized customer service, we have steadfastly maintained our emphasis on great personal service. And, we are still managing to be successful.

2016 Board

The Board welcomed two new members this year, Dale Weldon from the Fredericton area and Grant Hendry from the Miramichi area. They have joined Paulette Moore and Peter Palmer from the Fredericton area, Kim Moffitt from the McAdam area, Lynn Steeves from the Plaster Rock area, Gary Anderson from the Moncton area and Kevin Montague from the New Maryland area. Kevin's term on the Board was completed at the end of November and his position will be filled at the AGM.
We express our sincere thanks to Kevin Montague for his nine years of excellent service to our credit union. Kevin started the pop tab campaign and is mainly responsible for the collection of over five million tabs to raise money for kids with muscular dystrophy. In addition to being a great Board member, Kevin has always been the unofficial catalyst for many staff and Board activities. He was always the first to offer to help organize events without ever seeking the limelight. Kevin's commitment and enthusiasm will be very difficult to replace.
Our Board has worked very hard to add value to NBTA Credit Union through their expertise, hard work and dedication. On behalf of the membership I express our sincere thanks and appreciation for their efforts.

2016 Highlights

Financials – We have had a good year. Marge will give some of the details in her report and of course you will see the audited financial statements. We are able to recommend a patronage rebate to you again this year despite facing challenges with ongoing low interest rates and continued significant write offs due to bankruptcy and credit proposals.
We on the Board sincerely believe that the success we have this year and last is due to the work of our excellent staff.

Staff – The staff under the leadership of Marge Nichol is innovative, hardworking and committed and loyal to the credit union. The staff have participated fully in strategic planning sessions and have done all in their power to follow and fully implement the plan. They have developed new innovative products like the Greener Home Loans, which offer great rates to help members purchase products or complete renovations to increase the energy efficiency of their homes.
You would have to go a long way to find a group of people who care more about their jobs or who work harder for their members.

Technology – Since we are so small in comparison to the big banks and even the larger credit unions, we are unable to develop new technologies on our own. But we have been very successful at incorporating new technologies as soon as they become available and we have been able to successfully cooperate with some of our big brothers and sisters in the credit union movement to make new technologies available to our members in a timely fashion.
Some very exciting things are in development. For example, we have been involved in piloting Lock and Block, an app that will allow members to have remote control of their credit card. You could for example lock a misplaced card without having to contact the credit union to declare it lost and go through the inconvenience of waiting for a replacement only to find your card the next day.

Marketing/Youth – Our staff is continuing to be even more involved in offering financial education presentations to high school students and to teachers in varied scenarios. We also have staff members involved in financial education with Junior Achievement. Our emphasis in marketing has seen quite an increase in the use of social media to call attention to credit union activities. We feel the best way to get to large numbers of potential clients and especially younger clients is to concentrate our efforts in areas where young people are active in social media.

Volunteer Activities/Community Involvement – Our staff and Board members are very involved in the community as you can see by checking the first page of the annual report. In addition to continuing our financial support of the Stan Cassidy Centre many staff and board members volunteered in the center's fund raising campaign. Staff did their usual great work around the community in a variety of Christmas campaigns, they volunteered at the soup kitchen and the food bank to mention a few. It always amazes me to see how involved our people are in the community.

Management – It goes without saying that for the credit union to do well the leadership has to be effective. The Board is very pleased with Marge Nichol's performance. She is not only skilled in all of the financial areas but she is very approachable and is effective in her dealings with members and staff. She is a very good communicator and spends considerable effort in ensuring staff is well informed and included on all major issues facing us.
It is also a pleasure to call your attention to Patria White as our new Assistant General Manager. Patria brings a solid background in credit union work and managerial experience and will be great support for Marge.

Teacher Award – The NBTA Credit Union is instituting a new teacher award at the annual meeting of NBTA in May. For many years, Bell Aliant has sponsored a teacher award for NBTA members. Bell decided last year that they would no longer support this initiative so your credit union has stepped in to take over sponsorship. This is a highly respected award among teachers and is a very worthy project for us to support.

Ambassadors – This is my annual encouragement for all our members to get involved in promoting our credit union to your friends, colleagues and family members. We are open to everyone, have competitive rates in all of our products and we always have as a priority to return some of our profit to the membership through patronage rebates. The more new members we attract the better it is for our credit union and therefore for us.
We know we have a good thing going here so do your friends a favor and invite them to join us.

Thanks!

To you our owners for your patronage.

To our Board for their continued efforts on our behalf.

And, especially to our staff and management for their hard work, their pleasant demeanor with everyone who walks in our doors or reaches us by phone or electronically, for all of their wonderful voluntary work in the community and for another successful year earned by their commitment to the NBTA credit Union.

GENERAL MANAGER'S REPORT
2016

It is always with great pleasure that I am able to share some of the highlights from the past year with you, our members. 2016 was a good year and, as always, a year full of change.

This year we had to say goodbye to Kevin Montague who, in November, reached the nine year limit of consecutive service on the Board of Directors. Kevin served on various committees while on our Board of Directors including the Youth/Marketing Committee and the Audit Committee. I would like to thank Kevin for his hard work and dedication to NBTA Credit Union.

In October, Shawnalynn Swain, one of our Loans and Mortgage Officers, went out on maternity leave and this gave Jan and Rachel the opportunity to learn and develop new skills as they moved in to their respective new positions.

2016 was the second year of our three year strategic plan. The Plan was developed by your Board of Directors and the staff of NBTA Credit Union. Every year we take a look at the Plan and update it as necessary. This enables all of us to have a clear vision of where we want to go and what steps we need to take in order to ensure we remain successful.

Many financial institutions have seen huge changes in the way their clients wish to access service. This isn't new to us. The NBTA Credit Union has always found ways in which we can deliver service to our members all over the province. New technologies continue to enhance this ability and easy access to products and services is a must in order to attract the youth market.

E-Transfers is one of these services. When this was introduced in 2011, members of credit unions in the Atlantic region conducted 22,000 transactions. Now, five years later the volume has increased to 1.85 million transactions. It is obvious that if we want to compete in this ever changing digital world, we have to keep up with the competition.

We work with many system partners including other Credit Unions, League Data, League Savings & Mortgage, Atlantic Central, CUMIS, and Concentra. Collaboration with these partners enables us to offer the latest in products and services to our members.

On a national level, the Canadian Credit Union Association is always working to inform the public and our government officials of the crucial role credit unions have in helping our members and communities succeed financially and in helping our economy grow.

I would like to take this opportunity to congratulate Dave Gorman of Dave Gorman Financial Strategies Inc., who has once again earned membership in the Million Dollar Round Table (MDRT), which is the Premier Association of Financial Professionals, for the eleventh consecutive year. Many of you are familiar with Dave and his Account Assistant, Paula Curtis, who have worked with our members for over a decade. Dave and Paula's exceptional knowledge of our membership and their needs helps ensure their financial success.

Financial results for the fiscal year ended December 31, 2016 were positive. We had modest loan growth which can be directly attributed to our in-house mortgage portfolio. This, along with keeping a watchful eye on our expenses, has made it possible for us to recommend a patronage rebate again this year.

We have maintained the rate of interest we pay on the Member Life Savings accounts, we continued to offer very competitive rates on our lending products and we have not had to increase our account service charges. These are great accomplishments in this economy.

Bankruptcies and consumer proposals continue to be of concern to us with $196,494.00 being written-off in 2016. This is still what we consider high however it is quite a bit less than the record write-offs we have experienced in recent years.

I would like to take this time to thank our staff and the members of the Board of Directors, all of whom work tirelessly to ensure NBTA Credit Union is the success that it is and your financial institution of choice.

Finally, I would like to thank you, the members, for your continued patronage. I only ask that you don't keep us a secret but tell your family, friends and colleagues that you do business with the best; NBTA Credit Union.

Respectfully submitted,

Margery Nichol, General Manager

CREDIT COMMITTEE REPORT

2016

The NBTA Credit Union Credit committee for this past year consisted of the following four members of the Board of Directors: Gary Anderson (Chair), Lynn Steeves, Grant Hendry, and Kim Moffitt. Each member of the committee brought valuable experience, talents, and insights to his/her role in this extremely important committee. The tasks of the Credit committee require high confidentiality and accountability. All members have been trained in the *Best Practices for Credit Committees* as well as the specific mandate of the NBTA Credit Union Credit Committee.

The Credit Committee wishes to salute and thank the hard-working Loans team of Jill Harris, Shawnalynn Swain, Jan Boyce, and Rachel Harvey.

During this past year, the Credit Committee reviewed loans according to a variety of criteria established by the Board of Directors, RMA (Risk Management Agency) and the Credit Union Act and Regulations. Loans outside regular Credit Union guidelines are forwarded to Atlantic Central for approval.

Loans are most commonly broken down into six categories: personal lines of credit, mortgages, home equity lines of credit, auto purchase and repair, consolidation, home renovations and repairs, and other. During this past fiscal year a total of 424 loans were disbursed. The total amount of loans disbursed for all categories in 2016 was $6,844,574.40. This is a decrease of $2,740,176.60 compared to our 2015 disbursement.

The total loan portfolio for 2016 was $28,179,756.51.

The credit committee continues to be concerned with the television and radio advertisements which provide misleading information that bankruptcy as a quick and easy method of getting out of debt. We have expressed our concerns to Atlantic Central.

Should you have questions concerning the Credit Committee, I, as chair, or any member of the committee will be happy to answer.

Respectfully submitted,

Gary Anderson, Chair
Credit Committee

NBTA Credit Union Audit Committee Report

For year ending December 31st 2016

The Audit Committee for 2016 was made up of the following persons: Paulette Moore, Grant Hendry, Dale Weldon, Kevin Montague (9 years of service, left December 2016) and Peter Palmer (chair). Meetings were attended by Board President, Bob Fitzpatrick.

One of the primary functions of the Audit Committee is to review the expense disbursements and invoice payments for accuracy. Each document is scrutinized and then signed off by an audit committee member. Any perceived discrepancies or unclear statements are brought to NBTA CU senior staff for explanation and or remedial action. Bank reconciliations are also thoroughly reviewed for accuracy, balance and approval. The track record for the accuracy of these documents is extremely good, speaking to the competence of staff and the ongoing training which is made available to them.

During the past year our focus has been on the maintenance of the 2016 budget and to that end the financial statements and variance report of the relationship between the budgeted figures and the actual figures have been reviewed during our monthly meetings. Any figures which exceed 5% plus or minus, budget to actual are highlighted by Manager Margery Nichol who then provides in depth explanations of those figures. Mrs. Nichol is normally in attendance at Audit Committee meetings and provides invaluable insights into the health and daily operation of our Credit Union.

In addition to budgetary monitoring the Audit Committee is responsible for ensuring compliance with the Credit Union Act and regulations. Quarterly, semi-annual and annual reports were received, reviewed and reported to the Board. These reports included anti-money laundering, privacy compliance, fraud detection, and the GAP analysis that measures our exposure to risk from a change in interest rates. CU staff are actively engaged in the identification of questionable transactions and the application of the established protocols in dealing with these.

Two surprise cash counts were conducted during 2016 by the Audit Committee and one by our auditing firm Deloitte at year end. All funds on hand are counted, including the ATM on premises as well as all cash drawers. All cash counts were free from error with all funds accounted for. The staff are to be commended for their professional conduct during these disruptive exercises which, although mandated, do cause an interruption in the daily operation of the Credit Union.

The Audit Committee also met with our audit firm during the months of February and October. During these meetings the auditor reviewed the results of the 2015 audit and outlined the scope and areas of specific focus of the 2016 audit. You will have an opportunity to see the results of the audit this evening.

The checks and balances which guide and monitor the operation of your Credit Union are followed to the letter and we thank Marge and her team for their professionalism, attention to detail, commitment to client service and the positive attitude which is the hallmark of the NBTA Credit Union.

Respectfully submitted,

Peter Palmer, Audit Committee Chair

GOVERNANCE COMMITTEE REPORT

2016

The Governance Committee of 2016 consisted of Dale Weldon, Lynn Steeves, Bob Fitzpatrick and Paulette Moore, Chair.

This committee is responsible for recommending new policies to the Board of Directors as well as reviewing, updating and recommending amendments to existing policies and by-laws.

In accordance with policy 11D, during 2016 the committee reviewed policies 13 to 24. Amendments were made where necessary and presented to the Board for approval.

In addition, the following were completed:

- Carried out the Board Self-Evaluation
- Reviewed the Business Continuity Plan
- Reviewed the Foreign Account Compliance Act (FACTA) and developed Policy 39
- Reviewed HR Policies and recommended changes to the Board for approval
- Carried out the annual Staff Satisfaction Survey
- Reviewed the Principals of Sound Business Practice with the Board.

Respectfully submitted,

Paulette Moore, Chair

Marketing/Youth Committee Report
2016

The Marketing/Youth Committee met on three occasions this year to discuss and suggest initiatives that would attract new members to our credit union and keep current members satisfied with our efforts.

The Marketing/Youth Committee is comprised of Bob Fitzpatrick (Chair), Board members Gary Anderson, Peter Palmer, Lynn Steeves, Kevin Montague, Grant Hendry and Youth member Ben Palmer and we also had staff members Mark Gorman (Marketing Manager), Meghan Reed and Shawnalynn Swain.

Some of the issues and initiatives which the committee dealt with this year include: Exploring Apple Pay (being looked into by national association), Interac online payment (adopted), Lock and Block (currently being piloted), Android Pay (being looked into by national association), poster campaign contest on payroll deduction, Facebook earned and paid campaigns, NBTA Credit Union Teacher Award (to be presented at NBTA AGM), financial education, Cert. B Corporation and student ambassador program.

The committee is impressed with the number of initiatives proceeding in our own credit union and in cooperation with other credit unions as well as the direction of the latest marketing campaigns informed by our "Compelling Selling Proposition."

The following is a summary of youth and individual new accounts opened over the past four years:

2016: 48 Under-25 new members (Out of a total of 133 individual new members)

2015: 47 Under-25 new members (Out of a total of 141 individual new members)

2014: 42 Under-25 new members. (Out of a total of 151 individual new members)

2013: 38 Under-25 new members. (Out of a total of 134 individual new members)

Respectfully submitted

Bob Fitzpatrick, Chair

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Management of New Brunswick Teachers' Association Credit Union Limited is responsible for the integrity, objectivity and consistency of the financial information presented in this annual report. This responsibility includes selecting appropriate accounting principles and ensuring that the financial information is based on informed judgments and estimates with appropriate consideration as to materiality. The Board of Directors has approved the financial statements for issuance to the members.

Management maintains the necessary system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records maintained.

The Board of Directors oversees Management's responsibilities for financial statements through the Audit Committee. The Audit Committee conducts a detailed review of the financial statements with Management and the independent auditors before recommending their approval to the Board of Directors.

Deloitte, the independent auditors, have examined our financial statements and issued their report, which follows. The auditors have full and complete access to, and meet periodically with, the Audit Committee to discuss the audit and matters arising there from.

Bob Fitzpatrick
President
Board of Directors

Margery Nichol
General Manager

Financial statements of

New Brunswick Teacher's Association Credit Union Limited

December 31, 2016

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Deloitte LLP
334 Queen Street
Suite 103
Fredericton, NB E3B 1B2
Canada

Tel: 506.457.9091
Fax: 506.458.9358
www.deloitte.ca

Independent Auditor's Report

To the Members of
New Brunswick Teacher's Association Credit Union Limited

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of New Brunswick Teacher's Association Credit Union Limited as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
March 10, 2017

New Brunswick Teacher's Association Credit Union Limited

Statement of comprehensive income

year ended December 31, 2016

(CDN dollars)

	Notes	2016	2015
		$	$
Interest income			
Interest on loans	4	**1,927,133**	1,794,740
Interest on investments	4	**47,306**	128,335
		1,974,439	1,923,075
Interest expense	5	**309,799**	308,566
Net interest income		**1,664,640**	1,614,509
Provision for credit losses	10	**202,831**	220,549
		1,461,809	1,393,960
Other income, net	6	**545,819**	581,748
Total operating income		**2,007,628**	1,975,708
Operating expenses			
Personnel		**813,372**	789,841
General and administrative		**611,033**	574,108
Occupancy		**126,563**	112,352
Operations		**112,774**	119,699
Member security		**89,261**	123,487
Depreciation		**44,111**	50,692
Total operating expenses		**1,797,114**	1,770,179
Earnings before patronage rebate and income taxes		**210,514**	205,529
Patronage rebate	14	**106,923**	91,179
Earnings before income taxes		**103,591**	114,350
Income tax expense (recovery) - current	13	**18,840**	(6)
- deferred		**6,700**	9,000
		25,540	8,994
Net comprehensive income for the year		**78,051**	105,356

The accompanying notes to the financial statements are an integral part of this financial statement.

New Brunswick Teacher's Association Credit Union Limited

Statement of changes in members' equity

year ended December 31, 2016

(CDN dollars)

	Retained earnings	Special reserve	2016 Total	2015 Total
	$	$	$	$
Members' equity, beginning of year	**3,328,776**	**175,000**	**3,503,776**	3,398,420
Net comprehensive income	**78,051**	-	**78,051**	105,356
Members' equity, end of year	**3,406,827**	**175,000**	**3,581,827**	3,503,776

The accompanying notes to the financial statements are an integral part of this financial statement.

New Brunswick Teacher's Association Credit Union Limited

Statement of financial position

as at December 31, 2016

(CDN dollars)

	Notes	2016	2015
		$	$
Assets			
Cash and cash equivalents	7	**4,081,634**	3,085,564
Investments	8	**9,471,872**	10,118,959
Loans receivable	9	**35,275,380**	35,144,510
Accrued interest receivable		**86,678**	56,462
Other receivables		**63,251**	67,791
Current tax receivable		**-**	15,447
Prepaid expenses		**16,417**	17,545
Capital assets	11	**128,435**	165,995
Deferred income taxes	13	**21,600**	28,300
		49,145,267	48,700,573
Liabilities			
Deposits from members	12	**43,622,516**	43,292,384
Accrued patronage rebate		**106,923**	91,179
Accrued interest payable		**13,888**	13,098
Accounts payable		**190,651**	199,720
Current tax payable		**20,113**	
Retirement allowance		**51,602**	49,852
Membership shares	14	**1,557,747**	1,550,564
		45,563,440	45,196,797
Members' equity			
Retained earnings		**3,406,827**	3,328,776
Special reserve	15	**175,000**	175,000
		3,581,827	3,503,776
		49,145,267	48,700,573
Commitments	18		

On behalf of the Board

_____ Director

_____ Director

The accompanying notes to the financial statements are an integral part of this financial statement.

New Brunswick Teacher's Association Credit Union Limited

Statement of cash flows

year ended December 31, 2016

(CDN dollars)

	Notes	2016	2015
		$	$
Operating activities			
Net income		**78,051**	105,356
Adjustments for			
Provision for credit losses	10	**202,831**	220,549
Interest income		**(1,974,439)**	(1,923,075)
Interest expense		**309,799**	308,566
Retirement allowance		**1,750**	(39,325)
Patronage rebate	14	**106,923**	91,179
Depreciation		**44,111**	50,692
Deferred income taxes		**6,700**	9,000
Current income taxes	13	**18,840**	(6)
		(1,205,434)	(1,177,064)
Changes in operating assets/liabilities:			
Change in loans receivable		**(335,378)**	(4,436,166)
Change in deposits from members		**330,132**	208,826
Change in other operating assets		**5,668**	(12,464)
Change in other operating liabilities		**(100,248)**	(29,976)
		(1,305,260)	(5,446,844)
Interest received		**1,944,223**	1,900,578
Interest paid		**(309,009)**	(308,669)
Income taxes received		**18,706**	22,167
Income taxes paid		**1,191**	15,843
		349,851	(3,816,925)
Investing activities			
Decrease in investments		**647,087**	508,099
Proceeds on the sale of capital assets		**(1,500)**	-
Purchase of capital assets		**(6,551)**	(10,089)
		639,036	498,010
Financing activity			
Increase (decrease) in membership shares (net)		**7,183**	(51,339)
Net change in cash and cash equivalents		**996,070**	(3,370,254)
Cash and cash equivalents, beginning of year		**3,085,564**	6,455,818
Cash and cash equivalents, end of year		**4,081,634**	3,085,564

The accompanying notes to the financial statements are an integral part of this financial statement.

1. Reporting entity

New Brunswick Teacher's Association Credit Union Limited (the "Credit Union" or "NBTA") is incorporated under the Credit Unions Act of New Brunswick (the "Credit Unions Act") and is a member of the New Brunswick Credit Union Deposit Insurance Corporation ("NBCUDIC"). The Credit Union was incorporated on October 13, 1971 and was organized for the benefit of the members of the New Brunswick Teacher's Association. Effective June 2010, the Credit Union opened to the general public. Effective January 1, 2012 the Credit Union completed a business combination with McAdam Credit Union Limited (McAdam), continuing as New Brunswick Teachers' Association Credit Union Limited. On May 2, 2014, the McAdam branch closed and all member accounts were transferred to the Fredericton location.

The Credit Union provides financial services including lines of credit, loans and deposit taking to its members. The registered office of the Credit Union is at 650 Montgomery Street, Fredericton, New Brunswick.

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Credit Union's Board of Directors ("Board") and authorized for issuance on March 10, 2017.

Basis of preparation

These financial statements are presented in Canadian dollars which is the Credit Union's functional currency. They are prepared on the historical cost basis.

Use of significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from estimates made in these financial statements.

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

Judgments made by management in the application of IFRS that have a significant effect on these financial statements and estimates with a significant risk of material adjustment in the next year are discussed below. Areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the Credit Union's financial statements are as follows:

a) *Fair value of financial instruments*

Where the fair values of certain investments classified as available-for-sale recorded on the Statement of Financial Position cannot be derived from observable prices quoted in active markets, judgment is required in determining whether an active market exists for such investments and whether a fair value is readily determinable. The valuation of these financial instruments is described in more detail in Note 19.

2. Basis of preparation (continued)

Use of significant accounting judgments, estimates and assumptions (continued)

b) Impairment losses on loans and advances

The Credit Union reviews its individually significant loans at each balance sheet date to assess whether an impairment loss should be recorded in the Statement of comprehensive income. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions regarding historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio. Actual results may differ, resulting in future changes to the allowance.

Loans that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes into account data from the loan portfolio. The impairment loss on loans is disclosed in more detail in Note 10.

c) Impairment of available-for-sale investments

The Credit Union records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Credit Union evaluates, among other factors, the financial stability of the issuer or counterparty.

d) Economic lives of capital assets

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

e) Provisions

The amount recognized as provisions and accrued liabilities, including legal, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Credit Union assesses its liabilities and contingencies based upon the best information available.

f) Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets to recognize, based upon the likely timing and level of future taxable income, together with future tax planning strategies measured at the tax rate expected to apply.

2. Basis of preparation (continued)

Use of significant accounting judgments, estimates and assumptions (continued)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing these financial statements are reasonable. Actual results in the future may differ materially from those reported.

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Credit Union has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2016.

a) *IAS 1 Disclosure Initiative*
The Credit Union has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

The application of this amendment has not resulted in any impact on the financial performance or financial position of the Credit Union.

b) *IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization*
The Credit Union has applied these amendments for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of capital assets. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset.

As the Credit Union already uses the straight-line and declining balance methods for depreciation of its capital assets, the application of these amendments has had no impact on the Credit Union's financial statements.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to the existing standards have been issued, but are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these financial statements:

a) *Financial Instruments*

IFRS 9 *Financial Instruments* introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. It requires classification and measurement of financial assets and liabilities in either the amortized cost or the fair value category. In November 2013, IFRS 9 was amended to include new requirements for hedge accounting. In July 2014, IFRS 9 was further revised to include impairment requirements for financial assets and limited amendments to the classification and measurements requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

2. Basis of preparation (continued)

b) *Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers was issued in May 2014. IFRS 15 establishes single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede the current revenue recognition guidance when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

c) *Leases*

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

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

3. Significant accounting policies

The following accounting policies have been applied consistently by the Credit Union:

Financial instruments

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Credit Union's designation of such instruments. Settlement date accounting is used.

The Credit Union is required to classify all financial assets either as fair value through profit or loss, available-for-sale, held-to-maturity, or loans and receivables. Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

a) *Classification*

Financial Asset / Liability	Classification
Cash	Loans and receivables
Investments	
Equity investments	Available-for-sale
Liquidity reserves and special deposits	Loans and receivables
Loans and accrued interest receivable	Loans and receivables
Other receivables	Loans and receivables
Deposits from members and accrued interest payable	Other liabilities
Accounts payable	Other liabilities

3. Significant accounting policies (continued)

b) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Credit Union has the positive intent and ability to hold to maturity, other than those that the Credit Union, upon initial recognition, designates as at fair value through profit or loss as available for sale.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, net of impairment losses.

c) Available-for-sale financial assets

Available-for-sale financial assets are originally recognized at fair value. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and the gains and losses on such assets are recorded in other comprehensive income until the investment is derecognized or until the investment is identified as being subject to impairment.

Dividend income is recognized in income or loss when the Credit Union's right to receive the dividends is established. Interest income is recognized in income using the effective interest method.

The Credit Union holds shares in Atlantic Central and League Data that are not traded in an active market and are classified as available-for-sale. Available-for-sale equity investments that do not have a quoted price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Credit Union does not intend to sell immediately or in the near term. Loans and receivables including loans to members, accrued interest on loans and investments, liquidity reserve investments and pooled fund mortgages and other receivables, are measured at amortized cost using the effective interest method, net of impairment losses.

Loans to members, including personal loans and lines of credit, are recognized when the cash is advanced to the borrower.

Interest income is recognized by applying the effective interest rate.

e) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the asset/liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

f) Impairment of financial assets and allowance for impaired loans

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, because of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

3. Significant accounting policies (continued)

f) Impairment of financial assets and allowance for impaired loans (continued)

The amount of impairment on financial assets carried at amortized cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The impairment loss on financial assets is based on a review of all outstanding amounts at period end. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans to members, where the carrying amount is reduced using an allowance account. The allowance for impaired loans is maintained in an amount considered adequate to absorb losses in the loan portfolio. The allowance for impaired loans reflects management's best estimate of the losses existing in the loan portfolio and their judgments about economic conditions.

If the circumstances under which these estimates and judgments were made change, there could be a significant change to the allowance for impaired loans currently recognized. The allowance for impaired loans consists of a specific provision component attributable to individually significant exposures and a collective provision, established for groups of loans with similar risk characteristics. Changes in the carrying amount of the allowance for impaired loans account are recognized the Statement of Comprehensive Income. Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery. The methodology and assumptions used are reviewed regularly. Each component of the allowance for impaired loans is reviewed at least on the reporting date.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

g) Derecognition of financial assets

The Credit Union derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Credit Union continues to recognize the transferred asset to the extent that the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset or when the Credit Union retains substantially all the risks and rewards of ownership. In the latter case, the Credit Union also recognizes collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received/receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

h) Other liabilities

Other liabilities, including borowings, are subsequently measured at amortized cost using the effective interest method.

3. Significant accounting policies (continued)

i) Derecognition of financial liabilities

The Credit Union derecognizes financial liabilities when, and only when, the Credit Union's obligations are discharged, cancelled or they expire.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with Atlantic Central and other liquid investments with original maturities of three months or less. Cash and cash equivalents are used by the Credit Union in the management of its short-term commitments.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is considered to be equivalent to fair value due the short term nature of these assets.

Capital assets

Capital assets are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant components of a capital asset have different useful lives, they are accounted for as separate assets.

Depreciation is recognized in profit or loss on a straight-line basis over the respective assets' estimated useful lives. The depreciation rates for each class of asset in the current and comparative period are as follows:

Buildings	15 years
Office equipment	1 to 10 years
Computer hardware	1 to 5 years
Computer software	1 to 5 years
Automated banking machine	5 years
Leasehold improvements	10 years

Depreciation methods, useful lives, and residual values are reassessed at the end of each reporting period.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Deposits from members

Deposits from members are disclosed in Note 12 and represent the Credit Union's main source of funding. They are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Provisions

Provisions are recognized when the Credit Union has a present obligation as a result of a past event, it is probable that the Credit Union will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3. Significant accounting policies (continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee benefits

a) *Short-term employee benefits*

Short-term employee benefits include salaries and wages, employee benefits and bonuses. Short-term employee benefits are expensed as the related service is provided.

b) *Retirement allowance*

Upon retirement, eligible employees are paid a retirement allowance based on years of service. The allowance is recognized when eligible employees reach the age of retirement or it is probable that the employee will receive the retirement allowance. If the allowance is payable more than twelve months after the reporting period, it is recorded at the discounted present value.

Membership shares

The Credit Union's membership and surplus shares are presented in the Statement of Financial Position as financial liabilities in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. Payments of patronage rebates on membership shares presented as a financial liability are recognized as a distribution of profit or loss. Patronage rebates are recorded when declared by the Credit Union's Board of Directors.

Revenue recognition

Interest income is accrued on a daily basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognized when the right to receive payment is established. Dividends are included in interest income in the Statement of Comprehensive Income.

Other income, which includes commission fees, account service fees, investment management fees and insurance fees are recognized over the period the services are performed.

Income taxes

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax bases of assets and liabilities and their respective carrying amounts for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the Statement of Comprehensive Income.

3. Significant accounting policies (continued)

Foreign currency translation

The financial statements are presented in Canadian dollars.

Transactions in foreign currencies are initially translated into Canadian dollars at the rate of exchange in effect at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange at the balance sheet date.

Translation gains and losses are recognized immediately in profit or loss and are included in "other income" in the Statement of Comprehensive Income.

4. Interest income

	2016	2015
	$	$
Interest on loans		
Personal loans	**957,360**	988,815
Lines of credit and overdraft	**655,847**	654,403
Pooled fund mortgages	**313,926**	151,522
	1,927,133	1,794,740
Interest on investments	**47,306**	128,335
	1,974,439	1,923,075

5. Interest expense

	2016	2015
	$	$
Member Life savings	**171,863**	168,009
Chequing	**63,413**	68,646
Other	**42,956**	37,893
Term deposits	**31,567**	34,018
	309,799	308,566

6. Other income, net

	2016	2015
	$	$
Commissions, net	**320,145**	340,406
Service charges	**160,005**	172,350
Foreign exchange gain	**5,460**	23,399
Atlantic Central rebate	**40,639**	36,634
Other	**9,962**	8,959
Rent	**9,608**	-
	545,819	581,748

7. Cash and cash equivalents

	2016	2015
	$	$
Cash on deposit with Atlantic Central	**3,725,103**	2,620,719
Cash on hand	**339,590**	344,937
Cheque clearing	**16,941**	119,908
	4,081,634	3,085,564

The Credit Union has an available line of credit of $600,000 with Atlantic Central, bearing interest at the Bank of Canada prime rate. This line of credit was unutilized as at December 31, 2016 (2015 – nil). The line of credit is secured by investments with Atlantic Central and a general assignment of book debts.

8. Investments

	2016	15
	$	$
Loans and receivables		
Atlantic Central liquidity reserve deposit	**3,446,564**	5,979,750
Pooled fund mortgages	**5,201,920**	3,330,251
Available-for-sale		
Atlantic Central shares	**603,500**	589,070
League Savings & Mortgage shares	**168,948**	168,948
League Data shares	**50,940**	50,940
	9,471,872	10,118,959

As required by the Credit Unions Act, the Credit Union maintains investments in Atlantic Central to satisfy the legislated liquidity level of 10% of total liabilities of which 8% is to be in liquidity reserve deposits with Atlantic Central.

9. Loans receivable

	2016	2015
	$	$
Personal	**19,181,503**	19,655,267
Lines of credit	**11,954,643**	11,793,294
Mortgages	**4,424,862**	3,919,470
	35,561,008	35,368,031
Less: allowance for impaired loans (Note 10)	**285,628**	223,521
	35,275,380	35,144,510

Personal loans and mortgages are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum term of five years. Line of credit loans are repayable on a revolving credit basis and require minimum monthly payments. All loans are open and, at the option of the borrower, may be repaid at any time without notice. Types of collateral generally obtained by the Credit Union include member's personal property such as vehicles or homes.

10. Allowance for impaired loans

The activity in the allowance for impaired loans is summarized as follows:

	Personal	Mortgages	Lines of Credit	2016 Total	2015 Total
	$	$	$	$	$
Balance, beginning of year	250,274	(24,026)	(2,727)	223,521	436,380
Collection of loans previously written-off	42,295	-	13,475	55,770	33,056
Loans written-off as uncollectible	(91,721)	-	(104,773)	(196,494)	(466,464)
Provision for credit losses	85,903	49,922	67,006	202,831	220,549
Balance, end of year	286,751	25,896	(27,019)	285,628	223,521
Aggregate impaired loans, end of year	48,500	7,000	71,200	126,700	85,500

The credit quality of member loans as at December 31, 2016 is summarized as follows:

	Personal	Mortgages	Lines of Credit	Total 2016
	$	$	$	$
Neither past due nor impaired	19,128,204	5,378,128	10,846,052	35,352,384
Past due but not impaired	28,780	38,860	108,591	176,231
Impaired	24,519	7,874	-	32,393
	19,181,503	5,424,862	10,954,643	35,561,008
Less: specific allowances	48,500	7,000	71,200	126,700
	19,133,003	5,417,862	10,883,443	35,434,308
Less: collective allowance	67,330	39,078	52,520	158,928
	19,065,673	5,378,784	10,830,923	35,275,380

The credit quality of member loans as at December 31, 2015 is summarized as follows:

	Personal	Mortgages	Lines of Credit	Total 2015
	$	$	$	$
Neither past due nor impaired	19,501,427	3,910,302	11,706,601	35,118,330
Past due but not impaired	125,259	9,168	86,693	221,120
Impaired	28,581	-	-	28,581
	19,655,267	3,919,470	11,793,294	35,368,031
Less: specific allowances	27,000	25,000	33,500	85,500
	19,628,267	3,894,470	11,759,794	35,282,531
Less: collective allowance	66,000	9,021	63,000	138,021
	19,562,267	3,885,449	11,696,794	35,144,510

11. Capital assets

	Cost	Accumulated depreciation	2016 Net book value	2015 Net book value
	$	$	$	$
Leasehold improvements	**425,945**	**(379,533)**	**46,412**	73,485
Office equipment	**368,799**	**(323,176)**	**45,623**	50,331
Buildings	**-**	**-**	**-**	-
Computer hardware	**257,079**	**(249,347)**	**7,732**	12,095
Automated banking machine	**44,497**	**(44,497)**	**-**	-
Computer software	**72,159**	**(72,159)**	**-**	275
	1,168,479	**(1,068,712)**	**99,767**	136,186
Foreclosed assets	**28,668**	**-**	**28,668**	29,809
	1,197,147	**(1,068,712)**	**128,435**	165,995

12. Deposits from members

	2016	2015
	$	$
Member life savings	**18,620,772**	17,643,957
Chequing	**15,599,689**	17,061,754
Term deposits	**3,571,976**	3,271,589
Tax free savings	**3,666,163**	3,131,810
Demand	**1,394,647**	1,387,595
Plan 24	**769,269**	795,679
	43,622,516	43,292,384

13. Income taxes

The provision for income taxes reported for the year ended December 31, 2016 differs from the amount computed by applying the Canadian statutory rate to income before income taxes mainly due to the impact of the allowance for impaired loans and the retirement allowance obligation.

	2016	2015
	$	$
Earnings before taxes	**103,591**	114,350
Income tax expense (recovery) based on statutory rate of 14.1% (2015 - 15%)	**14,630**	17,153
Effect of permanent differences	**605**	852
Prior year adjustment	**7,802**	-
Other	**2,503**	(9,011)
	25,540	8,994

13. Income taxes (continued)

Temporary differences, which give rise to the following deferred income tax asset (liability), are as follows:

	2016	2015
	$	$
Deferred income tax assets (liability)		
Capital assets	**7,800**	7,330
Retirement allowance	**7,200**	7,478
Specific allowance	**1,800**	11,542
Collective reserve	**22,300**	20,700
Deferred distribution	**(17,500)**	(18,750)
	21,600	28,300

14. Membership shares

		2016	2015
		$	$
Surplus shares	unlimited	**1,522,232**	1,510,760
Membership shares	unlimited	**35,515**	39,804
		1,557,747	1,550,564

a) *Authorized share capital and classification*

Membership shares

Section 30-1 of the Credit Unions Act describes shares as the capital of the Credit Union. Pursuant to the Credit Union's by-laws, the value of each membership share is $5. As a condition of membership, each adult member is required to hold five shares.

These shares have specific restrictions on withdrawal and are not covered by Credit Union Deposit Insurance. Since membership shares are redeemable on demand, they are presented as a liability on the Credit Union's balance sheet in accordance with IAS 32 Financial Instrument Presentation and IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments.

Surplus shares

Pursuant to the Credit Union's by-laws, the value of each surplus share is $1 and may be issued to eligible members holding at least forty membership shares. These shares have specific restrictions on withdrawal and are not covered by Credit Union Deposit Insurance. Surplus shares are presented as a liability on the Credit Union's balance sheet in accordance with IAS 32 Financial Instrument Presentation and IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments.

b) *Patronage rebates*

Patronage rebates on membership shares may be declared by the Credit Union's Board of Directors, subject to availability of sufficient earnings to meet the regulatory requirements of the Credit Unions Act and the approval of the members. The Board of Directors of the Credit Union have recommended that a patronage rebate be issued for the year ended December 31, 2016 for $106,923 (2015 – $91,179).

15. Members' equity

Special reserve

During 2011 the Credit Union received a distribution of $152,000 related to its investment in Credit Union Central New Brunswick shares. A further $23,000 distribution existed in McAdam at the date of the business combination. Pursuant to direction by the Risk Management Agency (New Brunswick) ("RMA"), the distributions were transferred to a Special Reserve which are not to be distributed in any form and is frozen for two years, subject to RMA's review at that time. As of December 31, 2016, these distributions remain frozen.

16. Capital management

The Credit Union's capital consists of membership and surplus shares, special reserve and retained earnings. The Board approves annually the capital management policy and the annual business plan. This policy outlines the Credit Union's overall objectives and guidelines to ensure that the Credit Union has the required quantity, quality and appropriate composition of capital needed to address the inherent risks of the Credit Union and to support the current and future operating plans.

The Credit Unions Act requires that each Credit Union maintain a minimum level of equity of 5% of its total assets to provide protection against potential financial losses. The equity level of the Credit Union for the year ended December 31, 2016, excluding membership and surplus shares, was 7.3% (2015 – 7.2%).

17. Related party transactions

Key management personnel, directors and their related parties have transacted with the Credit Union as follows:

	2016	2015
	$	$
Loan to members	**242,708**	266,217
Member deposits	**28,576**	85,394
Membership and surplus shares	**5,592**	9,259
	276,876	360,870

Preferential interest rates are charged on balances outstanding from key management personnel, directors and their related parties in accordance with the Credit Union's policies. Loan and lines of credit balances are secured as per the Credit Union's lending policies.

There was no impairment allowance required in respect of these loans as at December 31, 2016 and December 31, 2015.

Key management personnel received compensation for the year ended December 31, 2016 of $98,986 (2015 - $97,243) for salaries and short-term employee benefits.

Directors received reimbursement for the year ended December 31, 2016 of $34,611 (2015 - $31,302) for travel and out of pocket expenses.

18. Commitments

The Credit Union has a contract with League Data Limited for data processing services. The contract is automatically renewed every five years until terminated by either party giving a three year notice period. The costs incurred from League Data Limited services are based on membership transactions. Cost incurred for the year ended December 31, 2016 totaled $214,276 (2015 - $204,108).

19. Fair value of financial instruments

Fair value

The amounts set out below represent the fair values of the Credit Union's financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets that are not considered financial instruments, such as prepaids, capital assets, deferred income taxes and accrued retirement allowance.

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

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

(i) The fair values of cash and cash equivalents, other receivables and accounts payable approximate their carrying values, due to their short-term nature.

(ii) The fair value of investments is based on quoted market values where available (see Note 2). Where the Credit Union has concluded that the fair value cannot be reliably measured, the investments are recorded at cost. The Credit Union holds investments in Atlantic Central and League Data, which are not traded in an active market. As the fair value cannot be reliably measured, these investments are carried at cost, less any identified impairment losses. The Credit Union has not recorded any impairment losses on these investments.

(iii) The estimated fair value of floating rate loans and floating rate deposits is assumed to be equal to book value as the interest rates on these loans and deposits reprice to market on a periodic basis.

(iv) The fair value of fixed rate loans and member deposits do not approximate their fair market value. Any difference between fair values and book values of these financial instruments would not be significant or material to these financial statements.

Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

As at December 31, 2016 and December 31, 2015 all financial instruments carried at fair value were classified as Level 2 financial instruments, except for investments in Atlantic Central and League Data which are carried at cost as fair values could not be reliably measured.

19. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the years ended December 31, 2016 and December 31, 2015. Additionally, there are no financial instruments classified in Level 3.

20. Nature and extent of risks arising from financial instruments

The Credit Union is exposed to the following risks as a result of holding financial instruments: credit risk, liquidity risk and market risk. The following is a description of these risks and how the Credit Union manages its exposure to these risks.

Credit risk

The business of the Credit Union necessitates the management of credit risk. Credit risk is the potential for loss due to the failure of a borrower to meet its financial obligations.

The Credit Union's credit risk is primarily attributable to its loans receivable. The amounts disclosed on the balance sheet are net of allowance for impaired loans, estimated by management of the Credit Union based on previous experience and its assessment of the current economic environment. The credit risk on cash and investments is limited because the assets are held with Atlantic Central.

The carrying amounts of financial assets on the Statement of Financial Position represent the Credit Union's maximum credit exposure at the statement date.

The Credit Union's Board of Directors sets policy and oversees the risk management process. Senior management ensures adherence to policy on risk management issues, assesses the risk exposure of the Credit Union and reviews the effectiveness of internal control processes.

The Credit Union uses a disciplined lending approach with standard underwriting parameters for each category of loans. These parameters are used to assist the Credit Union in implementing a prudent and effective process to assess the borrower's ability to repay.

The Credit Union mitigates credit risk by obtaining quality collateral. The Credit Union considers collateral to be of good quality if it can determine the legal validity and market value on an on-going basis. The Credit Union's internal policy provides additional information regarding the appropriate collateral based on the category of loan. Types of collateral generally obtained by the Credit Union include, but are not limited to, the following: member's personal property such as houses, vehicles; cash and marketable securities; mortgage charges; fixed, floating or specific general security agreements; and personal guarantees.

In addition, the Credit Union monitors its loan concentration to ensure that it is in compliance with its policies.

Liquidity risk

The business of the Credit Union necessitates the management of liquidity risk. Liquidity risk is the risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis.

The Credit Union's objective is to implement a policy that addresses limits on the sources, quality and amount of the assets to meet normal operational, contingency funding for significant deposit withdrawals and regulatory requirements.

The Board is ultimately responsible for the liquidity risk management policy. Management reports monthly, to the Board, the Credit Union's compliance with the policy and regulatory requirements; concentration of large deposits of single/connected depositors as a percentage of total deposits; and reports borrowings for liquidity purposes, the level of borrowings and the liquidity less borrowings in relation to the statutory minimum.

20. Nature and extent of risks arising from financial instruments (continued)

Liquidity *risk (continued)*

The Act requires credit unions to maintain investments in Atlantic Central, to satisfy the legislated liquidity level. Assets held by the Credit Union for such purposes are investments, demand deposits with Atlantic Central, as outlined in the table below.

	2016	2015
	$	$
Cash on deposit with Atlantic Central	**3,725,103**	2,620,719
Investments		
Atlantic Central shares	**603,500**	589,070
League Savings and Mortgage shares	**168,948**	168,948
Liquidity reserve deposit	**3,446,564**	5,979,750
	7,944,115	9,358,487

Contractual maturities of financial liabilities are shown under interest rate risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. All accounts payable and accrued interest payable is current as at year-end.

Market risk

Market risk is the risk of loss that may arise from change in market factors such as interest rates and foreign exchange rates. The Credit Union is exposed to this market risk in its investing and asset/liability management activities.

Senior management is responsible for managing market risk in accordance with the Credit Union's internal policy. Senior management reports monthly to the Board its compliance with the policy and regulatory requirements; dollar volume and yields of all investments by investment category; and the particulars of all investment transactions entered into by the Credit Union. All exceptions noted are reported to the Board.

The Board is responsible for monitoring significant variances and to ensure that corrective measures are implemented.

Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's earnings and net asset values when maturities of its financial liabilities are not matched with the maturities of its financial assets or which are priced on a different basis. The Credit Union manages the impact of interest rate changes with self-imposed limits on borrowings and deposits, thus minimizing fluctuations of income during periods of changing interest rates. The Credit Union's major source of income is the financial margin between the income earned on investments and loans to members, and the interest paid to members on their deposits and interest on temporary borrowings.

20. Nature and extent of risks arising from financial instruments (continued)

Interest rate risk (continued)

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk by maturity dates:

	On Demand	Less than 1 year	One to five years	2016 Total
	$	$	$	$
Assets				
Cash and cash equivalents	**4,081,634**	**-**	**-**	**4,081,634**
Investments	**4,269,952**	**276,408**	**4,925,512**	**9,471,872**
Loans receivable	**35,275,380**	**-**	**-**	**35,275,380**
Liabilities				
Deposits from members	**(40,050,540)**	**(3,571,976)**	**-**	**(43,622,516)**
Membership shares	**(1,557,747)**	**-**	**-**	**(1,557,747)**
	2,018,679	**(3,295,568)**	**4,925,512**	**3,648,623**

	On Demand	Less than 1 year	One to five years	2015 Total
	$	$	$	$
Assets				
Cash and cash equivalents	3,085,564	-	-	3,085,564
Investments	6,788,708	446,916	2,883,335	10,118,959
Loans receivable	35,144,510	-	-	35,144,510
Liabilities				
Deposits from members	(40,020,795)	(3,271,589)	-	(43,292,384)
Membership shares	(1,550,564)	-	-	(1,550,564)
	3,447,423	(2,824,673)	2,883,335	3,506,085

An analysis of the Credit Union's risk due to changes in interest rates determined that a .50% increase in interest rates, with all other variables held constant, would result in an increase in net income of approximately $57,602 (2015 - $68,265) while a .25% decrease in interest rates, with all other variables held constant, would result in an decrease in net income of approximately $28,801 (2015 - $34,714).

RECOMMENDATIONS TO THE MEMBERS

12a) **CREDIT UNIONS ACT - SECTION 180 (1)**

The Members of a credit union shall, by a resolution adopted by a majority of the members present at the annual meeting,

(A) choose to elect the representatives themselves, or

(B) direct the directors of the credit union to appoint the representatives

This is a piece of business that must be done annually as per the Credit Union Act. Your Board of Directors would recommend that you, The Owners, vote to accept (B), that is, direct the directors of the credit union to appoint the representatives.

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12 b)

AUDITORS

NBTA Credit Union is recommending that the firm Deloitte be appointed auditors for the fiscal year January 1, 2017, to December 31, 2017.

12 c) **PATRONAGE REBATE**

NBTA Credit Union Board of Directors is recommending that a patronage rebate of 6.00% based on interest paid on personal loans, lines of credit and mortages and interest earned on savings accounts be paid for the period of January 1, 2016 to December 31, 2016 to members of record as at December 31, 2016.

NOTES

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