

UNITY SAVINGS AND CREDIT UNION LIMITED

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

UNITY SAVINGS AND CREDIT UNION LIMITED

SEPTEMBER 30, 2009

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MANAGEMENT REPORT

The financial statements contained in this report have been prepared by management in accordance with Canadian generally accepted accounting principles. Management is responsible for the presentation, integrity and fairness of the data contained therein.

Management develops and maintains the necessary system of internal controls in order to operate the Credit Union and produce the proper books and records from which the financial statements are prepared. These internal controls are designed to provide assurance that transactions are authorized, assets are safeguarded and the use of the Credit Union's resources are optimized.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for internal control and financial reporting. The Board of Directors is accountable to the general membership of the Credit Union for directing the affairs of the Credit Union through the establishing of objectives and policies.

The independent auditors, McCay, Duff & Company LLP, examine the financial statements in accordance with Canadian generally accepted auditing standards and express their opinion on the fairness of the financial statements. The auditors have full and unrestricted access to the Audit Committee and Board of Directors to discuss their audit and related findings as to the integrity of the Credit Union's financial reporting and the adequacy of the system of internal control.



Chief Executive Officer
Unity Savings and Credit Union Limited

October 16, 2009.

McCAY, DUFF & COMPANY LLP

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Members of
Unity Savings and Credit Union Limited

We have audited the balance sheet of Unity Savings and Credit Union Limited as at September 30, 2009 and the statements of operations, reserve and undivided earnings and cash flows for the year then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

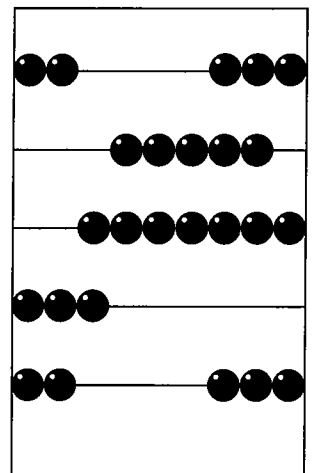
In our opinion, these financial statements present fairly, in all material respects, the financial position of the Credit Union as at September 30, 2009 and the results of its operations and cash flows in accordance with Canadian generally accepted accounting principles.

McCay Duff + Co LLP

McCay, Duff & Company LLP,
Licensed Public Accountants.

Ottawa, Ontario,
October 16, 2009.

THOMAS W HOWARTH C.A.
PROFESSIONAL CORPORATION
A G MONSOUR C.A.
PROFESSIONAL CORPORATION
BLAIR EDWARD DAVIDSON C.A.
PROFESSIONAL CORPORATION
G W TRICKEY C.A.
PROFESSIONAL CORPORATION
ROBERT D SHANTZ C.A.
PROFESSIONAL CORPORATION
MARGARET N. EGAN C.A.
PROFESSIONAL CORPORATION
JASON T. HOWARTH C.A.
PROFESSIONAL CORPORATION
KAREN M. FREAKE, B. COMM., C.A.



UNITY SAVINGS AND CREDIT UNION LIMITED

BALANCE SHEET

AS AT SEPTEMBER 30, 2009

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and short-term deposits	\$ 2,735,845	\$ 2,926,457
Investments (note 4)	11,104,192	19,895,021
Investment in ABCP 2008 Limited Partnership (note 5)	621,766	967,945
Loans to members (note 6)	134,927,288	112,325,760
Other assets (note 8)	132,816	424,938
Property, plant and equipment (note 9)	1,494,620	1,232,924
Future income taxes (note 10)	<u>72,322</u>	<u>80,779</u>
	<u>\$ 151,088,849</u>	<u>\$ 137,853,824</u>
LIABILITIES		
Bank overdraft	\$ 2,584,523	\$ -
Short-term loans (note 11)	6,003,178	-
Members' deposits (note 12)	132,855,556	128,026,735
Other liabilities (note 13)	<u>653,961</u>	<u>775,385</u>
	142,097,218	128,802,120
REGULATORY CAPITAL (note 17)		
Liabilities - Members' shares (note 14)	1,081,933	1,137,577
- Class B investment shares (note 15)	3,048,133	2,908,240
Equity - Reserve and undivided earnings	<u>4,861,565</u>	<u>5,005,887</u>
	<u>8,991,631</u>	<u>9,051,704</u>
	<u>\$ 151,088,849</u>	<u>\$ 137,853,824</u>

Commitments (note 18)
Subsequent Event (note 21)

Approved on behalf of the Board:

Director

Director

UNITY SAVINGS AND CREDIT UNION LIMITED
STATEMENT OF RESERVE AND UNDIVIDED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>2009</u>	<u>2008</u>
RESERVE		
BALANCE - BEGINNING AND END OF YEAR	\$ <u>3,709,414</u>	\$ <u>3,709,414</u>
UNDIVIDED EARNINGS		
BALANCE - BEGINNING OF YEAR	\$ 1,296,473	\$ 1,676,786
Net income (loss) for the year	(144,322)	(380,313)
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income (loss)	<u>(144,322)</u>	<u>(380,313)</u>
BALANCE - END OF YEAR	\$ <u>1,152,151</u>	\$ <u>1,296,473</u>
TOTAL RESERVE AND UNDIVIDED EARNINGS		
- END OF YEAR	\$ <u>4,861,565</u>	\$ <u>5,005,887</u>

UNITY SAVINGS AND CREDIT UNION LIMITED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
OPERATING REVENUE				
Merit lines - variable	\$ 1,822,960	25.27	\$ 2,489,844	29.68
Mortgages	1,600,900	22.20	1,281,289	15.27
Personal and other loans	2,210,092	30.64	3,040,615	36.24
Commercial loans	1,283,077	17.79	936,020	11.16
Investment income	<u>295,789</u>	<u>4.10</u>	<u>642,081</u>	<u>7.65</u>
	7,212,818	100.00	8,389,849	100.00
INTEREST EXPENSE				
Interest on members' deposits (Schedule 1)	2,900,233	40.21	3,695,326	44.05
Borrowed funds	<u>5,279</u>	<u>0.07</u>	<u>1,204</u>	<u>0.01</u>
	<u>2,905,512</u>	<u>40.28</u>	<u>3,696,530</u>	<u>44.06</u>
FINANCIAL MARGIN	4,307,306	59.72	4,693,319	55.94
OTHER INCOME (Schedule 1)	1,762,238	24.43	1,679,568	20.04
PROVISION FOR LOSSES ON LOANS	<u>(431,202)</u>	<u>(5.98)</u>	<u>(527,747)</u>	<u>(6.29)</u>
	5,638,342	78.17	5,845,140	69.69
OPERATING EXPENSES				
Amortization of property, plant and equipment	388,845	5.39	393,232	4.69
Financial (Schedule 2)	144,730	2.01	108,927	1.30
Members' security insurance (Schedule 2)	144,410	2.01	131,046	1.57
Occupancy cost (Schedule 2)	353,318	4.91	308,830	3.69
Other administrative (Schedule 2)	1,482,065	20.54	1,617,773	19.29
Remuneration to management and staff (Schedule 2)	<u>2,926,543</u>	<u>40.56</u>	<u>3,113,556</u>	<u>37.11</u>
	<u>5,439,911</u>	<u>75.42</u>	<u>5,673,364</u>	<u>67.65</u>
INCOME BEFORE DIVIDENDS, INCOME TAXES AND OTHER EXPENSES	198,431	2.75	171,776	2.04
Dividends on Class B investment shares	<u>132,543</u>	<u>1.84</u>	<u>161,635</u>	<u>1.93</u>
INCOME FROM OPERATIONS	65,888	0.91	10,141	0.11
Restructuring	-	-	369,710	4.41
Loss on shares - CUCO (note 4)	61,000	0.85	-	-
Loss on ABCP 2008 Limited Partnership (note 5)	140,753	1.95	-	-
Professional fees on Credential ABCP relief program	<u>-</u>	<u>-</u>	<u>66,994</u>	<u>0.80</u>
	<u>201,753</u>	<u>2.80</u>	<u>436,704</u>	<u>5.21</u>
INCOME (LOSS) BEFORE INCOME TAXES	<u>(135,865)</u>	<u>(1.89)</u>	<u>(426,563)</u>	<u>(5.10)</u>
Provision for (recovery of) income taxes - current	-	-	(39,373)	(0.47)
- future	<u>8,457</u>	<u>0.12</u>	<u>(6,877)</u>	<u>(0.08)</u>
	<u>8,457</u>	<u>0.12</u>	<u>(46,250)</u>	<u>(0.55)</u>
NET INCOME (LOSS) FOR THE YEAR	<u><u>\$ (144,322)</u></u>	<u><u>(2.01)</u></u>	<u><u>\$ (380,313)</u></u>	<u><u>(4.55)</u></u>

UNITY SAVINGS AND CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

CASH PROVIDED BY (USED FOR)	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Net income (loss) for the year	\$(144,322)	\$(380,313)
Items not requiring an outlay of cash		
- amortization of property, plant and equipment	388,845	393,232
- future income taxes	8,457	(6,877)
- gain on disposal of property, plant and equipment	(49,294)	-
	<u>348,008</u>	<u>386,355</u>
	203,686	6,042
Changes in non-cash working capital		
- other assets	292,122	15,301
- other liabilities	(121,424)	(139,923)
	374,384	(118,580)
INVESTING ACTIVITIES (net)		
Change in investments	8,790,829	(8,887,361)
Change in ABCP 2008 Limited Partnership	346,179	(967,945)
Purchase of property, plant and equipment	(722,747)	(105,471)
Proceeds on sale of property, plant and equipment	121,500	-
	<u>8,535,761</u>	<u>(9,960,777)</u>
FINANCING ACTIVITIES (net)		
Change in short-term loans	6,003,178	-
Change in loans to members	(22,601,528)	(2,300,446)
Change in members' deposits	4,828,821	8,135,042
Change in members' shares	(55,644)	(52,810)
Change in Class B investment shares	139,893	65,770
	<u>(11,685,280)</u>	<u>5,847,556</u>
CHANGE IN CASH AND CASH EQUIVALENTS (DEFICIENCY) DURING THE YEAR		
	(2,775,135)	(4,231,801)
Cash and cash equivalents - beginning of year	<u>2,926,457</u>	<u>7,158,258</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		
	<u>\$ 151,322</u>	<u>\$ 2,926,457</u>
CASH AND CASH EQUIVALENTS		
Cash and short-term deposits	\$ 2,735,845	\$ 2,926,457
Bank overdraft	(2,584,523)	-
	<u>\$ 151,322</u>	<u>\$ 2,926,457</u>
SUPPLEMENTARY INFORMATION		
Interest paid	\$ -	\$ 1,204
Income taxes recovered	93,928	10,350

UNITY SAVINGS AND CREDIT UNION LIMITED**NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2009****1. NATURE OF BUSINESS**

The Credit Union is incorporated under the Credit Unions and Caisses Populaires Act of Ontario, 1994 effective December 1, 2006 as a result of an amalgamation of Unity Savings and Credit Union Limited and Maitland Credit Union Limited. It is affiliated with Central 1 Credit Union (Central 1).

2. SIGNIFICANT ACCOUNTING POLICIES**(a) The Credit Unions and Caisses Populaires Act, 1994 (the "Act")**

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

(b) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. 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.

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income. Short-term deposits and liquidity reserve deposits are classified as held-for-trading.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables or held-for-trading. Available-for-sale assets are written down to fair value through income whenever it is necessary to reflect an other-than-temporary impairment. Equities that do not have quoted market values in an active market are carried at cost. Realized gains and losses on sale as well as income from those securities are included in investment income. Available-for-sale assets are cash, CUCO and Central 1 shares and ABCP 2008 Limited Partnership Units and bank overdraft.

Loans and receivables are accounted for at amortized cost using the effective interest method. Assets classified as loans and receivables are accounts receivable and loans to members and short-term loans.

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(b) Financial Instruments (Cont'd.)

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments. Assets classified as other liabilities are accounts payable, deposit accounts and liabilities qualifying as regulatory capital.

In accordance with the recommendations of the Canadian Institute of Chartered Accountants, the Credit Union's Class B investment shares and membership shares are presented in the balance sheet as financial liabilities. Dividends on all classes of shares are classified as financial expenses in the statement of operations.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit with other financial institutions, cheques and other items in transit, and marketable securities with original maturities at acquisition of 90 days or less. Interest income on deposits with other financial institutions as well as marketable securities is included in investment income.

(d) Loans to Members

Personal loans, residential mortgage loans and commercial loans are recorded at principal amounts less an allowance for impaired loans.

Loans are classified as impaired when a specific allowance has been established or a write-off taken or when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of principal or interest. Generally, loans are also classified as impaired when interest or principal is contractually 90 days past due, unless the loan is fully secured and in the process of collection. Fully secured loans are classified as impaired after a delinquency period of 180 days.

Loans are generally removed from the specific allowance when all delinquent principal and interest payments are brought current and the timely collection of both principal and interest is reasonably assured.

(e) Allowance for Impaired Loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb estimated credit-related 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 judgements about economic conditions. If the circumstances under which these estimates and judgements were made change, there could be a significant change to the allowance for impaired loans currently recognized. The allowance for impaired loans consists of specific and general allowances, each of which is reviewed on a regular basis.

The allowance is increased by provision for impaired loans which are charged to earnings and reduced by write-offs net of recoveries.

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(e) Allowance for Impaired Loans (Cont'd.)

Specific allowances are determined on an item-by-item basis and reflect the associated credit loss. The specific allowance is the amount that is required to reduce the carrying value of an impaired loan to its estimated realizable amount, which is generally the fair value of any security underlying the loan, net of expected costs of realization.

The general allowance is established to absorb any potential credit losses and is determined through analysis of economic developments and current portfolio trends for credit losses and cannot be determined on a loan by loan basis. When losses can be attributable to individual loan facilities, specific allowances are recorded.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated amortization. Amortization is provided on a straight line basis as follows:

Building	2 to 5%
Furniture and equipment	10 or 20%
Computer equipment	20%
Security equipment	20%
Automated tellers' machines	10 or 20%
Parking lot	20%
Capital improvements	5 to 20%

One-half of the above rates are recorded in the year of acquisition.

(g) Income Taxes

The Credit Union accounts for income taxes using the liability method of tax allocation. Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax basis. Future income tax assets and liabilities are measured using substantively enacted income tax rates, as at the balance sheet date or expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in income for the period that includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

(h) Dividends

Dividends are recorded as a distribution of net income for the period in which they are accrued, not for the period in which they are paid.

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(i) Statutory Reserve

Current legislation requires that the Credit Union shall establish and maintain a sufficient level of regulatory capital in accordance with Section 12 of Regulation 76/95 of the Act. As at September 30, 2009 the Credit Union has allocated sufficient amounts to this reserve to meet these requirements.

(j) Revenue Recognition

Interest on loans is recognized on the accrual basis.

Revenue from investment income is recognized in the period it is earned.

Commissions, fees, and related revenues are recognized when the specific transactions are completed.

Service charges and sundry revenues are recognized when the service to the member has been rendered.

(k) Comprehensive Income

Other comprehensive income includes, in particular, unrealized gains and losses on available-for-sale financial assets.

(l) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

(m) Accounting Changes

The Credit Union has adopted three new standards issued by the Canadian Institute of Chartered Accountants:

Section 1535 Capital Disclosures;
Section 3862 Financial Instruments - Disclosures; and
Section 3863 Financial Instruments - Presentation.

The adoption of these standards resulted in amendments to the notes to the financial statements only.

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(n) Foreign Currency

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the rate of exchange prevailing at year end; income and expenses are translated at the rate in effect at the transaction date. Foreign currency exchange gains and losses are recognized in other income during the year.

3. FUTURE ACCOUNTING STANDARDS

International Accounting Standards

The Canadian Institute of Chartered Accountants has announced its intention to harmonize Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) beginning January 1, 2011. The nature and timing of changes required to the Credit Union's financial statements as a result of implementing IFRS has not been determined at this time.

4. INVESTMENTS

	2009	2008
Liquidity reserve deposit	\$ 9,898,444	\$ 9,833,881
Shares - CUCO	183,738	1,196,775
- Central 1 Credit Union Class A	342,439	-
- Central 1 Class E	514,000	-
Callable investments	-	8,020,813
Investments - Credential Securities	-	669,992
Other shares	5,623	5,623
Mortgages - Concentra Financial	159,948	167,937
	\$ 11,104,192	\$ 19,895,021

As a result of the merger of Credit Union Central of Ontario Limited (CUCO) with Credit Union Central of British Columbia (see note 5), the Credit Union's memberships shares in CUCO were exchanged in part for membership shares in Central 1 Credit Union (Central 1). The shares are redeemable at cost only if there is a reduction in the Credit Union's total assets at September 30 each year or upon withdrawal of membership. Accordingly, there is no separately quoted market value. The fair value of the shares in Central 1 is not readily determinable because of the lack of a resale market and accordingly, they are carried at cost. Based on information, provided by Central 1 on their estimated net deficit as at September 30, 2009 the membership shares in CUCO have been written down to record a loss in the amount of \$61,000.

Liquidity Reserve Deposit

All Credit Unions who are members of Central 1 shall invest 7% of its assets (as adjusted quarterly) in a liquidity reserve deposit with Central 1. Such deposits bear interest at a floating rate, must be callable and must mature within one year of being issued. In the ordinary course of business the Credit Union is not entitled to withdraw funds from the pool.

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

**5. ABCP 2008 LIMITED PARTNERSHIP
AND CENTRAL 1 CREDIT UNION MERGER**

At a special general meeting held May 31, 2008, members of Credit Union Central of Ontario Limited (CUCO) approved a resolution to facilitate the merger of CUCO and Credit Union Central of British Columbia (CUCBC) to form a new national financial services entity named Central 1 Credit Union (Central 1).

As a pre-condition of this merger, CUCO was required to divest itself of investments in certain third-party asset-backed commercial paper (ABCP). The resolution approved the creation of a limited partnership (ABCP 2008 LP) to acquire these investments funded by member credit unions in proportion to their share investment in CUCO. As a result, on July 1, 2008, immediately prior to the merger of CUCO and CUCBC, the excluded ABCP with a total par value of \$186,916,000 was acquired by the ABCP LP at its estimated fair value of \$133,564,000 including accrued interest, net of expenses, and other assets. The Credit Union's share of the ABCP 2008 LP was \$967,945 and was classified as available-for-sale. As there was no liquid market for these ABCP investments, the fair values used to determine the acquisition price were provided by Edenbrook Hill Capital Ltd., a firm engaged by CUCO to provide an independent valuation of the assets underlying the ABCP investments. The valuation for each credit union's share of the ABCP was provided to them before closing.

The September 30, 2009 valuation provided by the Limited Partnership indicates that there has been a material deterioration in the fair market value of the ABCP securities and as a result a write-down is required as at September 30, 2009. The Credit Union's investment in the ABCP 2008 LP has been reduced by \$140,753 to reflect its proportionate share of the fair value at September 30, 2009. Distributions received during the year amounted to \$205,426 and have been recorded as a return on capital.

The ABCP 2008 LP is governed by a Board of Directors that was elected by Ontario member credit unions and each limited partner will record its proportionate share of net income or loss in the ABCP 2008 LP as determined by Canadian generally accepted accounting principles and subject to an annual external audit.

6. LOANS TO MEMBERS

Residential mortgage loans are repayable in monthly blended principal and interest instalments and are amortized to a maximum period of 35 years.

Commercial loans and personal loans, including line of credit loans, are repayable to the Credit Union in monthly principal and interest installments over a maximum term of five years, except for line of credit loans which are repayable on a revolving credit basis and require minimum monthly payments. All loans, except for mortgage loans, are open and, at the option of the borrower, may be repaid at anytime without notice.

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

6. LOANS TO MEMBERS (Cont'd.)

Mortgages Held by Concentra Financial

As at September 30, 2009 the members of the Credit Union have \$34,992,523 (2008 - \$43,723,252) of mortgage funds financed through an agreement with Concentra Financial and they are administered by the Credit Union.

<i>Principal</i>	<u>2009</u>	<u>2008</u>
Merit lines - variable	\$ 37,714,280	\$ 46,366,816
Mortgages	40,959,297	21,114,736
Personal and other	24,259,969	29,753,135
Commercial	<u>32,437,696</u>	<u>15,702,663</u>
	135,371,242	112,937,350
Allowance for impaired loans	<u>443,954</u>	<u>611,590</u>
Net loans to members	<u>\$ 134,927,288</u>	<u>\$ 112,325,760</u>
 <i>Interest income</i>	 <u>2009</u>	 <u>2008</u>
Merit lines - variable	\$ 1,822,960	\$ 2,489,844
Mortgages	1,600,900	1,281,289
Personal and other loans	2,210,092	3,040,615
Commercial loans	<u>1,283,077</u>	<u>936,020</u>
	<u>\$ 6,917,029</u>	<u>\$ 7,747,768</u>

7. ALLOWANCE FOR IMPAIRED LOANS

(a) Continuity of Allowance for Impaired Loans

Loans to members have been reduced by the allowance for impaired loans as follows:

	<u>2009</u>	<u>2008</u>
BALANCE - BEGINNING OF YEAR	\$ 611,590	\$ 627,733
Recovery of loans previously written off	64,951	47,735
Provision charged to operations	<u>431,202</u>	<u>527,747</u>
	1,107,743	1,203,215
Loans written off	<u>663,789</u>	<u>591,625</u>
BALANCE - END OF YEAR	<u>\$ 443,954</u>	<u>\$ 611,590</u>

The Credit Union continues to accrue interest on impaired loans and therefore an amount of \$1,631 (September 30, 2008 - \$2,134), representing accrued interest receivable on impaired loans, is also included the allowance above.

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

7. ALLOWANCE FOR IMPAIRED LOANS (Cont'd.)

(b) Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of the loans that are past due but not classified as impaired because they are either (i) less than 90 days past due, or (ii) fully secured and collection efforts are reasonably expected to result in repayment.

	<u>2009</u>			<u>2008</u>
	<u>1-29 Days</u>	<u>30-89 Days</u>	<u>Total</u>	<u>Total</u>
Personal loans	\$ 866,628	\$ 199,551	\$ 1,066,179	\$ 948,300
Residential mortgage loans	<u>-</u>	<u>1,169,573</u>	<u>1,169,573</u>	<u>310,037</u>
	<u>\$ 866,628</u>	<u>\$ 1,369,124</u>	<u>\$ 2,235,752</u>	<u>\$ 1,258,337</u>

As of September 30, 2009, 98% of the loans were neither past due nor impaired (2008 - 98%). During the year, none of the mortgages or loans that would otherwise be past due or impaired were restructured.

The credit enhancements the Credit Union holds as security for loans include (i) residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable; (iii) recourse to the commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities.

8. OTHER ASSETS

	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ 48,856	\$ 230,352
Prepaid expenses and other	74,392	91,090
Income taxes receivable	<u>9,568</u>	<u>103,496</u>
	<u>\$ 132,816</u>	<u>\$ 424,938</u>

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

9. PROPERTY, PLANT AND EQUIPMENT

	2009		2008	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 154,721	\$ -	\$ 192,773	\$ -
Building	279,741	193,745	364,260	235,692
Furniture and equipment	336,842	200,789	851,897	707,734
Computer equipment	509,301	401,085	1,086,181	907,272
Security equipment	70,061	27,043	77,835	49,061
Automated tellers' machines	591,580	259,688	645,108	339,571
Parking lot	-	-	13,727	13,727
Capital improvements	<u>1,028,690</u>	<u>393,966</u>	<u>1,058,616</u>	<u>804,416</u>
	<u>\$ 2,970,936</u>	<u>\$ 1,476,316</u>	<u>\$ 4,290,397</u>	<u>\$ 3,057,473</u>
Net book value		<u>\$ 1,494,620</u>		<u>\$ 1,232,924</u>
Current amortization		<u>\$ 388,845</u>		<u>\$ 393,232</u>

During the year, property, plant and equipment in the amount of \$722,747 was acquired for cash (September 30, 2008 - \$105,471) and fully amortized assets in the amount of \$2,042,206 were written off.

10. FUTURE INCOME TAXES

The following table reconciles the income taxes that would result solely by applying statutory tax rates to accounting income to the actual income tax expense recorded in the accounts.

	<u>2009</u>
Accounting income (loss) before income taxes	\$(<u>135,865</u>)
Tax effect of differences in the timing of inclusion of items for income tax purposes	\$ -
Future income tax expense	<u>8,457</u>
Total income tax expense	<u>\$ 8,457</u>

The future income tax asset is determined as follows:

	<u>Carrying Amount</u>	<u>Tax Basis</u>	<u>Deductible Temporary Difference</u>
Loans to members	\$ 134,927,288	\$ 134,971,683	\$(44,395)
Property, plant and equipment	1,339,899	1,731,864	(391,965)
Cumulative eligible capital	-	1,958	(1,958)
	<u>\$ 136,267,187</u>	<u>\$ 136,705,505</u>	<u>\$(438,318)</u>
Future income tax asset (related to deductible temporary differences)	<u>\$ 438,318</u>	16.50%	<u>\$ 72,322</u>

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

11. SHORT-TERM LOANS

The Credit Union has an authorized credit facility with Central 1 totaling \$10,765,000. The credit facility is secured by a registered assignment of book debts and a general security agreement covering all assets of the Credit Union.

At September 30, 2009 the Credit Union has two closed term loans, one for \$4,000,000 with a maturity date of January 10, 2010 with interest at 0.93% and the other for \$2,000,000 with a maturity date of March 18, 2010 with interest at 1.17%. On October 1, 2009 the Credit Union was advanced a further \$2,000,000.

12. MEMBERS' DEPOSITS

<i>Deposits</i>	<u>2009</u>	<u>2008</u>
Chequing	\$ 21,926,959	\$ 21,446,502
Dividend savings	557,238	653,707
Registered Retirement Savings Plans	31,990,721	30,612,092
Registered Retirement Income Funds	7,521,051	7,385,788
Savings	27,516,537	23,977,405
Term deposits	40,785,026	43,951,241
Tax free savings	<u>2,558,024</u>	<u>-</u>
	<u>\$ 132,855,556</u>	<u>\$ 128,026,735</u>

(a) Term Deposits

Term deposits may be withdrawn prior to maturity date subject to a reduction of interest. Withdrawal privileges on all deposit accounts are subject to the overriding right of the Board of Directors to impose a thirty day waiting period.

(b) Mutual Funds held by Credential Asset Management

Credential Asset Management administers mutual funds totaling \$56,164,724 (2008-\$57,031,491) for Credit Union members.

<i>Interest Expense</i>	<u>2009</u>	<u>2008</u>
Chequing	\$ 87,300	\$ 136,517
Registered retirement savings plans	1,022,817	1,141,888
Registered retirement income funds	256,527	307,605
Savings	160,242	241,483
Term deposits	<u>1,373,347</u>	<u>1,867,833</u>
	<u>\$ 2,900,233</u>	<u>\$ 3,695,326</u>

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

13. OTHER LIABILITIES

	2009	2008
Accounts payable	\$ 359,238	\$ 315,180
Concentra Financial payable	161,611	298,345
Interest payable on Class B investment shares	133,112	161,860
	\$ 653,961	\$ 775,385

14. MEMBERS' SHARES

As a condition of membership, each member is required to hold a minimum of \$100 in membership shares. These membership shares are redeemable at cost only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors.

Funds invested by members in shares are not insured by DICO. The withdrawal of member shares and the payment of any dividends on these shares is subject to certain restrictions as provided by the Credit Union's by-laws and by the requirement of the Credit Union to maintain adequate regulatory capital (see Note 17). These shares are redeemable at par.

15. CLASS B INVESTMENT SHARES

During the prior period the Credit Union issued and redeemed Class B Investment Shares (non-cumulative, non-voting, non-participating special shares) for a subscription price of \$1.00 per share. Shares are redeemable at par.

16. RESTRICTED AND RELATED PARTY TRANSACTIONS

Restricted parties include all directors, officers as well as their spouses and immediate dependent family members.

(a) Loans

Loans to these restricted parties are advanced under the same terms and conditions as loans to other members. Computer loans are issued at a preferred interest rate to officers to promote professional development. During the year the Credit Union granted loans of \$372,952 to restricted parties. Total loans outstanding to restricted parties as at September 30, 2009 is \$488,672. Unused lines of credit to restricted parties amount to \$523,317. The terms of these loans are consistent with those offered to other members of the Credit Union. As at September 30, 2009, none of these loans are in arrears.

(b) Director and committee members' remuneration

Director remuneration amounted to \$21,997 for the year (2008 \$23,669) and is included in honoraria.

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

17. REGULATORY CAPITAL

The Credit Union has a capital management policy in place that addresses the quantity, quality and composition of capital needed that reflects the inherent risks of the organization, to support the current and planned operations, and to meet regulatory requirements.

The Credit Unions and Caisses Populaires Act, 1994 requires the Credit Union to maintain regulatory capital at 4% of total assets and 8% of total risk weighted assets for years ending in 2009.

The Credit Union is in compliance with the Act and regulations regarding regulatory capital. As at September 30, 2009, regulatory capital amounted to \$9,177,006.

	2009	2008
Members' shares	\$ 1,081,933	\$ 1,137,577
Class B investment shares	3,048,133	2,908,240
Reserve and undivided earnings	4,861,565	5,005,887
	8,991,631	9,051,704
General loan allowance	257,697	185,697
Future income taxes	(72,322)	(80,779)
	\$ 9,177,006	\$ 9,156,622
% of total assets	6.07	6.65
% of total risk weighted assets	12.23	14.75

18. COMMITMENTS

(a) Member Loans

The Credit Union has the following commitments to its members at the period end date on account of loans, unused lines of credit and letters of credit:

Merit line/Line of credit, personal loans and mortgages	\$ 48,657,650
Commercial loans	6,898,000
Letter of credit	5,564
	\$ 55,561,214

When the above loans are advanced, they are subject to the same terms and conditions as loans described in Note 6 .

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

18. COMMITMENTS (Cont'd.)

(b) Building Lease

The Credit Union signed an operating lease for a building (Napanee branch) beginning October 1, 2008. The building is leased for a base rent of \$1,825 per month plus \$6,000 annually towards taxes under a lease expiring in September 2018.

The minimum annual lease payments for the next five years are as follows:

2010	\$	22,995
2011	\$	22,995
2012	\$	25,185
2013	\$	25,185
2014	\$	25,185

(c) Building Lease

The Credit Union has entered into an operating lease for a building (Bayridge branch) beginning January 2003. The building is leased for a base rent of \$3,375 per month adjusted annually for actual operating costs under a lease expiring in December 2011.

The minimum annual lease payments for the next two years are \$40,500.

(d) Building Lease

The Credit Union has entered into an operating lease for a building (Parkedale branch) beginning October 2005. Effective November 1, 2006 the building is leased for \$4,375 per month for the first year with annual increases based on CPI for subsequent years under a lease expiring in October, 2016.

(e) Building Lease

The Credit Union has entered into an operating lease for a building (Smiths Falls branch) beginning October 2005. The building is leased for a base rent of \$1,831 per month adjusted annually for actual property taxes under a lease expiring in March 2014. The Smiths Falls branch was closed on May 31, 2008 and the Credit Union has a tenant sub-leasing the building until December 2009 and is in negotiations with a tenant to take over the lease in December 2010.

The minimum annual lease payments for the next five years are \$21,972.

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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 and liabilities that are not considered financial instruments, such as prepaids, property, plant and equipment, income taxes receivable and future income taxes.

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. As a result 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.

	<u>2009</u>		
	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value Over/(Under) Book Value</u>
Assets			
Cash and short-term deposits	\$ 2,735,845	\$ 2,735,845	\$ -
Investments	11,104,192	11,104,192	-
Investment in ABCP 2008 Limited Partnership	621,766	621,766	-
Loans to members	136,746,242	135,371,242	1,375,000
Liabilities			
Bank overdraft	2,584,523	2,584,523	-
Short-term loans	6,003,178	6,003,178	-
Members' deposits	131,790,556	132,855,556	(1,065,000)
Other liabilities	653,961	653,961	-
Share capital	4,130,066	4,130,066	-

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

- (i) The fair values of cash and cash equivalents, accounts receivable, accrued interest on members' loans and other liabilities are assumed to approximate their carrying values, due to their short-term nature.
- (ii) 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.
- (iii) The estimated fair value of fixed rate loans, fixed rate deposits and liabilities qualifying as regulatory capital is determined by discounting the expected future cash flows of these loans, deposits and capital accounts at current market rates for products with similar terms and credit risks.

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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 Board of Directors of the Credit Union oversees the risk management process. Senior management coordinates policy setting on risk management issues, assesses the risk exposure of the Credit Union and reviews the effectiveness of internal control processes.

The Credit Union mitigates this credit risk by: limiting the principal amount of credit to a borrower at a given time; performing a thorough credit analysis prior to the approval of the loan; obtaining collateral when appropriate; and employing risk based pricing. The Credit Union considers collateral to be of good quality if it can determine the legal validity and market value on an ongoing 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 are, but are not limited to, the following: members' personal property such as 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 that the Credit Union may be unable to meet financial commitments in a timely and cost effective manner.

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 of Directors 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.

The Credit Union is required to maintain at all times an aggregate of at least 8% of all deposits and borrowings in some form of liquid assets. The Credit Union complies with requirements regarding adequate liquidity at September 30, 2009, the liquidity requirement is \$11,347,775 while liquid assets total \$12,612,644.

UNITY SAVINGS AND CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

**20. NATURE AND EXTENT OF RISKS ARISING FROM
FINANCIAL INSTRUMENTS (Cont'd.)**

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.

(i) Interest Rate Risk

Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets. It is the policy of the Credit Union to keep exposure to interest rate fluctuations within limits set by the Board of Directors and by the Act.

The table below summarizes amounts (before allowance for impaired loans) by maturity dates and effective interest rates for the following on-balance sheet financial instruments.

	<u>Variable Rate</u>	<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Non-Rate Sensitive</u>	<u>Total</u>	<u>Effective Interest Rate</u>
Cash and short-term deposits	-	-	-	2,735,845	2,735,845	-
Investments	-	10,058,392	-	1,045,800	11,104,192	0.73
Loans to members	58,238,242	16,798,000	60,335,000	-	135,371,242	5.88
Bank overdraft	-	-	-	2,584,523	2,584,523	-
Short-term loans	-	6,003,178	-	-	6,003,178	1.05
Members' deposits	61,042,556	43,295,000	28,518,000	-	132,855,556	1.65
Share capital	-	-	-	1,081,933	1,081,933	-
Class B Investment shares	-	-	3,048,133	-	3,048,133	4.36

Based on the Credit Union's interest rate positions as of September 30, 2009, an immediate and sustained 100 basis point increase in interest rates across all maturities would increase net interest income by approximately \$109,000 over the next twelve months. An immediate and sustained 25 basis point increase in interest rates would increase net interest income by approximately \$9,000.

(ii) Foreign Currency Exchange Risk

Foreign currency exchange risk refers to the potential impact of changes in foreign exchange rates on the Credit Union's earnings when balances of its foreign currency liabilities are not matched with the balances of its foreign currency assets. It is the policy of the Credit Union to mitigate exposure to foreign exchange rate fluctuations by matching its foreign currency liabilities to its foreign currency assets.

UNITY SAVINGS AND CREDIT UNION LIMITED**NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2009****21. SUBSEQUENT EVENT**

The Credit Union signed an agreement of sale to sell a vacant land lot in the town of Napanee for an amount of \$125,000, which closed on October 9, 2009.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with current financial statement presentation.

UNITY SAVINGS AND CREDIT UNION LIMITED

SCHEDULE OF INTEREST EXPENSE AND OTHER INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
INTEREST EXPENSE -				
MEMBERS' DEPOSITS				
Chequing	\$ 87,300	1.21	\$ 136,517	1.63
Registered Retirement Savings Plans	1,022,817	14.18	1,141,888	13.61
Registered Retirement Income Funds	256,527	3.56	307,605	3.67
Savings	160,242	2.22	241,483	2.88
Term deposits	<u>1,373,347</u>	<u>19.04</u>	<u>1,867,833</u>	<u>22.26</u>
	<u>\$ 2,900,233</u>	<u>40.21</u>	<u>\$ 3,695,326</u>	<u>44.05</u>
OTHER INCOME				
ATM revenue	\$ 217,002	\$ 3.01	\$ 236,621	\$ 2.82
ATM expense	(192,422)	(2.67)	(223,247)	(2.66)
Commission - Concentra Financial mortgages	144,307	2.00	166,685	1.99
Commission - other	421	0.01	499	0.01
Commission - mutual funds	210,891	2.92	201,521	2.40
Investment income - Credential	37,862	0.52	-	-
Loan insurance commissions and fees	217,662	3.02	352,165	4.20
Insurance rebate	101,812	1.41	80,187	0.96
Mortgage fees	21,586	0.30	28,189	0.34
Safety deposit boxes	9,031	0.13	9,384	0.11
Service charges and NSF fees	794,736	11.02	772,418	9.21
Sundry	<u>199,350</u>	<u>2.76</u>	<u>55,146</u>	<u>0.66</u>
	<u>\$ 1,762,238</u>	<u>24.43</u>	<u>\$ 1,679,568</u>	<u>20.04</u>

UNITY SAVINGS AND CREDIT UNION LIMITED

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
FINANCIAL				
R.R.S.P. administration costs	\$ 23,121	0.32	\$ 15,800	0.19
Service charges and exchange	<u>121,609</u>	<u>1.69</u>	<u>93,127</u>	<u>1.11</u>
	<u>\$ 144,730</u>	<u>2.01</u>	<u>\$ 108,927</u>	<u>1.30</u>
MEMBERS' SECURITY INSURANCE				
DICO insurance	\$ 129,474	1.80	\$ 107,916	1.29
Share and loan insurance	<u>14,936</u>	<u>0.21</u>	<u>23,130</u>	<u>0.28</u>
	<u>\$ 144,410</u>	<u>2.01</u>	<u>\$ 131,046</u>	<u>1.57</u>
OCCUPANCY COST				
Maintenance and repair	\$ 63,161	0.88	\$ 55,641	0.66
Municipal taxes	30,184	0.42	29,054	0.35
Rent	207,568	2.88	178,410	2.13
Utilities	<u>52,405</u>	<u>0.73</u>	<u>45,725</u>	<u>0.55</u>
	<u>\$ 353,318</u>	<u>4.91</u>	<u>\$ 308,830</u>	<u>3.69</u>
OTHER ADMINISTRATIVE				
Bad debts	\$ 36,249	0.50	\$ 16,921	0.20
Bond insurance	50,680	0.70	44,737	0.53
Computer applications	113,660	1.58	196,438	2.34
Credential office	12,982	0.18	16,520	0.20
Data processing	388,728	5.39	409,311	4.88
Education	57,108	0.79	48,040	0.57
FSCO	6,544	0.09	9,692	0.12
Insurance	24,534	0.34	34,234	0.41
Meeting and travel expense	91,140	1.26	66,769	0.80
Miscellaneous	188,908	2.62	194,430	2.32
Office supplies and expense	180,520	2.50	203,027	2.42
Professional fees	89,246	1.24	77,760	0.93
Publicity	229,220	3.18	287,348	3.42
Class B investment share issue	<u>12,546</u>	<u>0.17</u>	<u>12,546</u>	<u>0.15</u>
	<u>\$ 1,482,065</u>	<u>20.54</u>	<u>\$ 1,617,773</u>	<u>19.29</u>
REMUNERATION TO MANAGEMENT AND STAFF				
Employee benefits	\$ 489,353	6.78	\$ 529,275	6.31
Honoraria	21,997	0.30	23,669	0.28
Salaries	<u>2,415,193</u>	<u>33.48</u>	<u>2,560,612</u>	<u>30.52</u>
	<u>\$ 2,926,543</u>	<u>40.56</u>	<u>\$ 3,113,556</u>	<u>37.11</u>