

Consolidated Financial Statements

December 31, 2010

2010 Annual Report



innovation

CREDIT UNION

Innovation.

The art of perpetual improvement.



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF INNOVATION CREDIT UNION

We have audited the accompanying consolidated financial statements of Innovation Credit Union and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated statements of income and comprehensive income, retained earnings, accumulated other comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

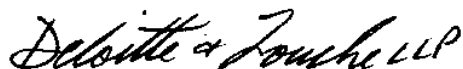
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Innovation Credit Union and its subsidiaries as at December 31, 2010, and their financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.





Chartered Accountants
Saskatoon, Saskatchewan
February 22, 2011

**INNOVATION CREDIT UNION
CONSOLIDATED BALANCE SHEET
as at December 31, 2010**

	2010	2009
ASSETS		
Cash	\$ 50,233,561	\$ 33,965,076
Investments (Note 3)	255,682,089	221,377,283
Loans (Note 4)	977,359,414	1,007,691,133
Other assets (Note 5)	15,685,304	14,818,048
Property and equipment (Note 6)	26,475,879	27,260,816
	<u>\$ 1,325,436,247</u>	<u>\$ 1,305,112,356</u>
LIABILITIES		
Deposits	\$ 1,203,407,968	\$ 1,196,693,561
Loans payable (Note 7)	-	8,999,260
Other liabilities (Note 8)	18,799,546	8,521,102
Membership equity (Note 10)	11,391,580	10,071,509
	<u>1,233,599,094</u>	<u>1,224,285,432</u>
EQUITY		
Retained earnings	90,794,879	78,734,335
Accumulated other comprehensive income	1,042,274	2,092,589
	<u>91,837,153</u>	<u>80,826,924</u>
	<u>\$ 1,325,436,247</u>	<u>\$ 1,305,112,356</u>

See accompanying notes

APPROVED BY THE BOARD

.....  Director
  Director

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
year ended December 31, 2010

	2010	2009
INTEREST INCOME		
Loan interest	\$ 49,962,667	\$ 46,402,335
Investments	6,536,978	7,240,676
	<u>56,499,645</u>	<u>53,643,011</u>
INTEREST EXPENSE		
Deposits	14,999,447	18,376,733
Borrowed money	185,711	49,405
Patronage allocation	2,200,000	41,301
	<u>17,385,158</u>	<u>18,467,439</u>
NET INTEREST INCOME BEFORE CREDIT LOSSES	39,114,487	35,175,572
PROVISION FOR CREDIT LOSSES (Note 4)	1,200,000	1,420,000
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	37,914,487	33,755,572
LOSS-HELD-FOR-TRADING INSTRUMENTS	(155,159)	(3,537,761)
OTHER INCOME	20,927,065	19,169,152
NET INTEREST AND OTHER INCOME	58,686,393	49,386,963
OPERATING EXPENSES		
Personnel	26,065,597	25,276,095
Security	1,470,272	1,371,990
Organizational	1,102,607	968,850
Occupancy	2,969,500	2,613,670
General business	12,869,177	11,523,717
	<u>44,477,153</u>	<u>41,754,322</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	14,209,240	7,632,641
PROVISION FOR INCOME TAXES (Note 18)		
Current	1,653,577	871,499
Future	495,119	299,504
	<u>2,148,696</u>	<u>1,171,003</u>
NET INCOME	12,060,544	6,461,638
OTHER COMPREHENSIVE LOSS (NET OF TAX)		
Net unrealized loss on available-for-sale financial assets	<u>(1,050,315)</u>	<u>(76,059)</u>
COMPREHENSIVE INCOME	\$ 11,010,229	\$ 6,385,579

See accompanying notes

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
year ended December 31, 2010

	2010	2009
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 78,734,335	\$ 72,272,697
NET INCOME	12,060,544	6,461,638
RETAINED EARNINGS, END OF YEAR	<u>\$ 90,794,879</u>	<u>\$ 78,734,335</u>

See accompanying notes

**INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF
ACCUMULATED OTHER COMPREHENSIVE INCOME
year ended December 31, 2010**

	2010	2009
ACCUMULATED OTHER COMPREHENSIVE INCOME, BEGINNING OF YEAR	\$ 2,092,589	\$ 2,168,648
OTHER COMPREHENSIVE LOSS	<u>(1,050,315)</u>	<u>(76,059)</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF YEAR	<u>\$ 1,042,274</u>	<u>\$ 2,092,589</u>

See accompanying notes

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF CASH FLOWS
year ended December 31, 2010

	2010	2009
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income	\$ 12,060,544	\$ 6,461,638
Adjustments for		
Amortization - property and equipment	2,463,124	2,116,420
Amortization - intangibles	605,886	255,138
Gain on disposal of property and equipment	(75,559)	(17,814)
Future income taxes	495,119	299,504
Provision for credit losses	1,200,000	1,420,000
Unrealized loss on held-for-trading instruments	155,159	3,537,761
	<u>16,904,273</u>	<u>14,072,647</u>
Changes in non-cash working capital		
Other assets	(2,091,494)	(2,361,061)
Other liabilities	10,278,444	(6,480,387)
	<u>25,091,223</u>	<u>5,231,199</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Investments and other (acquisitions) disposals	(35,355,121)	35,147,941
Change in loans	(16,480,092)	(108,926,962)
Securitization of loans	45,611,811	-
Purchase of property and equipment	(1,958,315)	(4,355,196)
Purchase of intangibles	(31,926)	(2,640,894)
Proceeds from disposal of property and equipment	355,687	395,572
	<u>(7,857,956)</u>	<u>(80,379,539)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Change in deposits	6,714,407	70,288,852
Loans payable (repayments) advances	(8,999,260)	8,999,260
Increase in membership equity	1,320,071	913,440
	<u>(964,782)</u>	<u>80,201,552</u>
NET INCREASE IN CASH RESOURCES	16,268,485	5,053,212
CASH RESOURCES, BEGINNING OF YEAR	33,965,076	28,911,864
CASH RESOURCES, END OF YEAR	\$ <u>50,233,561</u>	\$ <u>33,965,076</u>
Supplemental Information		
Cash interest paid	\$ 15,449,398	\$ 19,927,654
Cash income taxes paid	703,495	2,966,198

See accompanying notes

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

1. DESCRIPTION OF BUSINESS

Innovation Credit Union (the “Credit Union”) was continued pursuant to *The Credit Union Act, 1998* of the Province of Saskatchewan, and operates twenty-six Credit Union branches. The Credit Union serves members and non-members in North Battleford, Swift Current and surrounding areas.

In accordance with *The Credit Union Act, 1998*, Credit Union Deposit Guarantee Corporation (“CUDGC”), a provincial corporation, guarantees the repayment of all deposits held in Saskatchewan credit unions, including accrued interest.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The significant accounting policies used in the preparation of these consolidated financial statements are summarized below.

Measurement Uncertainty

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements as well as the reported amounts of income and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. The primary items subject to measurement uncertainty include valuation of derivatives and other financial instruments, determination of the charge for loan impairment, valuation of goodwill, and valuation of the retained interest asset and servicing liability related to the loan securitizations.

Basis of Consolidation

The consolidated financial statements include the accounts of Innovation Credit Union and the following subsidiary companies after eliminating inter-company transactions and balances:

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

Subsidiary	Head office	Book value of shares	Voting rights
Innovative Holdings Inc	Swift Current	\$ 102	100%
North Battleford Agencies (1980) Ltd.	North Battleford	\$ 43	100%
Meadow North Agencies Ltd.	Meadow Lake	\$ 400	100%
Dickson Agencies (1975) Ltd.	Swift Current	\$ 1,559	100%
Meota Insurance Agency Inc.	Meota	\$ 100	100%

Cash

Cash consists of cash and cash equivalents maturing in one business day.

Investments

Investments are classified as held-to-maturity (based on management's intentions), loans and receivables, or available-for-sale. Investments classified as held-to-maturity and loans and receivables are carried at amortized cost. Investments classified as available-for-sale are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized, at which time the cumulative gain or loss is transferred to other income. The Credit Union regularly evaluates investments to determine if they have other than temporary impairment. If the assessment indicates that the impairment is other than temporary or the Credit Union does not have the intent or ability to hold the security until its fair value recovers, the security is written down to its current fair value and a loss is recognized in net income.

Asset Securitization

The Credit Union securitizes groups of assets by selling them to an independent special purpose or qualifying special purpose entity or trust. Such transactions create liquidity for the Credit Union and release capital for future needs. Securitization transactions are recognized as a sale and the assets are removed from the consolidated balance sheet when the Credit Union has surrendered control over the assets and has received, in exchange, consideration other than beneficial interest in the transferred assets. For the surrender of control to occur, the transferred loans must be isolated from the Credit Union, the Credit Union does not maintain effective control over the transferred assets, and the purchaser must have a legal right to sell or pledge the transferred loans.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Securitization (continued)

The Credit Union generally retains an interest in the securitized assets such as a servicing right, and various forms of recourse including over-collateralization, rights to excess spread and cash reserve accounts. Retained interests in securitized assets are classified as Held-for-Trading and held as securities on the consolidated balance sheet. Gains and losses on retained interests are recognized in net income on the date of the transaction. The amount of the gain or loss recognized depends on the previous carrying value of the receivables involved in the transfer, allocated between the assets sold and retained interests based on their relative fair values at the date of the transfer. As market quotes are usually not available, gains and losses are recorded at fair value as determined by estimating the present value of future expected cash flows using estimates of key assumptions on yield, credit losses, prepayment rates, discount rates, and cost of funds. Any estimate adjustments to the key assumptions will result in changes to the fair value and gains and losses. Gains and losses from revaluation of the retained interest are recorded in net income.

All loans securitized by the Credit Union have been on a fully serviced basis and a servicing liability is recorded in the consolidated balance sheet in other liabilities at fair value and is amortized over the term of the transferred assets.

Loans

Loans are recorded at the lower of principal plus accrued interest and estimated realizable amounts. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans or at the discounted future value of the loan's security, net of expected selling costs. When the amount and timing of future cash flows cannot be estimated with reasonable reliability, estimated realizable amounts are measured at the fair value of the security underlying the loans, net of expected costs of realization.

An allowance for impaired loans is maintained that reduces the carrying value of loans to their estimated realizable amount. A loan is classified as impaired when there is no longer reasonable assurance that the principal and interest will be collected in full. The allowance is increased by a provision for credit losses, which is charged to income, and reduced by write-offs, net of recoveries.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans (continued)

In addition, a general allowance may be established where, in management's opinion, it is required to absorb losses inherent in the loan portfolio, for which a specific allowance cannot yet be determined. A general provision is established when evidence of impairment exists within groups of loans but is not sufficient to allow identification of individually impaired loans. Impairment is estimated based on historical credit loss experience, known portfolio risks and current economic conditions and trends.

Foreclosed Assets

Foreclosed assets held for sale are initially recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which the Credit Union obtains title to the asset plus subsequent disbursements related to the asset, less any revenue or lease payments received. Foreclosed assets held for sale are subsequently valued at the lower of its carrying amount or fair value less cost to sell. Foreclosed assets are recorded in "Loans" for financial statement purposes.

Property and Equipment

Land is reported at cost. Facilities, equipment and automotive are reported at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life of the asset as follows:

Facilities	5 - 40 years
Equipment	3 - 10 years
Automotive	3 - 5 years

Future Income Taxes

Future income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts and their tax bases. These amounts are measured using substantively enacted tax rates and re-measured annually for rate changes. Future income tax assets are recognized for the benefit of deductions available to be carried forward to future periods for tax purposes that are likely to be realized. Future income tax assets are re-assessed each year to determine if a valuation allowance is required. Any effect of the re-measurement or re-assessment is recognized in the period of change.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill representing the excess of purchase price over fair value of the net identifiable assets of North Battleford Agencies (1980) Ltd., Meadow North Agencies Ltd., Dickson Agencies (1975) Ltd., and Meota Insurance Agency Inc. is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the consolidated statement of income and comprehensive income in an amount equal to the excess.

Intangible Assets

Intangible assets are recognized and reported apart from goodwill. Intangible assets subject to amortization are recorded at cost and amortized based upon management's best estimate of the useful life of the asset as follows:

Computer software	2 -10 years
Naming rights	40 years

Financial Instruments

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.

Classification

Cash and cash equivalents	Held-for-trading
Investments - redeemable	Available-for-sale
Investments - non-redeemable	Held-to-maturity
Investments - debt investment not quoted in an active market	Loans and receivables
Investments - loan pools	Loans and receivables
Loans receivable	Loans and receivables
Retained interest securitization	Held-for-trading
Accounts receivable	Loans and receivables
Member deposits	Other liabilities
Member shares and equity	Other liabilities
Other liabilities	Other liabilities

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices in an active market. In the absence of an active market, the Credit Union determines fair value based on internal or external valuation models, such as discounted cash flow analysis or using observable market-based inputs (bid and ask price) for instruments with similar characteristics and risk profiles.

Section 3855 of the Canadian Institute of Chartered Accountants ("CICA") Handbook established standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The Credit Union accounts for acquisitions based on the trade date.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recorded in net income. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses being recorded in other comprehensive income.

Derivative instruments are recorded on the balance sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recorded in net income, with the exception of derivative instruments designated in effective cash flow hedges, which are recorded in other comprehensive income.

The Credit Union classifies fair value measurements recognized in the balance sheet using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Quoted prices (unadjusted) available in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the Credit Union to develop its own assumptions.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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

Financial Asset Impairment

The Credit Union assesses impairment of all its financial assets, except those classified as held-for-trading. Management considers whether the issuer is having significant financial difficulty and whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year earnings.

The Credit Union reverses impairment losses on debt instruments classified as available-for-sale when an increase in fair value can be objectively related to an event occurring after the impairment loss was previously recognized.

Derivative Financial Instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity instrument or index. In the ordinary course of business, the Credit Union enters into derivative transactions for asset/liability management and for trading. Derivatives are reported on the balance sheet at their fair value.

Derivatives embedded in other non-derivative financial instruments or contracts are separated from their host contracts and accounted for as derivatives when: a) their economic characteristics and risks are not closely related to those of the host contract; b) the terms of the embedded derivative are the same as those of a free standing derivative and; c) the combined instrument or contract is not measured at fair value with changes in fair value recognized in net income. These embedded derivatives are measured at fair value with changes therein recognized in net income.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

In the case of financial assets or liabilities classified as held for trading, all transaction costs directly attributable to the acquisition or issuance of these financial instruments are recorded in the consolidated statement of income and comprehensive income when initially recognized. In the case of financial assets or liabilities that are not classified as held for trading, the transaction costs are recorded in the consolidated statement of income and comprehensive income as incurred except for up-front commissions on dealer finance loans which are added to the value of the loan and are amortized using the effective interest method.

Long-lived Assets

Long-lived assets consist of property and equipment and foreclosed property. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Credit Union performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Potential impairment losses are measured when undiscounted future cash flows from their use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

Quoted market prices, prices for similar items or discounted cash flows are used to measure fair value of long-lived assets, depending on the availability of information.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, collection is reasonably assured, and the goods or services have been delivered as outlined for the different revenue streams below.

Loan Interest Revenue

Loan interest revenue is recognized on the accrual basis for all loans not classified as impaired. Loan interest revenue is not recognized with respect to an impaired loan. A loan is classified as impaired when there is reasonable doubt as to collectability. When a loan becomes impaired, recognition of interest income ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for credit losses as an adjustment of the specific allowance.

Investment Interest Revenue

Investment interest revenue is recognized on the accrual basis. Purchase premiums and discounts are amortized using the effective interest method over the term to maturity of the applicable investment.

Other Revenue

Other revenue is recognized in the fiscal period in which the related service is provided.

Membership Shares

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

Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the consolidated balance sheet date. Translation gains and losses are included in current income.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Future Benefits

The Credit Union's employee future benefit programs consist of a defined contribution pension plan. Credit union contributions to the defined contribution plan are expensed as incurred. Pension benefits of \$1,159,759 (2009 - \$1,110,579) were paid to defined contribution retirement plans during the year.

Future Accounting Changes

Adopting International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards ("IFRS") will replace current GAAP for fiscal years beginning on or after January 1, 2011, for publicly accountable enterprises. For the Credit Union, financial statements, including comparative information, beginning on or after January 1, 2011 will be prepared in accordance with IFRS. The Credit Union has developed a changeover plan to adopt IFRS on January 1, 2011. The key elements of the plan include assessing the impact of adopting IFRS and taking preparatory action for transition.

3. INVESTMENTS

	<u>2010</u>	<u>2009</u>
Concentra Financial	\$ 101,641,165	\$ 74,936,920
SaskCentral - Liquidity Pool	132,076,224	120,395,861
Federal and Provincial Government	-	507,715
Other	20,907,600	24,123,705
Accrued interest	1,057,100	1,413,082
	<u>\$ 255,682,089</u>	<u>\$ 221,377,283</u>

The regulator of Saskatchewan Credit Unions, CUDGC requires that the Credit Union maintain 10% of its total prior quarter deposits, deposit interest payable, and member shares required for membership in specified liquidity deposits in SaskCentral, set out in regulation 18-1 of *The Credit Union Act, 1998*. As of December 31, 2010, the Credit Union met this requirement.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

4. LOANS

	Principal		Allowance		2010 Net	2009 Net
	Current	Impaired	Specific	General		
Government guaranteed	\$ 96,282,042	112,797	\$ 34,889	-	\$ 96,359,950	\$ 150,311,021
Conventional mortgages						
- residential and farm	305,845,810	1,086,786	272,524	-	306,660,072	296,766,516
- commercial	195,067,413	997,031	778,410	-	195,286,034	204,223,406
Personal loans	178,666,666	1,071,631	790,561	-	178,947,736	160,334,055
Leases	8,679,487	-	18,018	-	8,661,469	9,687,783
Non-personal loans	185,068,328	3,175,359	1,814,743	1,117,130	185,311,814	181,165,048
Foreclosed assets held for resale	494,782	-	-	-	494,782	-
Accrued interest	4,802,932	834,625	-	-	5,637,557	5,203,304
	<u>\$ 974,907,460</u>	<u>7,278,229</u>	<u>\$ 3,709,145</u>	<u>1,117,130</u>	<u>\$ 977,359,414</u>	<u>\$ 1,007,691,133</u>

	<u>2010</u>	<u>2009</u>
Allowance for Impaired Loans:		
Balance, beginning of year	\$ 4,110,904	\$ 3,966,731
Charge for loan impairment		
- Specific	439,948	1,912,061
- General	760,052	(492,061)
- Amounts written-off - net of recoveries	(484,629)	(1,275,827)
Balance, end of year	<u>\$ 4,826,275</u>	<u>\$ 4,110,904</u>

5. OTHER ASSETS

	<u>2010</u>	<u>2009</u>
Income taxes receivable	\$ -	\$ 1,609,988
Future income tax asset	-	27,882
Prepays	2,289,237	2,481,880
Goodwill	5,091,190	4,692,551
Intangibles - computer application software	3,033,663	3,607,623
Naming rights	1,475,000	-
Retained interest securitization	2,293,909	-
Derivatives - interest rate swaps (Note 15)	938,198	1,093,357
Other	564,107	1,304,767
	<u>\$ 15,685,304</u>	<u>\$ 14,818,048</u>

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

5. OTHER ASSETS (continued)

The cost of intangible assets at December 31, 2010 was \$6,602,629 (2009 - \$5,070,703) with accumulated amortization of \$2,093,966 (2009 - \$1,463,080). The amortization expense for intangibles for 2010 was \$630,886 (2009 - \$255,995). There were no write-downs of intangible assets due to impairments for the year ended December 31, 2010 (2009 - \$nil).

6. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2010 Net</u>	<u>2009 Net</u>
Land	\$ 1,342,940	\$ -	\$ 1,342,940	\$ 1,342,940
Facilities	30,420,941	8,908,655	21,512,286	22,233,899
Equipment	15,847,826	12,404,447	3,443,379	3,510,344
Automotive	422,972	245,698	177,274	173,633
	<u>\$ 48,034,679</u>	<u>\$ 21,558,800</u>	<u>\$ 26,475,879</u>	<u>\$ 27,260,816</u>

7. LOANS PAYABLE

The Credit Union has an authorized demand loan of \$9,000,000 with Concentra with a balance outstanding of \$nil (2009 - \$8,999,260) bearing interest at 0.705%. This loan is secured by an assignment of book debts and accounts receivable.

8. OTHER LIABILITIES

	<u>2010</u>	<u>2009</u>
Accounts payable	\$ 16,621,594	\$ 8,521,102
Income taxes payable	1,050,715	-
Future income tax liability	467,237	-
Patronage allocation payable	660,000	-
	<u>\$ 18,799,546</u>	<u>\$ 8,521,102</u>

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

9. ALLOCATION DISTRIBUTABLE

The Board of Directors declared a patronage allocation in the amount of \$2,200,000 (2009 - \$nil) on Member shares as at December 31, 2010. The patronage allocation approved by the Board of Directors was based on the amount of loan interest paid and deposit interest earned by each member during the fiscal year excluding credit cards, unauthorized overdrafts, and registered retirement plans. The patronage allocation of \$2,200,000 is reported on the consolidated balance sheet as part of other liabilities in the amount of \$660,000 and membership equity in the amount of \$1,540,000.

10. MEMBERSHIP EQUITY

The authorized share capital is unlimited in amount and consists of shares with a par value of \$5 each. These accounts are not guaranteed by CUDGC.

Characteristics include permanence, freedom from mandatory charge and subordination to the rights of creditors and depositors.

Share capital consists of:

	2010		2009
Membership shares (required for Membership)	\$ 224,130	\$	224,350
Member equity accounts	11,167,450		9,847,159
	\$ 11,391,580	\$	10,071,509

11. LINES OF CREDIT

As at December 31, 2010, the Credit Union was utilizing \$nil (2009 - \$634,102) of the lines of credit available from SaskCentral of \$16,400,000 CDN and \$500,000 US. Interest is charged at a floating rate of SaskCentral's prime rate minus 1/2 % (2.5% at December 31, 2010; 1.75% at December 31, 2009) for the CDN account. Interest is charged at a floating rate of SaskCentral's US prime rate plus 1/2 % (3.75% at December 31, 2010; 3.75% at December 31, 2009) for the US account. The loans are secured by an assignment of book debts, a financial services agreement and an operating account agreement.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

12. SECURITIZATION

The Credit Union sells portfolios of insured residential mortgages to a qualifying special purpose entity under the Mortgage-Backed Securities Program. At December 31, 2010, the outstanding principal mortgage balance was \$43,947,890 (2009 – \$nil). The Credit Union has accounted for each of these transactions as a sale and has transferred all the risks and rewards associated with these assets to the third party. The Credit Union has retained the responsibility for servicing these mortgages. At December 31, the retained interest in the mortgage portfolio was \$2,293,909 (2009 - \$nil). The Credit Union does not expect to incur credit losses on insured residential mortgages.

The following table summarizes the Credit Union’s securitization activities for 2010, including certain cash flows.

Securitized and sold	\$ 45,579,259
Fair value of retained interest	2,293,909
Pre-tax, gain on sale	2,398,777
Proceeds from new securitizations	45,611,811
Servicing liability	227,609

The following key assumptions are used to value the Credit Union’s retained interest:

Expected weighted average life of pre-payable receivables	3.60 yrs
Weighted average yield	4.87 %
Prepayment rate	10.00%
Weighted average discount rate	2.48%
Expected credit loss rate	0.01%
Servicing rates	0.20%

The following table presents key economic assumptions and the sensitivity of the current fair value of the retained interest in the event of two adverse changes in each key assumption as at December 31, 2010. This sensitivity analysis is hypothetical and should be used with caution. Changes in fair value based on a variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. The effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumptions. Generally, the changes in one factor may result in changes in another, which may magnify or counteract the sensitivity.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

12. SECURITIZATION (continued)

Weighted average yield

Impact on fair value at 10% adverse change	N/A - fixed
Impact on fair value at 20% adverse change	N/A - fixed

Prepayment rate

Impact on fair value at 10% adverse change	(\$293,437)
Impact on fair value at 20% adverse change	(\$534,446)

Weighted average discount rate

Impact on fair value at 10% adverse change	N/A - fixed
Impact on fair value at 20% adverse change	N/A - fixed

Expected credit loss rate

Impact on fair value at 10% adverse change	(\$117,577)
Impact on fair value at 20% adverse change	(\$235,414)

Servicing rates

Impact on fair value at 10% adverse change	N/A - fixed
Impact on fair value at 20% adverse change	N/A - fixed

13. CAPITAL MANAGEMENT

CUDGC prescribes capital adequacy measures and minimum capital requirements based on the Basel II framework, consistent with the financial industry in general. There have been no changes to this framework from the prior year.

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

Tier 1 capital is defined as a credit union's primary capital and comprises the highest quality of capital elements while tier 2 is secondary capital and falls short of meeting tier 1 requirements for permanence or freedom from mandatory charge. Tier 1 capital at the Credit Union includes retained earnings, membership shares, member equity, patronage allocation payable and deductions for goodwill and securitization transactions, if applicable. Tier 2 capital at the Credit Union includes a general allowance for credit losses to a maximum of 1.25% of risk-weighted assets.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

13. CAPITAL MANAGEMENT (continued)

The Credit Union has adopted a capital plan that conforms to the capital framework and is regularly reviewed and approved by the Board of Directors. The following table compares CUDGC regulatory standards to the Credit Union's board policy for 2010:

		<u>Regulatory Standards</u>	<u>Board Limits</u>
Total eligible capital to risk-weighted assets	Minimum	8%	9.5%
Tier 1 capital to total assets	Minimum	5%	6%
Tier 2 capital to tier 1 capital	Maximum	100%	100%

During the year, the Credit Union complied with all internal and external capital requirements. Non-compliance may result in CUDGC taking necessary action including reducing or restricting authorities and limits of the Credit Union, imposing a higher deductible on any insured losses paid by the master bond fund, imposing preventive intervention, issuing a compliance order, or placing the Credit Union under supervision or administration. The following table summarizes key capital information:

Capital Summary	<u>2010</u>	<u>2009</u>
Eligible capital		
Total tier 1 capital	\$ 95,435,334	\$ 84,113,297
Total tier 2 capital	1,117,130	357,078
	<u>\$ 96,552,464</u>	<u>\$ 84,470,375</u>
Risk-weighted assets	<u>\$ 926,761,835</u>	<u>\$ 904,745,440</u>
Total eligible capital to risk-weighted assets	10.42%	9.34%
Tier 1 capital to total assets	7.20%	6.44%
Tier 2 capital to tier 1 capital	1.17%	0.42%

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

14. RELATED PARTY TRANSACTIONS

Loans Receivable

As of December 31, 2010, certain directors, senior management and their spouses and dependants were indebted to the Credit Union for an amount totaling \$2,556,917.

The loans to directors were granted under the same lending policies applicable to other members. Management loans qualify for the staff lending program at preferential rates. These loans have been recorded at amortized cost with the discount amortized using the effective interest method. Director and management loans are included in "Loans" on the consolidated balance sheet.

Deposit Accounts

As of December 31, 2010, certain directors, senior management and their spouses and dependants had deposits at the Credit Union for an amount totaling \$1,915,100.

Directors and management may hold deposit accounts. These accounts are maintained under the same terms and conditions as accounts of other members, and are included in "Deposits" on the consolidated balance sheet.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values represent estimates of value at a particular point in time and may not be relevant in predicting future cash flows or income. Estimates respecting fair values are based on subjective assumptions and contain significant uncertainty. Potential income taxes or other expenses that may be incurred on actual disposition have not been reflected in the fair values disclosed.

Methods and Assumptions

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

The stated values for cash, short-term investments, other assets, other liabilities, accrued income and expense, and certain other assets and liabilities approximate their fair values.

Estimated fair values of investments are based on quoted market prices or quoted market prices of similar investments when available.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

15. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Methods and Assumptions (continued)

For variable interest rate loans that re-price frequently, stated values are assumed to be fair values. Fair values of other loans are estimated using discounted cash flow calculations with market interest rates for similar groups of loans to expected maturity amounts.

Fair value of deposits without a specified maturity term is the stated value. Fair value for other deposits is estimated using discounted cash flow calculations at market rates for similar deposits.

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

The fair value of the financial instruments and their related carrying values has been summarized and included in the table below. For financial instruments that have been measured at fair value in the consolidated balance sheet, the amount of the fair value calculated using each level of the fair value hierarchy has been disclosed.

	2010				
	(000's)				
	<u>Stated</u> <u>Value</u>	<u>Fair</u> <u>Value</u>	<u>Level</u> <u>1</u>	<u>Level</u> <u>2</u>	<u>Level</u> <u>3</u>
Assets					
Cash	\$ 50,234	\$ 50,234	\$ 50,234	\$ -	\$ -
Investments	255,682	256,173	-	147,808	-
Loans	976,865	988,425	-	-	-
Other	3,796	3,796	-	938	2,294
	<u>\$ 1,286,577</u>	<u>\$ 1,298,628</u>	<u>\$ 50,234</u>	<u>\$ 148,746</u>	<u>\$ 2,294</u>
Liabilities					
Deposits	\$ 1,203,408	\$ 1,204,699	\$ -	\$ -	\$ -
Other	15,534	15,534	-	-	-
Shares	11,392	11,392	-	-	-
	<u>\$ 1,230,334</u>	<u>\$ 1,231,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

15. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	2009 (000's)		Level 1	Level 2	Level 3
	Stated Value	Fair Value			
Assets					
Cash	\$ 33,965	\$ 33,965	\$ 33,965	\$ -	\$ -
Investments	221,377	221,413	-	181,039	-
Loans	1,007,691	1,019,960	-	-	-
Other	2,398	2,398	-	1,093	-
	<u>\$ 1,265,431</u>	<u>\$ 1,277,736</u>	<u>\$ 33,965</u>	<u>\$ 182,132</u>	<u>\$ -</u>
Liabilities					
Deposits	\$ 1,196,694	\$ 1,201,102	\$ -	\$ -	\$ -
Loans payable	8,999	8,999	-	-	-
Other	8,521	8,521	-	-	-
Shares	10,071	10,071	-	-	-
	<u>\$ 1,224,285</u>	<u>\$ 1,228,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value of Interest Rate Swaps

In 2010, the Credit Union utilized interest rate swaps to reduce exposure to fluctuations in interest rates.

	Notional Principal	Interest Rate		2010 Fair Value	Maturity	Effective Date
		Paid	Received			
\$	25,000,000	CDOR	4.04%	\$ 1,187,824	February 21, 2013	February 21, 2008
	25,000,000	CDOR	2.04%	134,076	October 30, 2012	October 30, 2009
	25,000,000	CDOR	2.03%	113,206	August 5, 2012	August 5, 2009
	25,000,000	2.65%	CDOR	(496,908)	February 21, 2013	August 21, 2008
\$	<u>100,000,000</u>			<u>\$ 938,198</u>		

16. SEGMENTED INFORMATION

The Credit Union operates principally in personal, agricultural and commercial banking, as well as investment services, in Saskatchewan. The Credit Union also offers insurance services through its subsidiaries.

Operating branches are similar in terms of the nature of products and services, methods to distribute products and services, type of customers and the nature of the regulatory environment.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

17. FINANCIAL INSTRUMENT RISK MANAGEMENT

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

Credit Risk

The business of the Credit Union necessitates the management of credit risk. Credit risk arises from a counterparty's inability or unwillingness to fulfill its payment obligations. Credit risk may arise from principal and interest amounts on loans.

The Board of Directors of the Credit Union oversees the risk management process. In addition, CUDGC establishes standards with which the Credit Union must comply. 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 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 credit granting process to assess the borrower's ability to repay.

The Credit Union also 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 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, real and non-real property by way of mortgages and security agreements.

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

Credit risk also may arise from principal and interest amounts on investments.

The Credit Union manages credit risk through adherence to internal policies and procedures for the acquisition of investments. Safety of principal is accomplished by ensuring that all investments purchased are reasonable and prudent. Investment decisions are made with due diligence to avoid undue risk of loss while obtaining a reasonable return.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

17. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

The Credit Union's investment portfolio risk ratings excluding accrued interest are as follows:

Investment Portfolio Rating	<u>2010</u>	<u>2009</u>
	<u>Carrying</u> <u>Amount</u>	<u>Carrying</u> <u>Amount</u>
AA to AAA	\$ 30,000	\$ 1,085,091
A, SaskCentral and Concentra Financial	249,430,195	212,538,666
Unrated	5,164,794	6,340,444
	<u>\$ 254,624,989</u>	<u>\$ 219,964,201</u>

The unused portion of authorized loans and lines of credit and from standby letters of credit totals \$248,677,839 (2009 - \$236,261,960). This amount does not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

At December 31, 2010, the Credit Union holds credit derivative financial instruments totaling \$93,572 (2009 - \$369,075) with authorized limits to \$93,572 (2009 - \$669,720). The Credit Union is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments, but does not anticipate non-performance by any of the counterparties. Management monitors the credit risk and credit standing of counterparties on a regular basis.

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 of Directors is ultimately responsible for the liquidity risk management policy. Management reports to the Board monthly on the Credit Union's compliance with the policy. In addition, CUDGC establishes standards to which the Credit Union must comply.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

17. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, equity prices, and credit spreads. 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 and dollar volume and yields of all investments by investment category. All exceptions noted are to be reported to the Board.

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

The Credit Union's exposure to interest rate risk can be measured by the mismatch or gap, between the assets, liabilities and off-balance sheet instruments scheduled to mature or re-price on particular dates. Gap analysis measures the difference between the amount of assets and liabilities that re-price in specific time periods.

Re-pricing dates are based on the earlier of maturity or the contractual re-pricing date and effective interest rates, where applicable, represent the weighted average effective yield.

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk by the earlier of the contractual re-pricing/maturity dates.

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

17. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market Risk (continued)

	In thousands (000's)						Total
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non- interest sensitive	
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	50,234	\$ 50,234
Investments	34,570	62,209	78,520	75,778	3,548	1,057	255,682
Effective interest rate	0.69%	1.30%	1.97%	2.32%	3.12%		
Loans	519,259	22,486	35,593	331,422	60,849	7,750	977,359
Effective interest rate	4.76%	6.22%	6.16%	5.95%	6.09%		
Other Assets	-	-	-	-	-	42,161	42,161
LIABILITIES							
Deposits	537,766	51,633	119,854	384,344	103,590	6,221	1,203,408
Effective interest rate	2.38%	1.50%	2.43%	2.83%	2.37%		
Other Liabilities	-	-	-	-	-	18,799	18,799
Member Shares	-	-	-	-	-	11,392	11,392
Equity	-	-	-	-	-	91,837	91,837
2010 Balance sheet gap	\$ 16,063	\$ 33,062	\$ (5,741)	\$ 22,856	\$ (39,193)	\$ (27,047)	\$ -
2009 Balance sheet gap	\$ (23,000)	\$ (54,662)	\$ (39,339)	\$ 181,215	\$ (44,629)	\$ (19,585)	\$ -

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

18. INCOME TAXES

Income taxes are included in the consolidated statement of income and comprehensive income as follows:

	2010	2009
	(000's)	(000's)
Reconciliation of the provision for income taxes:		
Income before provision for income taxes	\$ 14,209	\$ 7,633
Combined federal and provincial tax rate	30%	31%
Income taxes at Statutory rate	4,263	2,366
Adjusted for the effect of:		
Non-deductible expenses / (non-taxable income)	(39)	3
Credit Union rate reduction	(1,508)	(696)
Non-deductible portion of cumulative eligible capital	58	-
Future income tax expense from tax rate changes	(377)	(612)
Other	(248)	110
	\$ 2,149	\$ 1,171
Effective rate of tax	15%	15%
Future income tax liability (Note 8), asset (Note 5) is comprised of the following:		
Loans	\$ (52)	\$ 109
Property and equipment	(714)	(430)
Translation adjustment	5	9
Loss carryforwards	329	382
CEAMS	(35)	(42)
	\$ (467)	\$ 28

INNOVATION CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2010

19. COMMITMENTS

The Credit Union entered into a ten year commitment for the provision of retail banking services provided by Credit Union Electronic Account Management Services Association (“CEAMS”). The annual operating fee is calculated as a percentage of the aggregate fees paid by all Credit Unions using the new banking system. The annual operating fees for 2010 were \$1,589,413 (2009 - \$1,392,109).

The Credit Union entered into a ten year commitment with the City of North Battleford for the exclusive, lifetime naming rights of the North Battleford multi-purpose facility. The commitment is \$150,000 payable in each of the next ten years starting in fiscal 2011.

20. COMPARATIVE FIGURES

Certain of the prior year’s figures have been reclassified to conform to the current year’s presentation.