

# ANNUAL REPORT 2010



**Westoba**  
Credit Union Ltd  
*First in Our Community*

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***Westoba***  
**Credit Union Ltd**  
*First in Our Community*

# Vision, Objectives & Principles

## **VISION**

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We are a dynamic member-owned and controlled organization effectively providing comprehensive financial and related services designed to satisfy the changing social and economic needs of our members and the communities we serve.

We are: "First In Our Community."

## **OBJECTIVES**

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### **PEOPLE**

#### **Membership**

Our membership is aware of Westoba Credit Union's vision and the value of their credit union to their community, members are encouraged to participate in the democratic process.

#### **Board, Management and Staff (Westoba's Team)**

We have an environment that through strong leadership promotes a motivated, knowledgeable team, that are committed to on-going education and development to provide quality member service.

### **MONEY**

Our financial objective is to attract and retain capital and to utilize and manage it effectively to meet the needs of our members while providing financial stability for the credit union.

### **DEVELOPMENT**

#### **Growth & Development**

We will research, develop and maintain quality services and service delivery systems that will meet the changing needs of the members and potential members and ensure a competitive position in the marketplace.

#### **Sales and Marketing**

We will develop and maintain innovative marketing programs to promote services to members and potential members.

## **PRINCIPLES**

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We believe in: Trust, Respect, Honesty, Integrity & Confidentiality.

We also strive to demonstrate equality, flexibility, fairness, professionalism, approachability, friendliness and accountability.

# Board of Directors



**ROD BALKWILL**  
District 1 –  
Brandon & Shilo



**BETTY KELSO**  
District 1 –  
Brandon & Shilo



**SCOTT LAMONT**  
Board Vice Chair,  
District 1 –  
Brandon & Shilo



**BRAD LAWSON**  
District 1 –  
Brandon & Shilo



**LARRY WARK**  
District 1 –  
Brandon & Shilo



**AL SJOLIE**  
District 2 –  
Carberry



ANDY BARCLAY  
District 3 –  
Souris



DON RAMSEY  
Board Chair,  
District 4 –  
Rivers



JIM ABERNETHY  
District 5 –  
Glenboro



DENNIS HERNTIER  
District 6 –  
Pilot Mound /  
La Riviere



DEBBIE COUSIN  
District 7 –  
Swan Lake /  
Bruxelles /  
Mariapolis



BETTY TURNER  
Board Secretary,  
District 8 –  
Killarney /  
Cartwright

# Directors' Report

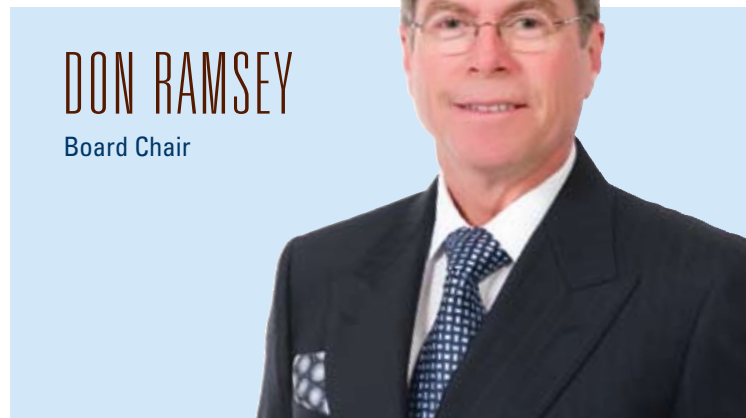
**On behalf of your Board of Directors, it is my honour to present to you our forty seventh annual report. The year 2010 will go down in the books as a year of continued low interest rates which challenged our financial margins, moderate growth relative to past years and major change with the introduction of a new banking system. With the conclusion of the year we are very pleased to report financial results were solid and our banking conversion was completed in the planned time frame. The following provides a monthly recap of your boards' activities and major credit union initiatives this past year.**

In January, the board dealt with the normal course of business reviewing unaudited year end results and other year end reports.

In February, we reviewed and approved the 2009 audited financial statement as recommended by the Audit Committee. The 2010 budget was also reviewed and approved. This budget envisioned Westoba slightly exceeding one billion dollars in assets in the latter part of 2010. The board also received managements 2009 fourth quarter report. We were pleased to be advised that in late January, the 2009 patronage allocation and preferred share dividend had been allocated to you our members. These allocations, along with donations and our many community sponsorships, are how we measure what we have given back to our members as a community minded cooperative. These three areas combined, totalled some \$850,000 for 2009.

In March, your board received a report from the Governance Committee with regards to the

**"With the conclusion of the year we are pleased to report financial results were solid and our banking conversion was completed in the planned time frame."**



**DON RAMSEY**

Board Chair

upcoming director elections and dealt with normal monthly business issues.

In April, your board was busy attending our information meeting and annual meeting. At the District 6 information meeting for Pilot Mound / La Riviere branches, Dennis Herntier was re-elected to the board of directors. In District 1, Brandon/Shilo branches, Betty Kelso was re-elected and Brad Lawson was elected to the board of directors. The majority of directors attended both these meetings.

In May, a number of directors attended the Credit Union Central of Canada national conference in Winnipeg, Manitoba. Westoba Credit Union is always well represented at the national conference and we were pleased to be able to attend one so close to home and proud of the quality of conference that was held in Manitoba. Also in May, at our organizational meeting, the boards Executive Committee consisting of myself as board chair, Scott Lamont as 1st vice chair and Betty Turner as secretary were all re-elected for the coming year. These three positions, along with President and CEO Wayne

McLeod, make up the Executive Committee. At the organizational meeting, the Governance and Audit Committees were elected as well as our delegates and alternatives to Credit Union Central of Manitoba were appointed.

No meeting was held in June as we combine the June meeting with our annual planning session held in early July. In July, with two board meetings as well as the planning session, a number of decisions and plans were made. The board reviewed architectural drawings and visited the location for the planned branch in Onanole slated for opening in late 2011. The board also approved purchase of property in Warren, Manitoba for potential branch development. Warren, a growing bedroom community of Winnipeg, with great potential, had made a presentation to the Board at our planning session in 2009. We will be paying close attention to the developments in this area before we make any plans to open a branch. Also in July, the board authorized management to enter into negotiations for leased property for a second full service branch location in Winnipeg.

Negotiations were successful and we have plans for our second full service branch location on the very busy intersection of Pembina and Bishop Grandin. We actually anticipate this branch will open prior to our Portage Avenue location with both Winnipeg branches opening in the later half of 2011. We also dealt with the very difficult decision to wind-up our Mariapolis branch in 2011. Mariapolis has operated as a sub office managed from our Swan Lake branch but the lack of growth over many years and the inability for us to break-even on an annual basis forced your Board to reach this decision. Memberships will be transferred

*“We are very proud to say that Westoba continues to meet all the necessary strength tests. We go into 2011 knowing we have the tools in place to continue to perform well in what we believe will be a mediocre economy.”*

to Swan Lake unless otherwise requested. The Mariapolis building will be moved to Swan Lake and expanded to house our present Swan Lake Branch business as well as that transferred from Mariapolis. The future of our current Swan Lake building is up in the air but it is no longer viable to offer financial services out of the current location.

Automated Tellers in some of our rural branches was also an item we reviewed at our July planning session. Management presented a detailed profitability analysis on providing ATM's in some of our smaller branches. An ATM replaces a significant number of in-branch transactions and as well has a

fairly high volume break-even point. To place an ATM in a smaller branch, and not affect the profitability of the branch negatively, would mean a reduction in one to two staff positions at a minimum. Our position is, we use technology to help us increase volumes without having to add staff, however, we are not inclined to use technology to directly replace staff and particularly so in communities where jobs are hard to come by. Since many retail stores, hotels etc. have cash dispensers in most of the communities we serve, we feel the

majority of our members already have access to the cash they need during our non-business hours.

In August, besides the normal course of business, your board approved the 2010 planning session report. The member communication plans for our upcoming banking conversion in November was also reviewed.

In September, your board approved changes to our internal matching policy. This policy is the guideline management follows for offsetting the terms of loans with the terms of deposits that we have for various maturity dates. It is one of the many financial checks we have in place to ensure we

operate as a strong, stable financial institution. Your board also approved our 2011 meeting schedule and, as well received a report from the audit committee. The report confirmed all reviewed was sound.

In October, we reviewed management's third quarter report as well as the regular course of business.

In November, management provided the board with the annual privacy officer and money laundering reports. These are reports required as part of our legislative compliance, and we were pleased to know there were no issues or irregularities to be reported. We also received a detailed post banking system conversion report. The conversion of all member accounts went smoothly and all systems were in balance. There were, and unfortunately still are, a number of change-related issues that members and staff will have to adjust to and will be worked on in earnest in the coming months. This conversion was required as our current system was no longer being supported at the end of 2010. Your board and management apologize for the change and the inconvenience this conversion created for our members. Your patience and understanding is greatly appreciated. We assure you that the areas that still require attention are being worked on and will continue to be our primary focus until such time as the high standards we have set for the new banking system are met.

In December, the board approved a 4% dividend for members preferred shares and made the difficult decision to not make a patronage allocation for 2010. While anticipated year end profitability was considered to be strong, the decision was to keep these funds in retained earnings and maximize the credit union's growth potential going forward. A strong capital base is a measurement of success and stability for a financial institution and our decision to retain these funds was the best decision for Westoba Credit Union – our financial institution.

In 2010, the world economy showed mild signs

of recovery. Canada's economic recovery would be considered slightly better than 2009 but by no means robust. Manitoba's economic growth actually lagged behind Canada's in 2010 but it had not declined as much as Canada's the previous year. The economy did have an impact on our growth, we did not see the opportunities we had seen in previous years and with low interest rates and increased expenses was indeed challenging. Happily, Westoba still managed a reasonably strong bottom line. We are very proud to say, that Westoba continues to meet all the necessary strength tests. We go into 2011 knowing we have the tools in place to continue to perform well in what we believe will be a mediocre economy. Interest rates are predicted to rise somewhat in 2011 and economic growth both in Manitoba and Canada is predicted to pick up. We hope, for all of us, 2011 is a better year.

We thank our management and staff for their contribution to Westoba's success in 2010. Their dedication and commitment, particularly with the change in our banking system was the reason we achieved the results we did. I must also thank the entire board for their diligence and support in 2010. You made my year as board chair a very rewarding experience. Two of our directors, who's terms expire this year have decided to retire from the board. Andy Barclay district 3 Souris and Debbie Cousin district 7 Swan lake/Mariapolis have both served for six years, their contribution and dedication has been greatly appreciated. And to you our members – sincerest thanks for your continued support. We do not take that for granted. We look forward to 2011 knowing Westoba will continue to serve our members well and be "First in Our Community"

Respectfully submitted on behalf of the board of directors.

**Don Ramsey**  
**Board Chair**



# Management's Responsibility

To the Members of Westoba Credit Union Ltd:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management, internal auditors, and external auditors. The Audit Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

Meyers Norris Penney LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

March 2, 2011



Wayne McLeod, CEO



Don Pringle, VP of Finance

# Independent Auditors' Report

To the Members of Westoba Credit Union Limited:

We have audited the accompanying consolidated financial statements of Westoba Credit Union Limited and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated statements of income and retained surplus, and cash flows for the year then ended, 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Westoba Credit Union Limited as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba  
March 2, 2011

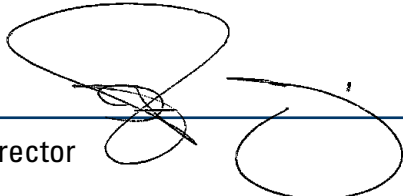
*Meyus Norris Penny LLP*  
Chartered Accountants

# Consolidated Balance Sheet

As at December 31, 2010

	2010	2009
<b>Assets</b>		
Funds on hand and on deposit	71,959,560	25,416,142
Investments and accrued interest (Note 3)	114,757,312	110,770,326
Member loans receivable and accrued interest (Note 4)	796,575,557	766,549,213
Other assets (Note 5)	2,441,336	3,321,375
Property, plant and equipment (Note 6)	25,436,727	22,112,585
	<b>1,011,170,492</b>	<b>928,169,641</b>
<b>Liabilities</b>		
Member deposits and accrued interest (Note 7)	949,533,977	850,373,309
Line of credit (Note 8)	—	21,677,445
Accounts payable and accrued liabilities	4,579,788	3,819,241
	<b>954,113,765</b>	<b>875,869,995</b>
Retained surplus and members' equity (Note 10)		
Member shares (Note 9)	12,978,156	13,284,110
Retained surplus	44,078,571	39,015,536
	<b>57,056,727</b>	<b>52,299,646</b>
	<b>1,011,170,492</b>	<b>928,169,641</b>

Approved on behalf of the Board

Director 

Director 

The accompanying notes are an integral part of these financial statements

# Consolidated Statement of Income and Retained Surplus

For the year ended December 31, 2010

	2010	2009
<b>Financial income</b>		
Member loans	37,298,835	34,915,542
Investments	5,185,321	6,232,760
	<b>42,484,156</b>	<b>41,148,302</b>
<b>Cost of funds</b>		
Deposits	20,803,979	20,884,534
Interest on borrowings	92,325	516,244
	<b>20,896,304</b>	<b>21,400,778</b>
<b>Financial margin</b>	<b>21,587,852</b>	<b>19,747,524</b>
<b>Operating expenses</b>		
Administration	6,306,910	5,691,113
Member security	896,825	704,370
Occupancy	1,917,029	1,838,428
Organizational	615,568	634,431
Personnel	13,040,356	12,087,345
	<b>22,776,688</b>	<b>20,955,687</b>
<b>Other revenue</b>	<b>7,102,497</b>	<b>7,343,920</b>
<b>Net operating expenses</b>	<b>(15,674,191)</b>	<b>(13,611,767)</b>
<b>Income from operations before impaired loans</b>	<b>5,913,661</b>	<b>6,135,757</b>
<b>Provision for impaired loans</b>	<b>42</b>	<b>1,200,000</b>
<b>Income before patronage refund</b>	<b>5,913,619</b>	<b>4,935,757</b>
<b>Patronage refund</b>	<b>—</b>	<b>500,000</b>
<b>Income before income taxes</b>	<b>5,913,619</b>	<b>4,435,757</b>
<b>Provision for income taxes (Note 16)</b>		
Current income taxes	579,078	617,534
Future income taxes	152,000	—
	<b>731,078</b>	<b>617,534</b>
<b>Net income</b>	<b>5,182,541</b>	<b>3,818,223</b>
<b>Retained surplus, beginning of year</b>	<b>39,015,536</b>	<b>35,313,484</b>
<b>Deduct:</b>		
Dividends on preference shares (Note 13)	(119,506)	(116,171)
<b>Retained surplus, end of year</b>	<b>44,078,571</b>	<b>39,015,536</b>

The accompanying notes are an integral part of these financial statements

# Consolidated Statement of Cash Flows

For the year ended December 31, 2010

	2010	2009
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Interest received from member loans	37,056,796	35,701,778
Interest and dividends received from investments	5,194,123	6,818,802
Service charges and other income received	7,157,962	6,864,223
Income taxes paid (recovered)	(815,825)	255,801
Interest paid to members	(20,772,185)	(21,061,653)
Interest paid on borrowed money	(92,325)	(516,244)
Net operating expenses paid	(19,979,211)	(19,857,986)
	<b>7,749,335</b>	<b>8,204,721</b>
<b>Financing</b>		
Net change in member deposits	99,128,874	81,935,527
Repayments of line of credit	(21,677,445)	(12,967,979)
Issuance of member shares	199,132	212,789
Redemption of member shares	(567,036)	(642,840)
Dividends paid on preference shares	(145,952)	(141,880)
	<b>76,937,573</b>	<b>68,395,617</b>
<b>Investing</b>		
Net change in loans receivable	(29,784,347)	(75,308,503)
Purchase of investments	(3,995,788)	—
Proceeds on disposal of investments	—	20,204,511
Purchase of property, plant and equipment	(4,363,355)	(1,735,562)
Proceeds on disposal of property and equipment	—	8,507
	<b>(38,143,490)</b>	<b>(56,831,047)</b>
<b>Increase in cash resources</b>	<b>46,543,418</b>	<b>19,769,291</b>
<b>Cash resources, beginning of year</b>	<b>25,416,142</b>	<b>5,646,851</b>
<b>Cash resources, end of year</b>	<b>71,959,560</b>	<b>25,416,142</b>

The accompanying notes are an integral part of these financial statements

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## 1. Incorporation and nature of operations

Westoba Credit Union Limited was formed pursuant to the *Credit Unions and Caisses Populaires Act* of the Province of Manitoba and operates twenty-one Credit Union branches.

## 2. Accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

### ***Basis of presentation***

The consolidated financial statements include the accounts of the Credit Union, and its wholly owned subsidiary, Westoba Financial Services Limited.

The Credit Union has consolidated the assets, liabilities, revenues and expenses of its subsidiary after the elimination of inter-company transactions and balances.

### ***Investments and accrued interest***

#### ***Portfolio investments***

Investments in securities are valued at cost or amortized cost adjusted to recognize other than a temporary impairment in the underlying value. Investments are purchased with the intention to hold them to maturity, or until market conditions cause alternative investments to become more attractive. Gains and losses on the disposal of securities are included in income in the year in which they occur.

#### ***Investment in mortgage pool***

Investments in the mortgage pool is carried at amortized cost, adjusted to recognize other than a temporary impairment in the underlying value. Premiums on the mortgage pool are amortized on a straight line basis over the term of the mortgages.

#### ***Member loans receivable and accrued interest***

Loans to members 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. 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.

The Credit Union recognizes loan fees, costs associated with lending activities and discounts on loans over the related lending or commitment period. The unamortized portion of these fees, as well as any discounts, is netted against the principal. Loan repayment penalty fees are deferred and amortized to other income over the average term to maturity of such loans.

Interest income from loans is recorded on the accrual basis for all loans not classified as impaired.

When interest or principal is past due 90 days, the loan is classified as impaired unless there is no reasonable doubt as to the collectibility of all interest and principal. When a loan is classified as impaired, recognition of interest income in accordance with the original loan agreement ceases. Any subsequent payments received on an impaired loan are applied to reduce the recorded investment in the loan.

#### ***Allowance for loan impairment***

The Credit Union maintains an allowance for loan impairment that reduces the carrying value of loans to their estimated realizable amount. The allowance is increased by a charge for loan impairment, which is charged to income, and reduced by write-offs, net of recoveries.

A specific allowance is established on an individual loan basis, to reduce the carrying values to estimated realizable amounts. Estimated realizable values are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amount and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to market prices for the loans or their underlying security value.

In addition, a non-specific allowance may be established where, in management's opinion, it is required to absorb

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

losses inherent in the loan portfolio, for which a specific allowance cannot yet be determined. A non-specific 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.

## **Property and equipment**

Property and equipment are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives.

	Method	Rate
Automobiles	straight-line	20 %
Buildings	straight-line	2.5 %
Computer equipment	straight-line	33 %
Furniture and equipment	straight-line	20-33 %
Leasehold improvements	straight-line	20 %
Parking lot	straight-line	20 %
Security equipment	straight-line	20 %

## **Revenue recognition**

Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of the 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 doubtful loans as an adjustment of the specific allowance.

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

Other revenue, including commission income, is recognized as services are provided to the members.

## **Income taxes**

The Credit Union follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject

to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

## **Financial instruments**

The financial instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in net income. This instrument is initially recognized at its fair value. The Credit Union's financial instruments classified as held for trading include funds on hand and on deposit.

Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The Credit Union's shares with Credit Union Central of Manitoba and Concentra Financial have been classified as available for sale.

The financial assets classified as held-to-maturity are measured at amortized cost using the effective interest rate method. This instrument is initially recognized at its fair value. The Credit Union's financial instruments classified as held-to-maturity include Concentra Financial debentures.

The financial assets classified as loans and receivables are measured at amortized cost using the effective interest rate method. This instrument is initially recognized at its fair value. The Credit Union's financial instruments classified as loans and receivables include all loans, accrued interest, Credit Union Central of Manitoba term deposits and other receivable balances.

Financial instruments classified as other financial liabilities include all deposits, borrowing, payables and accruals. Other financial liabilities are measured at amortized cost using the effective interest rate method.

## **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 balance sheet date. Translation gains and losses are included in current income.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## **Goodwill**

Goodwill represents the excess of the purchase amount of investment in subsidiary over the proportionate share of the value of the shares at the date of acquisition. The Credit Union has assessed the carrying value of goodwill for possible impairment and has determined that no such impairment exists at December 31, 2010.

## **Measurement uncertainty**

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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Loans are stated after evaluation as to their collectibility and an appropriate allowance for doubtful loans is provided where considered necessary. As the valuation of the underlying security cannot be ascertained with any degree of accuracy, a measurement of uncertainty exists in the valuation of loans and the allowance for loan impairment. Amortization of property and equipment is provided based on the Credit Union's estimate of useful lives of those assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in income in the periods in which they become known.

## **Comprehensive income (loss)**

Comprehensive income (loss) includes all changes in equity of the Credit Union, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with Canadian generally accepted accounting principles, require recognition, but are excluded from net income (loss). The Credit Union does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period.

## **Recent accounting pronouncements - Adoption of International Financial Reporting Standards**

The Canadian Accounting Standards Board (AcSB) has confirmed that International Financial Reporting Standards (IFRS) will replace current Canadian GAAP for fiscal years beginning on or after January 1, 2011, for publicly accountable enterprises. For the Credit Union, financial statements, including comparative information, for annual periods beginning on or after January 1, 2011 will be prepared in accordance with IFRS.

Management is required to provide progress updates on the entity's IFRS changeover plan at each annual reporting period until the changeover date.

The Credit Union has developed a changeover plan to adopt IFRS on January 1, 2011. The key elements of the plan have included assessing the impact of adopting IFRS and taking preparatory action for transition. The key elements identified and addressed include:

- Accounting policies – assessed through a diagnostic review of the Credit Union's financial statements, and identification of key potential impact areas, beginning in 2008, until the changeover date.
- Internal controls over financial reporting – assessed throughout the project, as it relates to specific topics and policy positions. No significant changes were identified.
- Disclosure controls and procedures – assessed throughout the project, as it relates to specific topics and policy positions. It has been determined that additional disclosure requirements, as well as the systems and processes to gather such information, will be extensive for 2010 forward.
- Data system requirements – assessed throughout the project, as it relates to specific topics and policy positions. It has been determined that data system changes are not significant for the Credit Union's core systems for processing of accounting transactions, but significant additional systems and processes will be required to meet the extensive disclosure requirements.
- Business activities – were assessed throughout the project, based on the quantitative effects of IFRS requirements and policy choices. As the total effects of IFRS on the Credit Union's financial position have been determined to be minimal, the quantitative effects have also been determined to be insignificant. However, potential future business activities such as mergers, acquisitions, and securitizations may have more significant impacts.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

Upon transition to IFRS, IFRS 1 First time Adoption of International Financial Reporting Standards provides exemptions from full or partial retrospective application of certain IFRSs if management of the Credit Union elects to use such exemptions. In addition, IFRS 1 details mandatory exceptions to retrospective application of certain standards. The following are transitional arrangements, as permitted by IFRS 1 on changeover to IFRS, which management has elected to adopt:

#### Exemptions:

- The Credit Union has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations effected prior to January 1, 2010.
- The Credit Union elected to designate a selection of previously recognized financial assets as held to maturity, as available for sale at the date of transition.

#### Exceptions:

- Estimates made in accordance with IFRSs at the date of transition are consistent with estimates made in accordance with Canadian GAAP on the same date, unless objective evidence exists that indicates that those estimates were in error. Any estimates made at January 1, 2010 that were not required under Canadian GAAP reflect conditions that existed at that date.
- The Credit Union has not recognized any financial assets or financial liabilities under IFRS that were derecognized under Canadian GAAP.
- The Credit Union has not reflected, in its opening IFRS balance sheet, a hedging relationship of a type that does not qualify for hedge accounting unless the Credit Union designated a net position as a hedged item in accordance with Canadian GAAP.

#### **Effects of IFRS on Required Financial Statement Disclosures**

As identified, the disclosure requirements under IFRS will be extensive. Increased granularity and new information requirements are expected to have the most significant effect in the following areas:

- Related party transactions;
- Income taxes;
- Business combinations;
- Property, plant and equipment;
- Investments in subsidiaries; and
- Leases.

Currently, the International Accounting Standards Board (IASB) has a number of projects underway that could have a significant impact on the Credit Union's financial position, results and cash flows upon initial adoption of IFRS. These potential changes and impacts have been disclosed below.

- Consolidated financial statements – The IASB issued an exposure draft that proposes to adopt a new consolidation standard, replacing IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The exposure draft proposes a revised definition of control so a single model can be applied to all entities, and enhanced disclosures about consolidated and unconsolidated entities. No significant reporting changes anticipated.
- Derecognition of financial instruments – The IASB issued an exposure draft that proposes to replace the derecognition requirements of IAS 39 and IFRS 7. The proposed requirements base the decision on derecognizing a transferred financial asset on whether the entity has surrendered control of the asset. No significant reporting changes anticipated.
- Fair value measurement – The IASB issued an exposure draft that proposes to incorporate into IFRS the new standard on fair value measurement. The exposure draft defines the term fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. No significant reporting changes anticipated.
- Financial instruments: amortized cost and impairment – The IASB issued an exposure draft that proposes a new standard on amortized cost measurement and impairment of financial assets to replace the corresponding requirements in IAS 39 Financial Instruments: Recognition and Measurement. A new standard will replace the incurred loss model currently used to recognize and measure impairment of financial assets with an expected loss model that would recognize impairment sooner. The Credit Union has yet to determine the impact of this change.
- Measurement of liabilities in IAS 37 – The IASB issued an exposure draft that proposes to align the criteria in IAS 37 for recognizing a liability with those in other IFRSs, to eliminate some differences between IAS 37 and US GAAP, and to clarify the measurement of liabilities in IAS 37. No significant reporting changes anticipated.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## 3. Investments and accrued interest

	2010	2009
Credit Union Central of Manitoba		
Term deposits	95,000,000	91,000,000
Shares	11,342,069	11,346,282
Other investments		
Concentra Financial shares	453,312	453,311
Concentra Financial debenture	7,005,000	7,005,000
	<b>113,800,381</b>	109,804,593
Accrued interest	956,931	965,733
	<b>114,757,312</b>	110,770,326

Term deposits consist of fifteen deposits maturing between 2011 and 2015. The term deposits bear interest at rates between 3.03% and 5.32%. The Concentra Financial debenture bears interest between 5.82% and 6.42% and mature between 2018 and 2021.

## 4. Member loans receivable and accrued interest

### Principal and allowance by loan type

	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Allowance Non-specific</i>	<i>Allowance Specific</i>	<i>Net carrying value</i>	<i>Net carrying value</i>
Personal and other	68,534,127	458,470	387,016	174,361	68,431,220	72,045,999
Real estate secured	247,926,105	1,026,750	100,000	—	248,852,855	237,999,699
Commercial	338,644,949	1,735,443	700,000	782,232	338,898,160	311,110,800
Agriculture	141,183,303	1,076,088	848,060	1,018,009	140,393,322	145,392,715
	<b>796,288,484</b>	<b>4,296,751</b>	<b>2,035,076</b>	<b>1,974,602</b>	<b>796,575,557</b>	766,549,213
Total allowance			<b>4,009,678</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 table that follows presents the carrying value of loans at year-end 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.

	<i>1-30</i>	<i>31-60</i>	<i>61-90</i>	<i>91 days and greater</i>	<i>Total</i>
Personal	4,543,128	2,972,365	43,661	347,653	<b>7,906,807</b>
Commercial	1,535,805	6,425,427	—	—	<b>7,961,232</b>
Agricultural	582,705	1,847,415	—	38,664	<b>2,468,784</b>
	6,661,638	11,245,207	43,661	386,317	<b>18,336,823</b>

The principal collateral and other credit enhancements the Credit Union holds as security for loans include (i) insurance, mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. The Credit Union has policies in place to monitor the existence of undesirable concentration in the collateral supporting its credit exposure. In management's estimation, the fair value of the collateral is sufficient to offset the risk of loss on the loans past due but not impaired.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## Loan allowance details

	2010	2009
Balance, beginning of year	4,219,619	3,152,701
Provision for loan impairment	42	1,200,000
	<b>4,219,661</b>	<b>4,352,701</b>
Less: accounts written off	(209,983)	(133,082)
Balance, end of year	<b>4,009,678</b>	<b>4,219,619</b>

## 5. Other assets

	2010	2009
Accounts receivable	104,354	159,819
Prepaid expenses and deposits	1,151,199	1,975,773
Goodwill, net of accumulated amortization of \$1,454,777	1,185,783	1,185,783
	<b>2,441,336</b>	<b>3,321,375</b>

## 6. Property and equipment

	2010			2009
	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>Net Book Value</i>	Net Book Value
Land	4,048,037	—	4,048,037	2,195,843
Automobiles	146,880	97,245	49,635	79,012
Buildings	23,634,743	5,201,161	18,433,582	18,773,225
Capital Improvements	395,676	—	395,676	—
Computer equipment	4,327,620	2,403,203	1,924,417	306,339
Furniture and equipment	3,015,293	2,582,916	432,377	567,091
Leasehold improvements	282,516	221,463	61,053	49,002
Parking lot	11,501	11,501	—	1,931
Security equipment	638,534	546,584	91,950	140,142
	<b>36,500,800</b>	<b>11,064,073</b>	<b>25,436,727</b>	<b>22,112,585</b>

Amortization expense recorded for the year ended December 31, 2010 totalled \$1,032,210 (2009 – \$1,014,279).

## 7. Member deposits and accrued interest

	2010	2009
Chequing	259,288,264	238,378,899
Plan 24	52,139,044	41,841,706
Savings	32,187,744	31,204,941
Agri-Invest	5,327,037	—
Term deposits	418,084,350	375,118,733
Registered retirement savings plans	104,883,077	102,300,082
Registered retirement income funds	48,712,189	41,047,174
Registered education savings plans	3,469,064	3,200,381
Tax-free savings	15,498,600	7,368,579
	<b>939,589,369</b>	<b>840,460,495</b>
Accrued interest	9,944,608	9,912,814
	<b>949,533,977</b>	<b>850,373,309</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## 8. Line of credit

The Credit Union has an approved borrowing limit of 10% of member deposits. Borrowings are secured by an assignment, hypothecation, charge and pledge of all book debts and accounts to Credit Union Central of Manitoba and bear an annual interest rate based on the Chartered Banks overnight funds rate, with no fixed repayment date.

## 9. Member shares

Each member must purchase one common share. Each member of the Credit Union has one vote, regardless of the number of shares that a member holds.

Authorized:

### Common shares

Authorized common share capital consists of an unlimited number of surplus shares with an issue price of \$5 per share and redeemable in the amount of consideration received for the share.

### Preference shares

Authorized Class A non-cumulative preference share capital consists of 1,000,000 preference shares with an issue price per share of \$10 with an aggregate consideration which shall not exceed \$10,000,000 and redeemable in the amount of consideration received for the share. Dividends are payable at the discretion of the Board of Directors.

### Surplus shares

Authorized surplus share capital consists of an unlimited number of surplus shares, with an issue price per share of \$1 and redeemable at \$1 per share.

Issued:

	<i>2010</i>	<i>2009</i>
33,564 Common shares (2009 – 33,853)	<b>167,820</b>	169,265
9,161,544 Surplus shares (2009 – 9,093,225)	<b>9,161,544</b>	9,093,225
350,284 Preference shares (2009 – 337,974)	<b>3,502,840</b>	3,379,740
Provision for issuance of preference shares	<b>145,952</b>	141,880
Provision for issuance of surplus shares	—	500,000
	<b>12,978,156</b>	13,284,110

During the year, the Credit Union issued and redeemed the following:

Issued:

3,514 Common shares  
442,279 Surplus shares  
18,156 Preference shares

Redeemed:

3,803 Common shares  
373,960 Surplus shares  
5,846 Preference shares

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## 10. Members' equity and capital requirement

Section 21(1) of the Regulations to the Credit Unions and Caisses Populaires Act requires that the Credit Union establish and maintain a level of capital as follows:

	2010	2009
Equity not less than 5% of assets	5.66%	5.63%
Retained surplus not less than 3% of assets	4.39%	4.22%
Capital not less than 8% of the risk-weighted value of assets	9.15%	9.12%

*Capital Disclosures* requires the Credit Union to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

The Credit Union provides financial services to its members and is subject to the capital requirements set out in the Credit Union Act of Manitoba (the "Act"). The Credit Union complied with these capital requirements as at the year-end.

Capital management: The Credit Union's objectives when managing capital are:

- To ensure the long-term viability of the Credit Union and the security of member deposits by holding a level of capital deemed sufficient to protect against unanticipated losses.
- To comply at all times with the capital requirements set out in the Act.

The Credit Union measures the adequacy of capital using two methods:

- Total capital as a percent of total assets;
- Total capital as a percent of risk-weighted assets. Under this method the Credit Union reviews its loan portfolio and other assets and assigns a risk weighting using definitions and formulas set out in the Act and by the Deposit Guarantee Corporation of Manitoba. The more risk associated with an asset, a higher weighting is assigned. This method allows the Credit Union to measure capital relative to the possibility of loss with more capital required to support assets that are seen as being higher risk.

The Credit Union management ensures compliance with capital adequacy through the following:

- Establishing policies for capital management, monitoring and reporting;
- Establishing policies for related areas such as asset liability management;
- Reporting to the Board of Directors regarding financial results and capital adequacy;
- Reporting to the Deposit Guarantee Corporation of Manitoba on its capital adequacy; and
- Establishing budgets and reporting variances to those budgets.

## 11. Liquidity requirements

The Credit Union is required to maintain, in the form of cash and term deposits, a minimum of 8% of liquidity at all times, based on total members' deposits. The Credit Union has met the liquidity requirements at year end as prescribed in the regulations under the Credit Unions and Caisses Populaires Act.

## 12. Loan commitments

The Credit Union has authorized \$190,805,960 for line of credit loans, of which \$112,244,460 has not been advanced as of year-end. In addition, approximately \$6,278,270 in member loans have been authorized but have not been advanced as of the year-end.

## 13. Dividends on preference shares

During the year, the Board of Directors declared a dividend on preference shares in the amount of \$145,952. The amount, net of related tax savings of \$26,446, has been reflected as a charge to retained surplus.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## 14. Pension plan

The Credit Union has a defined contribution pension plan for full-time employees. The contributions are held in trust by the Cooperative Superannuation Society Limited and are not recorded in these financial statements. The Credit Union matches employee contributions at rates ranging from 4% to 8% of the employee salary. The expense and payments for the year ended December 31, 2010 were \$481,028 (2009 – \$437,994). As a defined contribution pension plan, the Credit Union has no further liability or obligation for future contributions to fund benefits to plan members.

## 15. Related party transactions

### *Directors, management and staff*

Transactions with directors, committee members, management and staff are at terms and conditions as set out in the loan policies of the Credit Union.

Payments made for honoraria and per diems amounted to \$60,826 (2009 – \$55,606), reimbursement of expenses amounted to \$13,991 (2009 – \$18,444) and meeting, training and conference costs amounted to \$27,501 (2009 – \$30,913).

Loans to directors and staff as at December 31, 2010 amounted to 2.03% (2009 – 2.07%) of assets of the Credit Union.

### *Credit Union Central of Manitoba*

The Credit Union is a member of the Credit Union Central of Manitoba, which acts as a depository for surplus funds received from and loans made to Credit Unions. The Credit Union Central of Manitoba also provides other services for a fee to the Credit Union and acts in an advisory capacity. All transactions with Credit Union Central of Manitoba are

recorded at the exchange amount, which is the amount agreed to by the two parties.

Details of investments in Credit Union Central of Manitoba are shown in Note 3. Interest earned on investments during the year amounted to \$4,796,103 (2009 – \$5,133,249).

Interest and charges paid on borrowings during the year ended December 31, 2010 amounted to \$92,325 (2009 – \$516,244).

Payments made to Credit Union Central of Manitoba during the year ended December 31, 2010 for affiliation dues, liquidity assessment, research and development assessment and cheque clearing and data processing fees amounted to \$1,996,292 (2009 – \$1,905,773).

### *The Credit Union Deposit Guarantee Corporation*

The Deposit Guarantee Corporation of Manitoba (formally Credit Union Deposit Guarantee Corporation) is a deposit insurance corporation, which protects the savings and deposits of all Credit Union members in every Credit Union within Manitoba. All transactions with Deposit Guarantee Corporation of Manitoba are recorded at the exchange amount, which is the amount agreed to by the two parties.

Payments made to the Deposit Guarantee Corporation of Manitoba during the year ended December 31, 2010 represent the net statutory annual assessment in the amount of \$816,145 (2009 – \$639,831).

### *Celero Solutions*

Celero Solutions is a company formed as a joint venture by the Credit Union Centrals of Alberta, Saskatchewan and Manitoba along with Co-operative Trust Company of Canada and Credit Union Electronic Transaction Services.

## 16. Income taxes

The total provision for income taxes in the statement of income and retained surplus is at a rate below the combined federal and provincial statutory income tax rates for the following reason:

	<b>2010</b>	<b>2009</b>
Combined federal and provincial statutory income tax rates	<b>30.0%</b>	31.5%
Reduction for Credit Unions	<b>(17.0%)</b>	(17.0%)
Non-deductible & other items	<b>(.6%)</b>	(1.5%)
<b>Income tax as reported</b>	<b>12.4%</b>	13.0%

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

The tax effects of temporary differences which give rise to the future income tax assets reported in other assets is from differences between accounts deducted for accounting and income tax purposes for property and equipment and the allowance for doubtful loans.

## 17. Interest rate sensitivity reporting

The Credit Union's primary source of income is financial margin, which is the difference between interest earned on investments and loans to members and interest paid to members on their deposits. The objective of managing the financial margin is to manage repricing or maturity dates of loans and investments and members' savings and deposits within policy limits that are intended to limit the Credit Union's exposure to changing interest rates. The differential represents the net mismatch between loans and investments and members' savings and deposits by maturity dates.

					2010	2009
	<i>Assets</i>	<i>Average yield %</i>	<i>Liabilities</i>	<i>Average costs %</i>	<i>Differential</i>	<i>Differential</i>
Interest sensitive:						
Variable (floating)	358,634,760	3.55%	206,981,450	2.60%	151,653,310	35,879,278
Maturing within 1 year	80,617,067	4.25%	299,799,471	3.26%	(219,182,404)	(46,932,911)
1 to 2 years	89,486,170	5.54%	66,547,827	3.94%	22,938,343	(71,503,615)
2 to 3 years	126,974,331	5.49%	62,681,528	4.18%	64,292,803	56,007,175
3 to 4 years	142,949,384	5.08%	43,379,392	3.93%	99,569,992	97,580,809
Over 4 years	154,210,545	4.45%	101,022,012	3.99%	53,188,533	104,751,458
Non interest bearing items	58,298,235		230,758,812		(172,460,577)	(175,782,194)
<b>Total</b>	<b>1,011,170,492</b>		<b>1,011,170,492</b>		<b>—</b>	<b>—</b>

## 18. Fair value of financial instruments

Fair value is the consideration that would be agreed to in an arm's-length transaction between knowledgeable and willing parties with no compulsion to act. Estimates respecting fair values are based on subjective assumptions and contain significant uncertainty. Fair values represent estimates of value at a particular point in time and may not be relevant in predicting future cash flows or earnings. Potential income taxes or other expenses that may be incurred on actual disposition have not been reflected in the fair values disclosed.

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

- the stated value for cash, short term investments, other assets, other liabilities, accrued income or expense and certain other assets and liabilities approximate their fair value
- estimated fair values of investments are based on quoted market prices when available or quoted market prices of similar investments.
- for variable interest rate loans that are frequently re-priced, 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 and maturity dates.
- fair value of deposits with no specified maturity term is its stated value. Fair value for other deposits is estimated using discounted cash flow calculations at market rates for similar deposits.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

Estimated fair values of financial instruments are summarized as follows:

	2010			2009		
	Fair value	Book value	Fair value over book value	Fair value	Book value	Fair value over book value
<b>Financial assets</b>						
Cash	71,959,560	71,959,560	—	25,416,142	25,416,142	—
Investments and accrued interest	114,757,312	114,757,312	—	110,770,326	110,770,326	—
Member loans receivable and accrued interest	794,696,145	796,575,557	(1,879,412)	776,434,736	766,549,213	9,885,523
	981,413,017	983,292,429	(1,879,412)	912,621,204	902,735,681	9,885,523
<b>Financial liabilities</b>						
Member deposits and accrued interest	943,751,825	949,533,977	(5,782,152)	872,113,390	850,373,309	21,740,081
Line of credit	—	—	—	21,677,445	21,677,445	—
Accounts payable and accrued liabilities	4,579,788	4,579,788	—	3,819,241	3,819,241	—
	948,331,613	954,113,765	(5,782,152)	897,610,076	875,869,995	21,740,081

## Fair value hierarchy

Following the recently updated CICA Handbook Section 3862, "Financial Instrument Disclosures", financial instruments measured at fair value on the balance sheet date have been classified within the fair value hierarchy.

At both December 31, 2010 and the prior year, all financial instruments measured at fair value on the balance sheet have been classified to Level 2; measured using inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly.

The Credit Union classified 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) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Credit Union to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is 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.

## 19. Nature and extent of risk arising from financial instruments

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 those risks and how the Credit Union manages the exposure to them.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## **Credit Risk**

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union. Credit risk arises principally as a result of the Credit Union's lending activities with members.

Credit concentration exists if a number of borrowers are engaged in similar economic activities or are located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographical region.

### *Risk measurement*

The Credit Union employs a risk measurement process for its loan portfolio which is designed to assess and quantify the level of risk inherent in credit granting activities. Risk is measured by reviewing qualitative and quantitative factors that impact the loan portfolio.

### *Credit quality performance*

Refer to Note 4 for additional information on the potential loss exposure related to the Credit Union's loan portfolio.

### *Objectives, policies and processes*

The Credit Union is committed to the following principles in managing credit risk exposure:

- Credit risk assessment includes the establishment of policies and processes related to credit risk management and risk rating;
- Credit risk mitigation includes credit structuring, collateral, and guarantees;
- Credit risk approval limits includes establishing credit risk limits and reporting exceptions thereto;
- Credit risk documentation focuses on documentation and administration; and
- Credit risk monitoring and review.

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

## **Market Risk**

Market risk arises from changes in interest rates that affect the Credit Union's net interest income. Exposure to this risk directly impacts the Credit Union's income from its loan and deposit portfolios. The Credit Union's objective is to earn an

acceptable net return on these portfolios, without taking unreasonable risk, while meeting member-owner needs.

### *Risk Measurement*

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

### *Objectives, policies and processes*

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

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

The following table provides the potential before tax impact on immediate and sustained 1% increase or decrease in interest rates on the net interest income of the Credit Union. All interest rate measures are based on interest rate exposures at a specific time and continuously change as a result of business activities and the risk management initiatives of the Credit Union.

Before tax impact of:

1% increase in interest rates: \$20,315,767

1% decrease in interest rates: (\$19,326,732)

## **Liquidity Risk**

Liquidity risk is the risk of having insufficient financial resources to meet the Credit Union's cash and funding requirements, statutory liquidity requirements, or both.

### *Risk measurement*

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgment pertaining to current and prospective market conditions and the related investing and borrowing activities of members

### *Objectives, policies and processes*

The acceptable amount of risk is defined by policies that are approved by the Board of Directors.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

The Credit Union manages liquidity by monitoring, forecasting and managing cash flows and the concentration of loans and deposits within approved policies. Management provides monthly reports on these matters to the Board of Directors.

Key features of liquidity management include:

- Daily monitoring of expected cash inflows and outflows and tracking and forecasting the liquidity position; and
- Consideration of the term structure of loans and deposits, with emphasis on deposit maturities, as well as expected loan funding and other commitments to ensure the Credit Union can maintain, required levels of liquidity while meeting its obligations.

The remaining contractual maturity of recognized financial assets and liabilities are as follows:

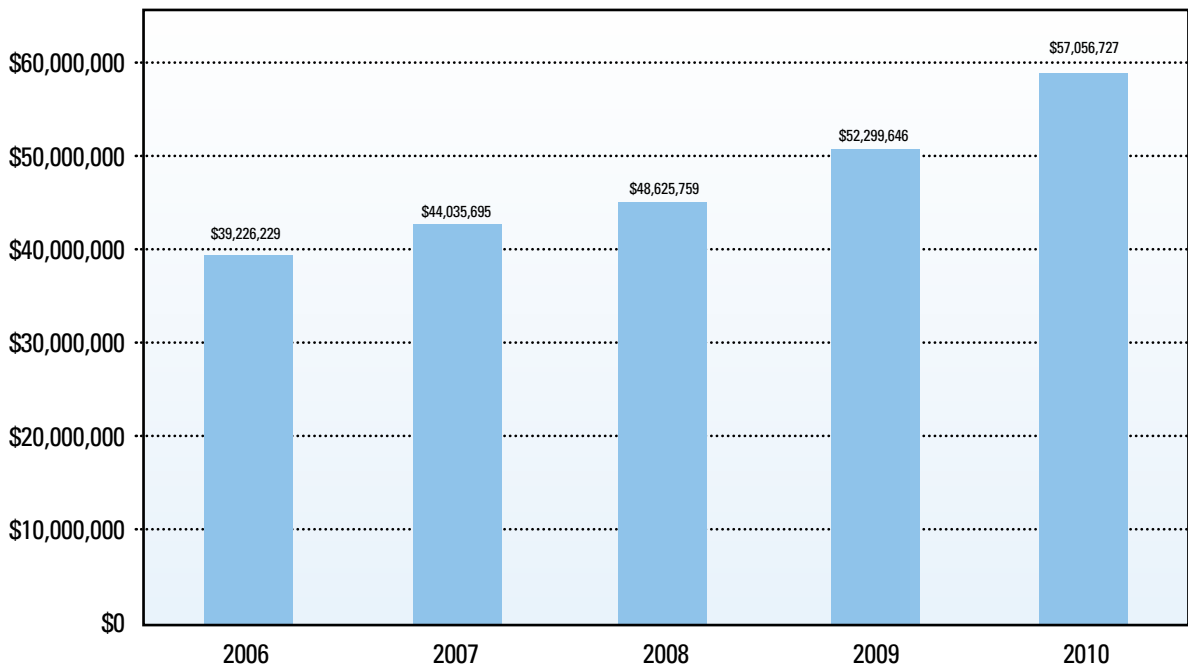
	On demand	Payable on a fixed date			Greater than 5 years	Total
		Less than 1 year	1-2 years	2-5 years		
<b>Financial assets</b>						
Funds on hand and on deposit	71,959,560	—	—	—	—	<b>71,959,560</b>
Investments	12,752,312	20,000,000	49,000,000	26,000,000	7,005,000	<b>114,757,312</b>
Members' loans	297,338,061	60,617,067	67,486,169	354,929,188	16,205,072	<b>796,575,557</b>
Accounts receivable	126,754	—	—	—	—	<b>126,754</b>
<b>Total financial assets</b>	<b>382,176,687</b>	<b>80,617,067</b>	<b>116,486,169</b>	<b>380,929,188</b>	<b>23,210,072</b>	<b>983,419,183</b>
<b>Financial liabilities</b>						
Members' savings and deposits	376,103,748	299,799,471	66,547,826	190,439,713	16,643,219	<b>949,533,977</b>
Accounts payable	4,579,788	—	—	—	—	<b>4,579,788</b>
<b>Total financial liabilities</b>	<b>380,683,536</b>	<b>299,799,471</b>	<b>66,547,826</b>	<b>190,439,713</b>	<b>16,643,219</b>	<b>954,113,765</b>

## 20. Comparative figures

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

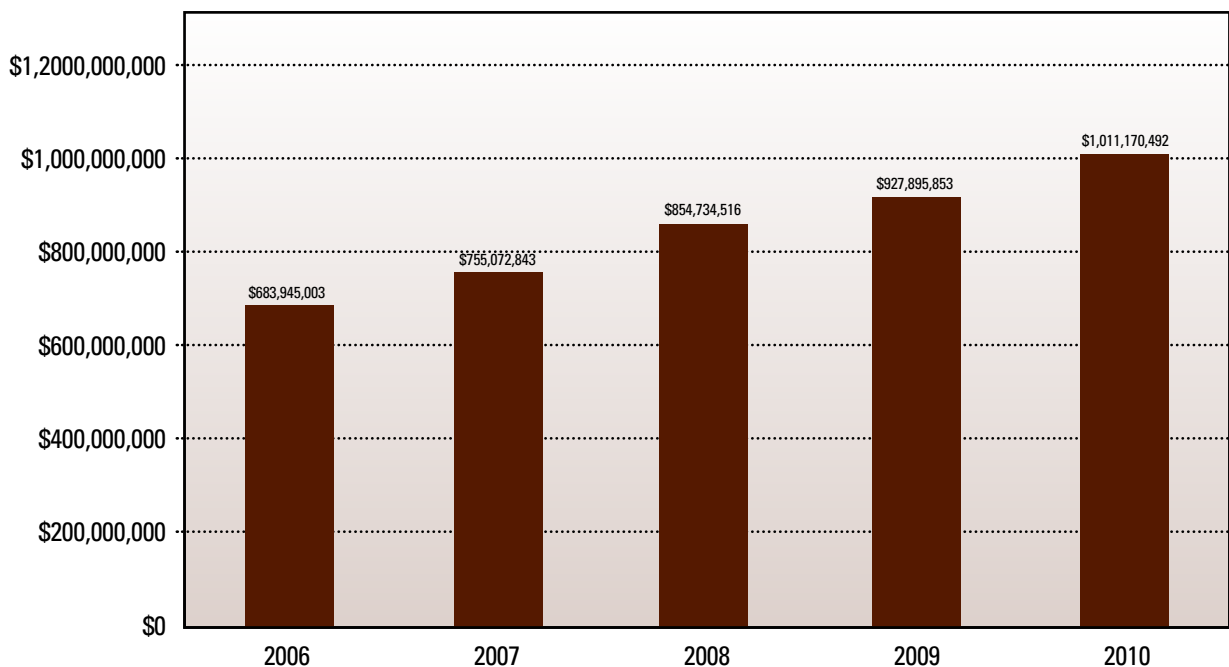
# Members' Equity 5 Years Growth

*As at December in the year indicated*



# Total Assets 5 Years Growth

*As at December in the year indicated*



# First in Our Community

Each year Westoba Credit Union gives back to the communities in which we serve, either by way a Cash Charitable Donation or Sponsoring of local events and community projects. In 2010, Westoba gave back over \$212,000.00 to our communities through such endeavors. In addition, Westoba staff donated some 900 hours of their own personal time to many worthy charities and humanitarian interests in their communities. We are proud to present the following recipients:

Westman Jams, Brandon Area Community Foundation, Wheat City Lions Club, The Pas Christmas Hamper Drive, Kidney Foundation Life Walk, Local and Rural Curling Clubs, Souris Brandon 4H Beef Club, Masters Super League Curling, Manitoba Seed Growers Association, Brandon's Food for Thought, Manitou Pool Project, Operation Red Nose, United Way, Manitoba Provincial Plowing Association, Juvenile Diabetes Research Foundation, Summer Fair Bull Shooters Rodeo, Fenwick Masonic Lodge, Kiwanis Club of Brandon, Spruce Woods Housing Coop, Ducks Unlimited, CARM, Brandon Seniors for Seniors, Camp Wannakumbac, Commonwealth Air Training Museum, Cartwright School Magazine Drive, Cooperative Development Foundation of Canada, Souris Grad Scholarship, Kinette Club of Brandon, Brandon Chamber of Commerce, Association for Community Living, Glen Lea Men's Golf League, Amazing Race for Mental Health, Funds for Furry Friends, International Conference for Hutterite Educators, Huntington's Society, King George Estate Board, Relay for Life, Brandon Orchestra, Brandon and District Brandon Ladies Golf Club, Rainbow Pelican Lake Enhancement, BRHA Hall, Vincent Massey High School, Scholarship, Glenboro Homecoming, Bull Riding Rodeo, Glenboro Grad Scholarship, Clear Lake Chamber Music Festival, Pinkest Owl, Pilot Mound Grad Scholarship, Riverbank Discovery Centre Duck Race, Variety Hearts, Cartwright High School Grad Pancake Breakfast, Manitoba Summer Fair, Tiger Hills Arts Association, Westman Scottish Association, Alexander Rinks Committee, Elton Community Centre, Brandon Chapter of Girl Guides, Daly House Museum, Waves of Hope, Habitat for Humanity, Brandon Wheat Kings, Manitoba Agriculture Hall Of Fame, YWCA Women of Distinction, CNIB-Making Light with Laughter, Alzheimer's Society, Brandon Youth Soccer Association, President's Dinner, Brandon Family YMCA Strong Kids, Brandon University Bobcat Athletics of Action, Big Brothers and Big Sisters of Brandon, Cerebral Palsy Stationary Bike Race, Manitoba Farmers with Disabilities, Brandon Jazz Association, League of Nations, Women Business Owners of Manitoba, Neelin High School Safe Grad, Canadian Federation of University Women, Westman Softball Association, Association of Manitoba Municipalities, Brandon Eagles Gymnastics Centre, MS Society, Manitoba Winter Games, Family Visions.



# President & CEO / Vice Presidents

CORPORATE OFFICE



## Westoba Credit Union Management

**Wayne McLeod**, President & CEO *(centre front)*

**Don Pringle**, Vice President – Finance *(second from left)*

**Randy Brown**, Vice President – Business Development *(left)*

**Brian Deutscher**, Vice President – Marketing & Human Resources *(second from right)*

**Kevin Bower**, Vice President – Lending Services *(centre back)*

**Janice Heapy**, Vice President – Technology *(right)*

# Branch Managers



MELODY JUDSON  
1st Street Branch,  
Brandon



KERRY McLEOD  
10th Street Branch,  
Brandon



KEITH PARRY  
18th & Kirkcaldy  
Branch, Brandon  
Shilo Branch



NETTIE LEPAGE  
34th Street Branch,  
Brandon



THERESE TOUCHETTE  
Carberry Branch



JIM HAWKINS  
Cartwright Branch



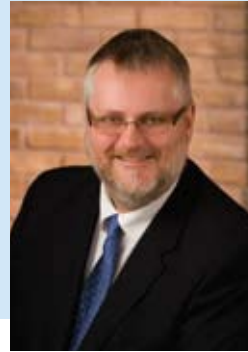
PENNY JOHNSON  
Glenboro Branch



THERESA WRIGHT  
Killarney Branch



STACEY GRIFFIN  
La Riviere Branch



ROSS COMBS  
Ninette / Belmont  
Branch



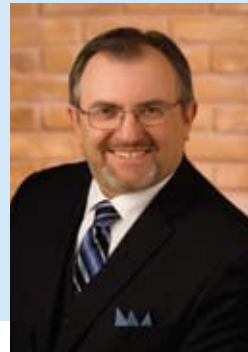
JOHN JANSEN  
Pilot Mound Branch



GERALD LEPP  
Rivers Branch



JOSH ROELS  
Souris Branch



KEN MARLENKO  
Swan Lake /  
Bruxelles /  
Mariapolis Branch



MAUREEN McCLYMONT  
The Pas Branch

# Westoba Team

## **Brandon – 1st & McTavish**

Belcher, Morgan  
Braun, Tyarra  
Connors, Dianne  
Fitzsimmons, Carol  
Hodgson, Corinne  
Judson, Melody  
Lenton, Robin  
McEvoy, Patti  
Pandolfi, Laurie  
Rempel, Krystal  
Rosteski, Evy  
Smith, Sarah  
Thompson, Tanya  
Vincent, Raeanna  
Wasilka, Janine  
Wilkinson, Sara  
Willis, Chelsey

## **Brandon – 10th & Princess**

Angus, Robyn  
Brown, Candice  
Cameron, Crystal  
Charles, Debbie  
Elder, Judy  
English, Janet  
Flannigan, Amber  
Garbutt, Robyn  
Gibson, Brenda  
Heide, Rhonda  
Jankauskaite, Ruta  
Jenks, Sandra  
Labay, Whitney  
Latell, Tracy  
Lin, Dingjie (Jack)  
Marchuk, Karrlyn  
McKean, Marie  
McLeod, Kerry  
Meger, Samantha  
Muirhead, Erin  
Salmon, Jessica  
White, Deanne  
Zarn, Ashley

## **Brandon – 18th & Kirkcaldy**

Aycard, Laura  
Boak, Heather  
Horbay, Larissa  
King, Sherri

Moffat, Christina  
Parry, Keith  
Strand, Loni  
Thorburn, Micaela

## **Brandon – 34th & Victoria**

Addison, Kellie  
Anderson, Sarah  
Cantlon, Michael  
Carmichael, Debora  
Cumming, Sandra  
Gerritzen, Sharon  
Krykavska, Iuliia  
Lamont, Kathy  
Lepage, L. Nettie  
Loewen, Patrick  
More Lucinda  
Morrisseau, Patches  
Mosiuk, Karen  
Pleskacz, Donna  
Smith, Adele  
Symbolisty, Heather  
Van De Kerckhove, Carolyn  
Wiebe, Carola  
Willis, Kara

## **Carberry**

Becker, Beverley  
Graham, Cheryl  
Hill, Shari  
Johnstone, Lorne  
Manns, Kristen  
Meyers, Dari  
Paluch, Deanna  
Touchette, Therese  
Winter, Laurel

## **Cartwright**

Calcott, Sally  
Cantlon, Donna  
Hawkins, Jim  
Maxwell, Renae  
Melvin, Deborah  
Mullin, Sherry

## **Glenboro**

Haasbeek, Cathie  
Bedford, Mary  
Haasbeek, Cathie

Heinrichs, Heather  
Johnson, Penny  
Martin, Trudy  
Stevens, Sharon  
Thornborough, Lisa

## **Killarney**

Barker, Cathy  
Clark, Carla  
Dowsett, Donna  
Dyck, Michelle  
Friesen, Shawna  
High, Cherie  
Hildebrandt, Judy  
Kinley, Lori  
Klassen, Deb  
Leafloor, Marge  
Toews, Germaine  
Wilkins, Shawna  
Wright, Theresa

## **La Riviere**

Bamford, Val  
Griffin, Stacey  
Thompson, Beth  
Wymer, Gladys

## **Mariapolis**

Colleen Mangin

## **Ninette**

Coombs, E. Ross  
Johnson, Brenda  
Jonsson, Myra  
Kabel, Cynthia  
Kozak, Val  
McGill, Jennifer  
Olver, Jackie  
Paradis, Lorraine  
Swaite, Linda

## **Pilot Mound**

Crandlemire, Linda  
Jansen, John  
McKay, Joyce  
McMillan, Marjorie  
Reimer, Becky  
Scarf, Heather  
Smith, Adrienne

**Rivers**

Airey, Barbara  
 Cameron, Tanya  
 Foster, Y, Vicky  
 Hall, Caroline  
 Klassen, Sue  
 Lepp, Gerald  
 Noort, Drake  
 Walker, Crystal  
 Webster, Deborah

**Shilo**

Dulac, Bryon  
 Fierstine, Stacey  
 Mulvihill, Nicole

**Souris**

Bryson, M. Coleen  
 Denbow, Wendy  
 Fabian, Joanne  
 Robinson, Debra  
 Roels, Josh  
 Roosen, Wendy  
 Semeschuk, Christopher  
 Wilkinson, Brenda

**Swan Lake**

Delichte, Arlene  
 Jansen, Melissa  
 Malenko, Ken  
 Neale, Jaymie  
 Pouteau, Wendy  
 Ricard, Joanie  
 Shoemaker, Jackie  
 Tack, Natalie  
 Timmerman, Vanessa  
 Wise, Karen

**The Pas**

Basson, Jenna  
 Cyr, Catherine  
 Hostasek, Ena  
 McClymont, Maureen  
 Nelson, Carmilla  
 Nyuli, Betty  
 Simpson, B. Paul  
 Viflanzoff, Ollie  
 Vrisk, Sherry  
 Yellowega, Darlene

**Winnipeg**

Findlay, Tracy  
 Kirkwood, Tannis  
 Peric, Gary  
 VanDeMosselaer, Kelly  
 Wood, Ty

**Commercial Business  
Centre – Brandon**

Bird, Brian  
 Boes, Lee-Ann  
 Cataford, Don  
 Gerrard, Jacqueline  
 Macmillan, Melissa  
 Margetts, Rob  
 Neal, Jennifer  
 Wiess, Ken

**Corporate Office – Brandon**

Arnold, Curtis  
 Averill, Tracey  
 Bevan, Alissa  
 Bok, Kerilee  
 Bourgeois, Stacie  
 Bower, Kevin  
 Broten, Melorie  
 Brown, Randy  
 Bryce, R. Mark  
 Chmil, Andriy  
 Claridge, Sherice  
 Cox, Larry  
 Cunningham, Kim  
 De Roo, Ken  
 Deutscher, Brian  
 DeVliegere, Leanne  
 Dueck, Monica  
 Everett, Mary Ann  
 Everett, B. Pat  
 Heapy, Janice  
 Hersak, Megan  
 Hoggins, Gina  
 Jensen, D. Marie  
 Keele, Kathy  
 Lawson, Britt  
 Leitch, Tracy  
 Lelond, Cheri  
 Lovie, Tiara  
 Marcischuk, Marnie  
 McConnell, Marcie

McCroary, Judy  
 McGregor, Elaine  
 McLeod, Wayne  
 McTaggart, Lindsay  
 Moorehead, Greg  
 Myers, Terry  
 Nedohin, Lynette  
 Ostrowka, Donna  
 Palaniuk, Tammie  
 Pepper, Kenneth  
 Phillips, Shelley  
 Poyser, Corelei  
 Pringle, Don  
 Roberts, Brenda  
 Robertson, Molli  
 Smith, Kent  
 Sprott, Sherry  
 Strelczik, Jennifer  
 Sturgeon, Marilyn  
 Sutherland, Shelley  
 Tack, Agnes  
 Williams, Pam  
 Wohlgemuth, Jayne  
 Wood, Ronalee

**WestProtect**

Bass, David  
 Berry, Crystal  
 Harvey, Christina  
 Murray, Margaret  
 Patryluk, Kathy  
 Schellenberg, Anneliese  
 Schellenberg, Dietrich  
 Tennant, Brittany

**2010 Retirees**

Lorraine Hackenschmidt  
 Eloise Gosnold  
 Ray Howell  
 Marjorie Cantlon

# 2010 Westoba Staff Service Awards

Each year presentations are made to Staff recognizing significant milestones in their career with Westoba. We are pleased to present the following staff for 2010.

## 5 Years of Service

Sarah Anderson – 34th & Victoria (6 years)  
Stacey Griffin – La Riviere (10 years)  
Melissa Jansen – Swan Lake  
Lorne Johnstone – Carberry  
Tracy Leitch – Corporate Office (7 years)  
Debbie Melvin – Cartwright (9 years)  
Patches Morrisseau – 34th & Victoria  
Corelei Poyser – Corporate Office (18 years)  
Marilyn Sturgeon – Wealth Management (30 years)  
Beth Thompson – La Riviere  
David Bass – WestProtect Ins (24 years)  
Margaret Murray – WestProtect Ins (29 years)  
Kathy Patryluk – WestProtect Ins (18 years)  
Anneliese Schellenberg – WestProtect Ins (18 years)

## 10 Years of Service

Don Cataford – Commercial Centre  
Brandon (30 years)  
Brian Deutscher – Corporate Office (33 years)  
Jim Hawkins – Cartwright (29 years)  
Joyce McKay – Pilot Mound (33 years)  
Jennifer Neal – Commercial Centre  
Brandon  
Laurie Pandolfi – 1st & McTavish (17 years)  
Jennifer Strelczik – Wealth Management  
Ollie Viflanzoff – The Pas (37 years)

## 15 Years of Service

Debra Klassen – Killarney (17 years)  
Jackie Olver – Ninette

## 20 Years of Service

Brenda Gibson – 10th & Princess  
Shelley Sutherland – Corporate Office  
Pilot Mound  
Shawna Wilkins – Killarney (25 years)

## 25 Years of Service

Val Bamford – La Riviere (35 years)  
Beverley Becker – Carberry  
Randy Brown – Corporate Office (30.5 years)  
Donna Cantlon – Cartwright (30 years)  
Arlene Delichte – Swan Lake (26 years)  
Mary Ann Everett – Corporate Office  
Corinne Hodgson – 1st & McTavish  
Agnes Tack – Corporate Office  
Pilot Mound

## 30 Years of Service

Larry Cox – Corporate Office  
Cheri Lelond – Corporate Office

## 35 Years of Service

Kathy Lamont – 34th & Victoria

## 40 Years of Service

Wayne McLeod – Corporate Office

*(Numbers in parenthesis indicate years in industry)*



**Westoba**  
Credit Union Ltd  
*First in Our Community*

# One Place to Go

## **Corporate Office**

Unit B & C, 220-10th Street  
Brandon Manitoba R7A 4E8  
Wayne McLeod – President and CEO

## **1st & McTavish Ave Branch**

562 1st Street  
Brandon Manitoba R7A 2X1  
Melody Judson – Manager

## **10th Street Branch**

1020 Princess Avenue  
Brandon Manitoba R7A 0P8  
Kerry McLeod – Manager

## **18th & Kirkcaldy Branch**

1711A Kirkcaldy Drive  
Brandon Manitoba R7A 0B9  
Keith Parry – Manager

## **34th Street Branch**

3300 Victoria Avenue  
Brandon Manitoba R7B 0N2  
Nettie Lepage – Manager

## **Carberry Branch**

Box 609  
Carberry Manitoba R0K 0H0  
Therese Touchette – Manager

## **Cartwright Branch**

Box 309  
Cartwright Manitoba R0K 0L0  
Jim Hawkins – Manager

## **Glenboro Branch**

Box 6  
Glenboro Manitoba R0K 0X0  
Penny Johnson – Manager

## **Killarney Branch**

Box 1030  
Killarney Manitoba R0K 1G0  
Theresa Wright – Manager

## **La Riviere Branch**

Box 101  
La Riviere Manitoba R0G 1A0  
Stacey Griffin – Manager

## **Mariapolis Branch**

Box 117  
Mariapolis Manitoba R0K 1K0  
Ken Marlenko – Manager

## **Ninette Branch**

Box 98  
Ninette Manitoba R0K 1R0  
Ross Coombs – Manager

## **Belmont – Ninette Sub Branch**

Box 40  
Belmont, Manitoba R0K 0C0  
Ross Coombs - Manager

## **Pilot Mound Branch**

Box 49  
Pilot Mound Manitoba R0G 1P0  
John Jansen – Manager

## **Rivers Branch**

Box 298  
Rivers Manitoba R0K 1X0  
Gerald Lepp – Manager

## **Shilo Branch**

Box 68 Canex Mall  
Shilo Manitoba R0K 2A0  
Keith Parry – Manager

## **Souris Branch**

Box 126  
Souris Manitoba R0K 2C0  
Josh Roels – Manager

## **Swan Lake Branch**

Box 125  
Swan Lake Manitoba R0G 2S0  
Ken Marlenko – Manager

## **Bruxelles – Swan Lake Sub Branch**

Box 66  
Bruxelles Manitoba R0G 0G0  
Ken Marlenko – Manager

## **The Pas Branch**

Box 1379  
The Pas Manitoba R9A 1L3  
Maureen McClymont – Manager

## **Commercial Services -Brandon**

2nd Floor – 1020 Princess Ave  
Brandon Manitoba R7A 0P8  
Don Cataford – Manager

## **Commercial Services -Winnipeg**

3059 Portage Avenue  
Winnipeg Manitoba R3K 0W4  
Don Cataford – Manager

## **TeleService**

Unit C 220 10th Street  
Brandon Manitoba R7A 4E8

## **Wealth Management**

Unit B 220 10th Street  
Brandon Manitoba R7A 4E8  
Larry Cox – Manager

## **West Protect Insurance Agency**

Unit A 220 10th Street  
Brandon Manitoba R7A 4E8  
Anneliese Schellenberg – Manager

## **West Protect Insurance Agency**

1035 Richmond Ave  
Brandon Manitoba R7A 1M5  
Anneliese Schellenberg – Manager

