

2015 78th Annual REPORT



**CREDIT
UNION**

**PROVINCIAL
GOVERNMENT
EMPLOYEES**

“If you create incredible value and information for others that can change their lives and you always stay focused on that service – the financial success will follow.”

~ *Brendon Burchard*



Our mission at Provincial Government Employees Credit Union is to provide a full range of financial services and products to our valued members in an ethical and professional manner to enhance their financial well-being and that of our community.

Table of Contents

Minutes of the 2014 Annual Meeting	P 2-3
Board of Directors' Report	P 4
Auditors' Report	P 5-6
Statement of Earnings and Retained Earnings	P 7
Balance Sheet	P 8-9
Notes of the Financial Statements	P 10-30
Report of the CEO	P 31
Marketing and Member Relations Committee	P 32
Report of the Credit Committee, Report of the Audit Committee	P 33
Report of the Nomination Committee, Directors and Committees	P 34

Agenda

- Welcome
- In Memoriam
 - Leroy Langille
 - James Hoffman
 - Patricia Canning
 - Judy Sadler
 - Joanne Brown
 - Geraldine Deal
 - Brenda Fortune
 - Trudy Langille
 - Donna Arseneau
 - Gary Goodwin
 - George Billard
 - James MacNeil
 - John Walsh
- Minutes of Last Meeting
- Report of the Board Of Directors
- Report of the Auditor
- Report of the Chief Executive Officer
- Report of the Marketing and Member Relations Committee
- Report of the Credit Committee
- Report of the Audit Committee
- Report of the Nomination Committee

Minutes from the Annual Meeting – April 21, 2015

Call to order

The annual meeting of Provincial Government Employees Credit Union Limited was held Tuesday, April 21, 2015 at Brightwood Golf and Country Club, 227 School Street, Dartmouth, NS.

Mr. Jim Sherry called the meeting to order at 7:03PM.

Moment of Silence for Departed Members

Mr. Sherry welcomed all those in attendance, and called for a moment of silence as a tribute of respect to the members who passed away during the year 2014.

Minutes of the 2014 Annual Meeting

The minutes of the 2014 Annual Meeting were read quietly by those in attendance. Mr. Sherry then asked for the adoption of these minutes, which was moved by Mr. Alex Langille and seconded by Mr. Matthew Dubois.

Motion carried.

Board of Directors Report

Mr. Jim Sherry then turned the chair over to Mr. Stephen McManus to call for the presentation of the report of the Board of Directors. Mr. McManus called upon Mr. Sherry to present the report. Mr. Sherry noted that although this is the 77th Annual Meeting, it is the first under our credit union's new name. There being no questions, Mr. McManus asked to adopt the report. Mr. Gerry Langille accepted as first and was seconded by Mr. Matthew Dubois.

Motion carried.

Report of the Auditors

Ms. Dragana Toprek of Collins Barrow presented the financial statements for the year ending December 31, 2014. Ms. Toprek indicated once again that Provincial Government Employees Credit Union's equity is very financially healthy at 11.05%, which is more than double the required amount.

Mr. Alex Langille asked which procedures are performed in conducting the audit and to give examples of the tools. Ms. Toprek explained that a Risk Based Approach is used when auditing the financial statements and that Collins Barrow will focus on High Risk Accounts, Loan Testing, Loan

Agreements, Policies and Procedures. In addition, they send out confirmations and verify operating expenses.

Mr. Langille asked for clarification on interest rate sensitivity and also questioned why the date in the first stanza of section 18 says December 31, 2012. Ms. Toprek explained rate sensitivity by demand, years and averages and then answered that '2012' was a typing error and it should say December 31, 2014.

There being no further questions from the floor, Mr. Jim Sherry then called to accept the report with the date change from December 31, 2012 to December 31, 2014. This was moved by Mr. Matthew Dubois and seconded by Ms. Miriam Murray.

Motion carried.

Report of the CEO

Mr. Jim Sherry asked Mrs. Ingrid Foshay Murphy to read the Report of the CEO. Mr. Alex Langille asked for clarification of our full mobile banking site and electronic cheque deposit. Mrs. Foshay Murphy explained that Deposit Anywhere is expected to be available in June of 2015 with accessibility found in the App Store.

Mr. Matthew Dubois asked if we are expecting a decrease in membership with the cutbacks in government departments. Mrs. Foshay Murphy explained that we have access to 15,000 government employees and that 3 years ago we got about 75 new members per year, however last year we got 240. This year we anticipate approximately 250. We attribute much of this growth to new partnerships, retirement seminars, more exposure and a younger demographic. There is some uncertainty now in regards to recent layoffs, however many of these employees are expecting to be placed in other departments and there may be a further influx of severance pays. As always, our motto of 'once a member, always a member' still stands.

Mr. Matthew Dubois asked about how RRSPs will be affected by the new Federal Budget. Mrs. Foshay Murphy explained that most of our members have defined benefit pensions and therefore this increase would be more beneficial to people who have more room for contributions.

Mr. Alex Langille asked whether we will increase our allowance for doubtful loans and also inquired about the tax rate for small business. Mrs. Foshay Murphy said we may look at doubtful loans on an individual basis but no extra losses are anticipated. She could not comment on the tax rate because it was just announced.

Report of the Marketing and Member Relations Committee

Mr. Jim Sherry called upon Mr. Mark Peck to read the report of the Marketing and Member Relations Committee. Mr. Peck highlighted many issues and updates starting with announcing the members of the committee. He explained the importance of establishing a relationship with your financial institution. Mr. Peck was proud to announce that the re-brand of our credit union name has been very successful and that we have opened 60 new accounts so far this year. He explained that with our new mortgage rate of 2.99% last year being offered for 5 years, we were competitive in the market. In addition, information on our credit union is being presented to new hires within the Provincial Government. Mr. Matthew Dubois asked what measures are being taken on social media to engage our membership and Meredith Cowan replied that we use Google Analyst as one of our commercial tools and we will continue to get more exposure as well through social media such as Facebook and Twitter as well as attending pre-retirement seminars.

Mr. Alex Langille asked about the numbers of people who follow our social media as well as their geographical location. Mrs. Cowan answered that we have approximately 120 followers on Twitter, 100 'likes' on Facebook and 550-600 shares, however, we cannot comment on where people primarily are located due to privacy, however most would be in Nova Scotia.

Mr. Langille asked if email is used to reach our membership and Mrs. Cowan responded that we try to keep these to a minimum, however, approximately 1500 of our members were included in the last email regarding Loyalty Rebates. There being no more questions, Mr. Peck then asked for the adoption of the report which was moved by Mr. Steven McManus and seconded by Mr. Matthew Dubois.

Motion carried.

Report of the Credit Committee

Mr. Sherry then called upon Mr. Gerry Langille to read the Credit Committee report. There being no questions, Mr. Sherry asked to adopt the report which was moved by Mrs. Miriam Murray and seconded by Mr. Mark Peck.

Motion carried.

Report of the Audit Committee

Mr. Jim Sherry called upon Mr. Stephen McManus to read the Report of the Audit Committee. Mr. McManus then called for the adoption of the report and it was seconded by Mr. Gerry Langille.

Motion carried.

Report of the Nomination Committee

Mr. Jim Sherry then called on Mrs. Miriam Murray for the report of the Nomination Committee. Mrs. Murray then moved for the adoption of the report and it was seconded by Mr. Matthew Dubois.

Motion carried.

New Business

Mr. Matthew Dubois complemented the staff of Provincial Government Employees Credit Union for their sincerity and introduced his fiancé, Louise Williams.

Door Prizes

The door prizes were then drawn with the following winners:

1. Ian Stanley
 - Basket of Credit Union Promotional Items
 - *He asked that a new name be drawn and was won by Alex Langille
2. Jean Sherry
 - Basket of Credit Union Promotional Items
3. Ian Stanley
 - 76 Toonies
 - *He asked they be donated to the Children's Wish Foundation

Adjournment

There being no further business, Mr. Jim Sherry adjourned the meeting at 7:50pm.

A social, appetizers and desserts then followed.

Board of Directors' Report

Year Ending December 31, 2015

The Board of Directors of Provincial Government Employees Credit Union is pleased to report that the year 2015 was a successful financial year.

Our success comes from the commitment of our members, the dedication of our volunteers on the Board and various committees and the exceptional employees on staff.

The Board thanks our CEO, Ingrid Foshay Murphy, for her continued excellent performance. Through her efforts we are one of the best credit unions in the province.

We thank the members of the Audit, Credit and Membership and Marketing Committees as well as the dedicated staff for their continued service. I personally thank the Board Members for their time and efforts over the past year.

On behalf of the Board, I thank our greatest asset, OUR MEMBERS.

Respectfully submitted,

Jim Sherry, President
Gary Kerr, Vice President
Linda Fraser, Secretary
Gwen Beazley, Director
Gerald Langille, Director
Sandra McKenzie, Director
Steve McManus, Director
Miriam Murray, Director
Mark Peck, Director





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To the Members of:

Provincial Government Employees Credit Union Limited

We have audited the accompanying financial statements of **Provincial Government Employees Credit Union Limited**, which comprise the statement of financial position as at December 31, 2015, and the statements of net earnings, comprehensive income and changes in retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation 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 of our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Provincial Government Employees Credit Union Limited** as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Dartmouth, Nova Scotia
March 29, 2016



Chartered Accountants

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
STATEMENT OF NET EARNINGS, COMPREHENSIVE INCOME
AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	\$	\$
INTEREST INCOME	1,287,193	1,270,352
INTEREST EXPENSE	<u>336,594</u>	<u>358,223</u>
GROSS FINANCIAL PROFIT	950,599	912,129
SERVICE CHARGES AND OTHER (Note 20)	<u>281,515</u>	<u>290,913</u>
NET FINANCIAL INCOME	<u>1,232,114</u>	<u>1,203,042</u>
OPERATING EXPENSES		
Amortization	14,351	9,881
Charitable donations and education awards	21,390	19,701
General and administrative	418,773	421,539
Members' security	41,114	40,593
Personnel	570,813	575,051
Provision for impaired loans (Note 5)	<u>64,410</u>	<u>18,894</u>
	<u>1,130,851</u>	<u>1,085,659</u>
EARNINGS BEFORE SHARE DIVIDEND AND LOYALTY REFUNDS	101,263	117,383
SHARE DIVIDEND	(1,288)	(1,304)
LOYALTY REFUNDS	<u>(11,109)</u>	<u>(15,521)</u>
EARNINGS BEFORE INCOME TAXES	<u>88,866</u>	<u>100,558</u>
PROVISION FOR INCOME TAXES		
Current	14,367	13,466
Deferred	<u>(2,550)</u>	<u>-</u>
	<u>11,817</u>	<u>13,466</u>
NET EARNINGS AND COMPREHENSIVE INCOME	77,049	87,092
RETAINED EARNINGS - beginning of year	<u>3,498,450</u>	<u>3,411,358</u>
RETAINED EARNINGS - end of year	<u>3,575,499</u>	<u>3,498,450</u>

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	2015	2014
	\$	\$
ASSETS		
MEMBERS' LOANS (Note 5)		
Mortgages under administration	4,061,268	4,329,562
Mortgages	14,863,171	12,600,352
Personal	9,403,619	9,935,876
Accrued interest	<u>27,843</u>	<u>25,149</u>
	28,355,901	26,890,939
Allowance for impaired loans (Note 5)	(<u>210,458</u>)	(<u>182,988</u>)
	28,145,443	26,707,951
LONG-TERM INVESTMENTS (Note 6)	751,774	1,258,284
EQUIPMENT AND LEASEHOLDS (Note 7)	<u>46,301</u>	<u>41,913</u>
	<u>28,943,518</u>	<u>28,008,148</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 8)	2,063,574	3,235,576
Short-term investments (Note 9)	500,000	219,186
Income taxes recoverable	1,221	-
Other assets (Note 10)	<u>160,665</u>	<u>190,220</u>
	<u>2,725,460</u>	<u>3,644,982</u>
	<u>31,668,978</u>	<u>31,653,130</u>
LIABILITIES		
MEMBERS' DEPOSITS (Note 11)		
Savings and chequing	9,713,137	9,617,414
Deferred salary deposits	1,136,358	890,171
Term deposits	16,830,809	17,240,251
Accrued interest	<u>164,546</u>	<u>168,659</u>
	27,844,850	27,916,495
MEMBERS' SHARES (Note 12)	<u>13,025</u>	<u>13,080</u>
	<u>27,857,875</u>	<u>27,929,575</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	114,086	111,538
Income taxes payable	-	1,462
Share dividend	1,288	1,304
Long-service award (Note 13a)	<u>120,230</u>	<u>110,801</u>
	<u>235,604</u>	<u>225,105</u>
	<u>28,093,479</u>	<u>28,154,680</u>
MEMBERS' EQUITY		
RETAINED EARNINGS (Note 14)	<u>3,575,499</u>	<u>3,498,450</u>
	<u>31,668,978</u>	<u>31,653,130</u>
COMMITMENTS (Note 22)		

Approved by the Board of Directors



Director



Director

See accompanying notes to the financial statements

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Net earnings and comprehensive income	77,049	87,092
Item not affecting cash		
Amortization	<u>14,351</u>	<u>9,881</u>
	91,400	96,973
Changes in non-cash working capital items		
Income taxes recoverable	(2,683)	6,810
Other assets	29,555	(78,217)
Accounts payable and accrued liabilities	2,548	26,516
Increase (decrease) in share dividend	(16)	28
Increase (decrease) in long-service award	<u>9,429</u>	<u>(5,044)</u>
	<u>130,233</u>	<u>47,066</u>
FINANCING		
Members' shares issued	720	785
Members' shares redeemed	(775)	(570)
Net increase (decrease) in members' deposits	(71,645)	691,839
Net increase in members' loans	(1,437,492)	(2,843,271)
Increase in short-term investments	(500,000)	(219,186)
Decrease in long-term investments	506,510	-
Acquisition of long-term investments	<u>-</u>	<u>(980)</u>
	<u>(1,502,682)</u>	<u>(2,371,383)</u>
INVESTING		
Acquisition of equipment and leaseholds	<u>(18,739)</u>	<u>(12,408)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,391,188)	(2,336,725)
CASH AND CASH EQUIVALENTS - beginning of year	<u>3,454,762</u>	<u>5,572,301</u>
CASH AND CASH EQUIVALENTS - end of year	<u>2,063,574</u>	<u>3,235,576</u>

See accompanying notes to the financial statements

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. NATURE OF OPERATIONS

Provincial Government Employees Credit Union Limited ("the Credit Union") is incorporated under the Companies Act of Nova Scotia and its operations are subject to the Credit Union Act of Nova Scotia.

The Credit Union operates a closed bond credit union, where the only members are employees, or retirees of the Nova Scotia public service or members of the Nova Scotia Government Employees Union, and their spouses, dependents, or former members of these groups. The Credit Union office is located at 1724 Granville Street in Halifax, Nova Scotia.

These financial statements have been authorized for issue by the Board of Directors on March 29, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("the IASB").

These financial statements were prepared under the historical cost convention using the functional and operational currency as the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and bank balances held with Atlantic Central.

Investments

Short-term investments, initially recorded at fair value, include a guaranteed investment certificate ("GIC") with a maturity of a year or less and is subsequently measured at amortized cost.

Long-term investments, initially recorded at fair value, include non-controlling share investments. The share investments are not quoted in an active market. Long-term investments are subsequently measured at amortized cost.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Members' loans

All members' loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Members' loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the carrying amount of the loan.

Provision for impairment

Members' loans are reviewed by management on a continuous basis to assess whether there is any objective evidence that any loans or a group of loans are impaired.

If there is objective evidence that an impairment loss on member's loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate. Short-term balances are not discounted.

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

Bad debts written off

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impaired loans, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net earnings and comprehensive income.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net earnings and comprehensive income except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for temporary differences arising on the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date and are expected to apply when the assets are recovered.

Members' deposits

All members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

Accounts payable and accrued liabilities

Liabilities for trade creditors and accrued liabilities are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Members' shares

Members' shares issued by the Credit Union are classified as debt as the member receives a refund of paid-up capital amount when account is closed.

Loyalty refunds

Loyalty refunds are recognized in net earnings and comprehensive income when circumstances indicate the Credit Union has a constructive obligation, it has little or no discretion to avoid, and it can make a reasonable estimate of the amount required to settle the obligation. The Loyalty refunds are awarded at the discretion of the Board of Directors.

Mortgages under administration

The Credit Union, under a Mortgage Origination Program, has the ability to refer certain mortgages to a third party. No gain or loss on the initial sale has been recorded by the Credit Union as a result of these transactions. Fees earned by the Credit Union to service these mortgages are recognized as the related services are provided and reported in net earnings as other income.

Revenue recognition

The Credit Union recognizes interest income on members' loans on an amortized cost basis using the effective interest rate method. The effective rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the net carrying amount of the loan. When estimating the future cash flows, the credit union considers all contractual terms of the loan excluding any future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. All interest income is recognized on an accrual basis.

When the loan is classified as uncollectable the interest income continues to be accrued, with the provision for impaired loans also increased by the same amount.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Loans are classified as impaired at the earliest of when, in the opinion of management, there is reasonable doubt as to the collectability of interest, or when interest, or principal is contractually past due ninety days, unless the loan or mortgage is both well secured and in the process of collection.

Service charges and other revenue are recognized when earned, the amount is fixed or determinable and collection is reasonably assured.

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net earnings, except to the extent they reverse gains previously recognized in other comprehensive income.

Equipment and leaseholds

Equipment and leaseholds are recorded at cost and subsequently measured at cost less accumulated amortization. Amortization method, useful lives and residual values are reviewed annually. Amortization is recognized in net earnings and is provided for using the following rates and method over their estimated useful lives as follows:

Computer equipment	2 years	Straight-line
Furniture and equipment	5 years	Straight-line
Leaseholds	5-10 years	Straight-line

3. FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2016 or later periods that the Credit Union has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Credit Union are:

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

3. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

- i) In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements, as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. These amendments will not require any significant change, but should facilitate improved financial statement disclosures.
- ii) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces the existing standards for revenue recognition. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions. New estimates and judgemental thresholds have been introduced. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The standard is effective for annual periods beginning on or after January 1, 2017. The Credit Union is in the process of evaluating the impact of the new standard.
- iii) In July 2014, the IASB issued the complete IFRS 9 Financial Instruments ("IFRS 9"), which introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional amendments related to financial liabilities, the impairment model and hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Credit Union is in the process of evaluating the impact of the new standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market using valuation techniques. The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note 16.

Members' loans loss provision

In determining whether an impairment loss should be recorded in the statement of comprehensive income the Credit Union makes judgment on whether objective evidence of impairment exists for financial assets that are individually significant. Further details on the estimates used to determine the allowance for impaired loans collective provision are provided in Note 5.

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

5. MEMBERS' LOANS

Terms and conditions

Members' loans can have either a variable or fixed rate of interest with varying maturity dates. The interest rate sensitivity is disclosed in Note 18.

Variable rate loans are based on a 'prime rate' formula, ranging from prime to prime plus 5%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2015 was 2.7% (2014 - 3.0%).

The interest rate offered on fixed rate loans being advanced at December 31, 2015 ranges from 1% to 21%.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

5. MEMBERS' LOANS (Continued)

Terms and conditions (Continued)

The Credit Union loans consists of mortgages under administration, residential mortgages and personal loans. Residential mortgages are loans secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only. Personal loans consist of term loans and lines of credit and, as such, have various repayment terms. Some of the personal loans are secured by personal property or investments or hold no security.

The fair value of member's loans as at December 31, 2015 is \$28,145,443 (2014 - \$26,707,951).

The estimated fair value of the variable rate loans is assumed to equal book value as the interest rates on these loans re-priced to market on a periodic basis. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at the current market rates for products with similar term and credit risks.

Average Yields to Maturity

Loans bear interest at variable and fixed rates with the following average yields:

	2015		2014	
	Principal	Yield	Principal	Yield
	\$	%	\$	%
Variable rate	9,398,719	5.34	9,820,676	5.67
Fixed rate due less than 1 year	2,607,439	4.26	2,150,160	3.97
Fixed rate due between 1 and 5 years	<u>16,321,900</u>	<u>3.75</u>	<u>14,894,954</u>	<u>3.94</u>
	<u>28,328,058</u>	<u>4.32</u>	<u>26,865,790</u>	<u>4.58</u>

The Credit Union does not have any loans with maturity over 5 years.

Credit quality of loans

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

5. MEMBERS' LOANS (Continued)

Concentration of risk

Concentration risk does exist, as generally members are required to be a member of the Nova Scotia Government Employees Union, or an employee or related to an employee of the Province of Nova Scotia or its agencies.

As at year end, the Credit Union had 2 accounts in excess of 10% of members' equity totaling \$2,491,598 (2014 - \$2,875,770) or 9% (2014 - 11%) of the loan portfolio. Overall, the loan portfolio is diversified among members. Given this management feels the Credit Union does not have a material exposure to concentration risk relating to its portfolio.

Allowance for impaired loans

The Credit Union has determined the likely impairment loss on loans which have not maintained the repayment in accordance with the loan contract, or where there is other evidence of potential impairment such as debt consolidation, deterioration of member's net worth, job losses or economic circumstances.

In identifying the likely impairment from these events the Credit Union estimates the potential impairment using the loan type, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment (losses).

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience. The Credit Union does not recognize a collective allowance.

The analysis of loans, by class, together with related allowances for doubtful loans is as follows:

	<u>2015</u>		<u>2014</u>	
	Impaired Loans \$	Impairment allowance \$	Impaired loans \$	Impairment allowance \$
Residential mortgages	234,009	10,000	-	-
Personal	<u>416,632</u>	<u>200,458</u>	<u>250,430</u>	<u>182,988</u>
	<u>650,641</u>	<u>210,458</u>	<u>250,430</u>	<u>182,988</u>

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

5. MEMBERS' LOANS (Continued)	2015	2014
	\$	\$
b) Continuity of allowance for impaired loans		
Balance - beginning of year	182,988	156,882
Current provision for impaired loans	64,410	18,894
Loans written off as uncollectible	(42,758)	(6,330)
Bad debts recovered (net)	<u>5,818</u>	<u>13,542</u>
Balance - end of year	<u>210,458</u>	<u>182,988</u>
6. LONG-TERM INVESTMENTS	2015	2014
	\$	\$
Atlantic Central common shares	290,900	297,410
Nova Scotia Provincial shares	97,000	97,000
League Savings and Mortgage Company - Preference A shares	345,204	345,204
Bank of Nova Scotia GIC	-	500,000
League Data Preferred 'B' shares	<u>18,670</u>	<u>18,670</u>
	<u>751,774</u>	<u>1,258,284</u>

The shares in Atlantic Central and Nova Scotia Provincial shares are required as condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Atlantic Central. These shares are issued and redeemable at par value. There is no separately quoted market value available, however, fair value is determined to be equivalent to the par value as transactions occur at par value.

The Credit Union is not intending to dispose of any Atlantic Central shares as the services supplied by Atlantic Central are relevant to the day to day activities of the Credit Union. Dividends on these shares are at the discretion of the Board of Directors of Atlantic Central.

The shares in League Savings and Mortgage Company and League Data are issued and redeemable at par value. There is no separately quoted market value available, however, fair value is determined to be equivalent to the par value as transactions occur at par value.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

7. EQUIPMENT AND LEASEHOLDS

	Cost	Accumulated Amortization	Net 2015	Net 2014
	\$	\$	\$	\$
Computer equipment	100,123	97,585	2,538	4,150
Furniture and equipment	97,725	72,336	25,389	17,596
Leaseholds	<u>55,129</u>	<u>36,755</u>	<u>18,374</u>	<u>20,167</u>
	<u>252,977</u>	<u>206,676</u>	<u>46,301</u>	<u>41,913</u>

8. CASH AND CASH EQUIVALENTS

The Credit Union's current accounts are held with Atlantic Central. Cash balance consists of the following:

	2015	2014
	\$	\$
Cash on hand	250,609	232,535
Current account (indebtedness)	(138,241)	223,436
Atlantic Central demand liquidity	18,862	854,497
Atlantic Central mandatory liquidity	1,928,098	1,920,567
Atlantic Central USD account	<u>4,246</u>	<u>4,541</u>
	<u>2,063,574</u>	<u>3,235,576</u>

The Credit Union's mandatory liquidity reserve with Atlantic Central must be at least at 6% of total assets. The average yield on the balances held with Atlantic Central is 1%.

The Credit Union has a \$1,600,000 (2014 - \$1,500,000) line of credit with Atlantic Central of Nova Scotia, secured by an assignment of book debts including loans and mortgages. As at December 31, 2015, the balance outstanding on the line of credit was \$NIL (2014 - \$NIL). When utilized, the line of credit bears interest at Atlantic Central of Nova Scotia's prime rate per annum.

9. SHORT-TERM INVESTMENTS

	2015	2014
	\$	\$
Bank of Nova Scotia non-redeemable GIC, interest at 3.01%, maturing December 2016	500,000	-
Atlantic Central term deposit, interest at 3.1%, matured September 2015	<u>-</u>	<u>219,186</u>
	<u>500,000</u>	<u>219,186</u>

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

10. OTHER ASSETS	2015	2014
	\$	\$
Rebates and other receivables	34,366	106,721
Accrued interest receivable	64,434	49,636
Deferred income taxes	6,627	4,077
Prepaid expenses	49,667	24,557
Prepaid interest (index-linked GICs)	<u>5,571</u>	<u>5,229</u>
	<u>160,665</u>	<u>190,220</u>

11. MEMBERS' DEPOSITS

Terms and conditions

Savings and chequing deposits are due on demand and bear interest at variable interest rates up to 0.75% (2014 - 1.0%) as at December 31, 2015. Interest is calculated daily and paid on the accounts monthly and quarterly depending on the account type.

Deferred salary deposits are due on demand and bear interest at variable interest rate up to 0.71% (2014 - 0.83%) as at December 31, 2015.

Term deposits, registered retirement savings plans (RRSPs) and tax-free savings accounts bear both fixed and variable rates of interest for terms up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest offered range from 0% to 5% as at December 31, 2015.

Maturities of principal for fixed interest rate deposits in each of the next five years are approximately as follows:

	\$
2016	9,394,576
2017	4,370,100
2018	1,363,600
2019	1,984,600
2020	494,500

Fair value

The carrying value of members' deposits approximates their fair value as the interest rates on these deposits re-price to market on a periodic basis. See Note 18 for the breakdown of interest rate sensitivity.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

11. MEMBERS' DEPOSITS (Continued)Average yields to maturity

Members' deposits bear interest at both variable and fixed rates with the following average yields:

	Principal	2015	Principal	2014
	\$	Yield	\$	Yield
		%		%
Variable rate	10,072,928	0.10	9,781,611	0.11
Fixed rate due in less than 1 year	9,394,576	1.53	11,208,011	1.39
Fixed rate due between 1 and 5 years	<u>8,212,800</u>	<u>1.94</u>	<u>6,758,214</u>	<u>2.22</u>
	<u>27,680,304</u>	<u>1.13</u>	<u>27,747,836</u>	<u>1.14</u>

Concentration of risk

The Credit Union as at December 31, 2015 does not have any deposits to one individual in excess of 10% of member deposits. Given this management feels the Credit Union does not have a material exposure to concentration risk relating to its loan portfolio.

12. MEMBERS' SHARES

Authorized

Unlimited Non-transferable shares with a par value of \$5

	2015	2014
	\$	\$
Issued		
2,605 Member shares (2014 - 2,616)	<u>13,025</u>	<u>13,080</u>

As a condition of membership, which is required to use the services of the Credit Union, each member is required to purchase a share. The shares are redeemable at par only when membership is withdrawn. Dividends paid on members' shares are at the discretion of the Board of Directors.

During the year the Credit Union issued 144 shares (2014 - 157 shares) for a consideration of \$720 (2014 - \$785) and repurchased 155 shares (2014 - 114 shares) for a total consideration of \$775 (2014 - \$570).

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

14. RETAINED EARNINGS

In accordance with the Credit Union Act, the Credit Union is required to maintain a level of equity that is not less than 5% of its assets. As at December 31, 2015 members' equity as a percentage of assets was calculated as follows:

	2015	2014
	\$	\$
Members' equity	3,575,499	3,498,450
Total assets	<u>31,668,978</u>	<u>31,653,130</u>
Members' equity as a percentage of total assets	<u>11.29%</u>	<u>11.05%</u>

15. RELATED PARTY TRANSACTIONS

The Credit Union entered into the following transactions with key management personnel, staff, directors, and committee members which are defined by IAS 24, Related Party Disclosures, as individuals having authority and responsibility for planning and directing and controlling the activities of the Credit Union.

i) Compensation to key management personnel	2015	2014
	\$	\$
Salaries and other short-term employee benefits	246,238	240,054
Total pension contributions	30,010	29,624
Increase in long-service award	<u>5,289</u>	<u>5,090</u>
	<u>281,537</u>	<u>274,768</u>
ii) Loans to all related parties	2015	2014
	\$	\$
Aggregate value of loans and mortgages advanced	1,315,093	1,412,936
Total value of lines of credit advanced	<u>1,247,712</u>	<u>990,227</u>
	<u>2,562,805</u>	<u>2,403,163</u>

During the year, interest income on loans to related parties was approximately \$25,000 (2014 - \$23,000).

The Credit Union's policy for lending to key management personnel is such where loans are approved and deposits accepted on the same terms and conditions which apply to members for each class of loan or deposit.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

15. RELATED PARTY TRANSACTIONS (Continued)

iii) Deposits from related parties	2015	2014
	\$	\$
Aggregate value of savings and checking	96,362	281,198
Aggregate value of term deposits	<u>1,091,029</u>	<u>929,159</u>
	<u>1,187,391</u>	<u>1,210,357</u>

During the year, interest paid on related party deposits was approximately \$33,000 (2014 - \$33,000).

With respect to mortgages and members' deposits, these transactions were made in the normal course of business. Interest rates on personal loans are in accordance with the Canada Revenue Agency's prescribed rates of interest for management and staff, Board Members, and under certain circumstances, former Board Members.

16. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE

Financial instruments classification is as follows:

		2015	2014
		\$	\$
Cash and cash equivalents	Held for trading	2,063,574	3,235,576
Short-term investments	Held to maturity	500,000	219,186
Other assets	Loans and receivables	160,665	190,220
Members' loans	Loans and receivables	28,145,443	26,707,951
Long-term investments	Available for sale	751,774	1,258,284
Accounts payable and accrued liabilities	Other financial liabilities	(114,086)	(111,538)
Long-service award	Other financial liabilities	(120,230)	(110,801)
Members' deposits and members' shares	Other financial liabilities	<u>(27,857,875)</u>	<u>(27,929,575)</u>
		<u>3,529,265</u>	<u>3,459,303</u>

Financial instruments classified as held for trading and available for sale are initially recognized at fair value based on quoted market price in an active market, subsequently they are measured at fair value. Realized gains and losses on available for sale investments are recognized directly in comprehensive income. Realized gains on held for trading investments are recognized in net earnings.

Loans and receivables, held to maturity instruments and other financial liabilities are initially measured at fair value, and subsequently measured at amortized cost which approximates fair value.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

16. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE
(Continued)

The Credit Union uses a fair value hierarchy in order to classify the fair value measurements related to the financial instruments recognized in the Credit Union's statement of financial position at fair value. The fair value hierarchy has the following levels:

- i) Level 1 - Quoted market prices;
- ii) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii) Level 3 - inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured at fair value as determined under Level 1 of the fair value hierarchy.

Short-term investments are measured at amortized cost, amortized cost is determined using the Level 2 hierarchy where market values approximates the investment cost plus accrued interest.

Long-term investments, other assets, accounts payable and accrued liabilities, long-service award, members' loans, deposits and shares are measured under Level 3 of the fair value hierarchy, they are measured at cost which approximates fair value.

17. FINANCIAL INSTRUMENTS

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies. The risk management design and operating of risk processes is the responsibility of Credit Union's management. The Board of Directors performs a periodic review of the effectiveness of the processes in place and the appropriateness of the objectives and policies it sets.

The Credit Union's financial instruments include cash and cash equivalents, short-term investments, members' loans, accounts receivable (included in other assets), investments, members' deposits, accounts payable and accrued liabilities, and long-service award.

Risks and concentrations

The Credit Union is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at December 31, 2015.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

17. FINANCIAL INSTRUMENTS (Continued)

It is management's opinion that the Company is not exposed to significant currency and price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Credit Union to concentrations of credit risk consist of cash and cash equivalents, members' loans, short-term and long-term investments, and accounts receivable.

The Credit Union deposits its cash with Atlantic Central of Nova Scotia, a reputable financial institution, and therefore believes the risk of loss to be remote. The Credit Union is exposed to credit risk from interest receivable on investments. The Credit Union believes this credit risk is minimized as the interest receivable is due from reputable investment management companies.

Credit risk associated with members' loans is mitigated through Credit Union's approval systems as designed to access and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan. The Board of Directors ensures that management has a framework, policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's members' loans credit risk policies comprise the following:

- i) General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration;
- ii) Loan lending limits; and
- iii) Loan collateral security classifications, loan delinquency controls.

The Board of Directors reviews new loans and delinquent loans on a regular basis along with an analysis of bad debts and allowance for doubtful accounts.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

17. FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

The Credit Union's maximum exposure to credit risk at the statement of financial position date is in relation to each class of recognized financial assets at the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event members fail to perform their obligations under the financial instruments in question. The principal collateral and other credit enhancements the Credit Union holds as security for loans include: (i) insurance and mortgages over residential lots and properties; and (ii) recourse to liquid assets, guarantees and securities. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its members' deposits, accounts payable and accrued liabilities, and long-service award. The Credit Union mitigates the liquidity risk by maintaining a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union's liquidity management includes a minimum liquidity ratio set at 6% of total assets. The Credit Union monitors its members' deposit profiles and ensures to maintain adequate reserves, liquidity support facilities and reserve borrowing facilities. As at December 31, 2015 the Credit Union was in compliance with the liquidity requirements throughout the fiscal year. (See Note 8 for the breakdown of the liquidity cash reserves.)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union is exposed to interest rate risk on its financial obligations at variable interest rates. Interest rate sensitivity is broken out in Note 18. The Credit Union manages the interest rate risk by monitoring the rates and ensuring that rates extended are in line with the market.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

18. INTEREST RATE SENSITIVITY

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 re-pricing 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 Credit Union's financial assets and liabilities bear interest at rates which adjust from time to time. The following table sets out the scheduled maturities or re-pricing dates, whichever occurs earlier, of the financial assets and liabilities as at December 31, 2015 together with the weighted average interest rates earned on the financial assets or paid on the financial liabilities.

	Demand Principal \$	Rate %	Under 1 Year Principal \$	Rate %	1-3 Year Principal \$	Rate %	Over 3 Years Principal \$	Rate %
ASSETS								
Cash and investments	135,476	-	2,428,098	1.11	-	-	751,774	2.69
Members' loans								
Personal	9,315,419	5.34	900	15.90	15,200	8.35	35,100	8.60
Mortgages	<u>83,300</u>	2.70	<u>2,606,539</u>	4.26	<u>5,037,000</u>	3.94	<u>11,197,600</u>	3.62
	<u>9,534,195</u>		<u>5,035,537</u>		<u>5,052,200</u>		<u>11,984,474</u>	
LIABILITIES								
Members' deposits	<u>10,072,945</u>	0.10	<u>9,394,576</u>	1.53	<u>5,733,700</u>	1.72	<u>2,479,100</u>	2.44

For the fiscal year ended December 31, 2015, a 100 basis point increase or decrease in interest rates, assuming all other variables are constant, would have resulted in approximately a decrease or increase less than \$10,000 in the Credit Union's net earnings, respectively.

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

19. CAPITAL RISK MANAGEMENT

Generally accepted accounting principles require the Credit Union to disclose information that enables financial statement users 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 Nova Scotia (the "Act"). The Credit Union complied with these capital requirements as at December 31, 2015.

The Credit Union's objectives when managing capital are to ensure the long-term viability of the Credit Union, and the security of members' deposits by holding a level of capital deemed sufficient to protect against unanticipated losses. The Credit Union is also required 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:

- i) Total capital as a percent of total assets;
- ii) 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 Credit Union Deposit Insurance Corporation. 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's management ensures compliance with capital adequacy through the following:

- i) Establishing policies for capital management, monitoring and reporting;
- ii) Establishing policies for related areas such as asset/liability management;
- iii) Reporting to the Board of Directors regarding financial results and capital adequacy;
- iv) Reporting to the Credit Union Deposit Insurance Corporation on its capital adequacy; and
- v) Establish budgets and reporting variances to those budgets.

The Credit Union's capital structure consists of members' equity. As at December 31, 2015, the Credit Union's members' equity was \$3,575,499 (December 31, 2014 - \$3,498,450).

PROVINCIAL GOVERNMENT EMPLOYEES CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

20. SERVICE CHARGES AND OTHER	2015	2014
	\$	\$
Discretionary rebates	22,306	25,226
Mortgage referral fees	2,040	170
Monthly service charges	163,978	145,933
CURP life and disability insurance	70,972	92,814
Money orders, mortgage penalties, loan administration fees, credit card charges and other revenues	<u>22,219</u>	<u>26,770</u>
	<u>281,515</u>	<u>290,913</u>
 Breakdown of the discretionary rebates revenue is as follows:	 2015	 2014
	\$	\$
Atlantic Central	15,391	15,215
CUMIS bonding insurance	2,735	1,221
League Data and Savings & CUETS	<u>4,180</u>	<u>8,790</u>
	<u>22,306</u>	<u>25,226</u>

21. CONTRIBUTED SERVICES

The Credit Union has elected not to record contributed services in the financial statements. The Credit Union receives rent-free office space and nightly security services.

22. COMMITMENTS

The Credit Union has a commitment to its members in terms of unused lines of credit. As at December 31, 2015 the total amount of unused lines of credit is \$4,413,690 (2014 - \$4,307,679). As at December 31, 2015 there were no approved and unadvanced mortgages or personal loans.

23. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.

Report of the CEO

Year Ending December 31, 2015

It is with pleasure that I report to you, our shareholders that Provincial Government Employees Credit Union has had another successful year.

We are a unique full service financial institution owned solely by Provincial Government employees. This sets us apart from all other credit unions and financial institutions in the province and is why we are firmly focused on your needs and those of your dependants.

The competitive nature of the financial services industry, coupled with the effects of the extremely low interest rate environment over the past years make our success more gratifying with our member equity at a high of 11.29% .

The measure of our success is widened by our commitment to our youth through sponsorships and education awards and provincial charities including Feed Nova Scotia, Family Services Association, Phoenix Youth, Canadian Cancer Society and The Salvation Army to name a few. The donations to these worthwhile causes were possible due to the collaboration between staff, board and our members.

We have continued to increase our exposure throughout Government and potential members due in large part to our Membership and Marketing Committee. The members of this committee are focused, productive and extremely effective in defining and meeting goals throughout the year.

Our Credit Committee and Audit Committee are both very committed and involved in the internal requirements of our Credit Union. I would like to thank them for their continued support.

During 2015 we continued our commitment to technology with the introduction of “Deposit Anywhere™” and the launch of our Mobile App.

I would like to take this opportunity to thank the staff, board and committee members for their dedication to Provincial Government Employees Credit Union through the years. Our members are the cornerstone of our business and we offer our sincere appreciation to each of you as well for your loyalty and for the opportunity to serve you and your family.

Respectfully submitted,

Ingrid Foshay Murphy
CEO

“Our members are the cornerstone of our business and we offer our sincere appreciation to each of you as well for your loyalty and for the opportunity to serve you and your family.”

Report of the Marketing and Member Relations Committee

Year Ending December 31, 2015

The Marketing Committee continues to look for opportunities to reach civil servants in a meaningful way. Our collaborative effort with the Public Service Commission, Chief Information Office and Atlantic Central have given us a broader platform for our message, and has paid dividends by providing us increased membership. We are pleased to report that we exceeded our 2014 goal of 200 new members to 226 in 2015.

Successful campaigns that provided us an increase in interest from public servants included the payroll savings bonds, Goodlife Fitness and our exceptionally low rates on mortgages.

As we continue to work toward our goal of increased membership, and general awareness within the public service, we know our organization will face challenges similar to those of larger financial institutions with which we compete. The housing market has cooled, people are paying down debt versus spending more and interest rates remain at an all time low. Although our resources are significantly less than the big banks, the marketing committee will continue to look at innovative ways to get our message to public servants.

Respectfully submitted,

Ingrid Foshay Murphy, CEO
Mark Peck, Chairperson
Meredith Cowan
Sandra McKenzie
Miriam Murray
David Bell



Report of the Credit Committee

Year Ending December 31, 2015

The Credit Committee has a mandate to review loan policy and recommend changes as deemed necessary to the Board of Directors of Provincial Government Employees Credit Union.

The Credit Committee also reviews credit union staff loans and any loans which are an exception to the loan policy. The Credit Committee also reviews delinquencies, bankruptcies and any loans written-off. These reviews are reported to the Board of Directors.

The Credit Committee has met quarterly during the 2015 fiscal year to address the aforementioned requirements.

As of December 31, 2015, the grand total of the loan account of Provincial Government Employees Credit Union was \$28,328,058.18.

The Credit Committee thanks the management and staff for their professionalism and for creating a caring, pleasant business environment for our members.

Respectfully submitted,

Gerald Langille, Chairperson
Gwen Beazley, Vice Chairperson
Donald Hebb

Report of the Audit Committee

Year Ending December 31, 2015

The Audit Committee met on numerous occasions during 2015, during which time we followed the rules and regulations of the Nova Scotia Credit Union Act.

The Committee reviewed the minutes of the board, staff loans and deposits and all the financial reports sent to regulators and board. In addition, the Committee reviewed the Provincial Government Employees Credit Union mastercard account and travel expenses for the staff and board. All were found to be within our policy and procedure approvals.

The Committee also reviewed the reports on money laundering, finding them to be current and accurate. We are pleased to report that all aspects reviewed by our committee were well within the policies and procedures of the Provincial Government Employees Credit Union and the rules and regulations of the Nova Scotia Credit Union Act.

We would like to congratulate the CEO and her staff for their dedication and the excellent year they made possible.

Respectfully submitted,

Stephen McManus, Chairperson
Linda Fraser
James Clayton
Miriam Murray

Report of the Nomination Committee

Year Ending December 31, 2015

Board of Directors nominations for the three-year term ending December 31, 2015

Linda Fraser
Sandra MacKenzie

Board

James Sherry
Gary Kerr
Linda Fraser
Gwen Beazley
Gerry Langille
Sandra McKenzie
Stephen McManus
Miriam Murray
Mark Peck

Directors and Committees

Year Ending December 31, 2015

Board of Directors

James Sherry, President
Gary Kerr, Vice President
Linda Fraser, Secretary
Gwen Beazley
Gerry Langille
Sandra McKenzie
Stephen McManus
Miriam Murray
Mark Peck

Audit Committee Members

Stephen McManus, Chairperson
Linda Fraser
James Clayton
Miriam Murray

Credit Committee Members

Gerald Langille, Chairperson
Gwen Beazley, Vice Chairperson
Don Hebb

Marketing and Member Relations Committee

Ingrid Foshay Murphy, CEO
Mark Peck, Chairperson
Sandra McKenzie
Miriam Murray
Meredith Cowan
David Bell



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