

**NIVERVILLE CREDIT UNION
LIMITED**

**Consolidated Financial Statements
For the year ended September 30, 2015**

NIVERVILLE CREDIT UNION LIMITED

Consolidated Financial Statements For the year ended September 30, 2015

Contents

Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Balance Sheet	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Changes in Members' Equity	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	
1. Nature of Operations and Summary of Significant Accounting Policies	7
2. Critical Accounting Estimates and Judgments	15
3. Funds on Hand and on Deposit	16
4. Investments	16
5. Loans to Members	18
6. Allowance for Impaired Loans	19
7. Property, Plant and Equipment	22
8. Intangible Assets	23
9. Investment Property	23
10. Members' Deposits	24
11. Insurance Reserve	25
12. Pension Plan	25
13. Income Taxes	26
14. Members' Shares	27
15. Personnel Expenses	28
16. Related Party Transactions	28
17. Financial Instrument Classification	29
18. Fair Value Measurement	29
19. Financial Instrument Risk Management	33
20. Capital Management	38
21. Commitments	39



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Independent Auditor's Report

To the Members of NIVERVILLE CREDIT UNION LIMITED

We have audited the accompanying consolidated financial statements of NIVERVILLE CREDIT UNION LIMITED, which comprise the consolidated balance sheet as at September 30, 2015 and the consolidated statement of comprehensive income, consolidated statement of changes in members' equity and consolidated statement of 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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NIVERVILLE CREDIT UNION LIMITED as at September 30, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
December 15, 2015

NIVERVILLE CREDIT UNION LIMITED
Consolidated Balance Sheet

September 30

2015


2014


Funds on hand and on deposit (Note 3)	\$ 8,424,834	\$ 6,579,597
Other assets	207,497	199,180
Investments (Note 4)	35,554,917	34,825,477
Loans to members (Notes 5 and 6)	251,123,740	223,206,413
Property, plant and equipment (Note 7)	2,668,259	2,741,200
Intangible assets (Note 8)	234,830	277,576
Investment property (Note 9)	245,777	231,301
	\$ 298,459,854	\$ 268,060,744

Liabilities and Members' Equity

Income taxes payable	\$ 36,305	\$ 58,354
Other liabilities	1,009,362	1,226,336
Members' deposits (Note 10)	278,500,548	249,178,295
Insurance reserve (Note 11)	207,049	218,357
Deferred income tax liability (Note 13)	50,400	51,800
Members' shares (Note 14)	321,426	715,053
	280,125,090	251,448,195
Commitments (Note 21)		
Members' Equity (Note 20)		
Members' shares (Note 14)	5,787,198	5,361,215
Provision for issue of shares	182,000	181,000
Retained earnings	12,365,566	11,070,334
	18,334,764	16,612,549
	\$ 298,459,854	\$ 268,060,744

Approved on behalf of the Board of Directors:


 _____ Director


 _____ Director

NIVERVILLE CREDIT UNION LIMITED

Consolidated Statement of Comprehensive Income

For the year ended September 30	2015	2014
Revenue		
Interest on loans to members	\$ 9,015,399	\$ 8,944,529
Investment income		
Liquidity deposits	788,547	636,754
CUCM shares	70,679	43,228
Debentures	30,142	30,225
	9,904,767	9,654,736
Cost of funds	4,982,753	4,803,416
Gross financial margin	4,922,014	4,851,320
Operating Expenses		
Personnel (Note 15)	2,151,442	2,029,522
Administrative	1,220,132	1,227,665
Occupancy	557,930	541,317
Members' security	241,053	254,112
Organizational	162,597	163,600
Gross operating expenses	4,333,154	4,216,216
Less other income	1,075,162	1,023,400
	3,257,992	3,192,816
Gross operating income	1,664,022	1,658,504
Provision for (recovery of) impaired loans (Note 6)	(24,138)	112,940
	1,688,160	1,545,564
Other Items		
Donations	14,255	18,995
Distributions to members	9,244	21,179
Income before income taxes	1,664,661	1,505,390
Provision for Income Taxes (Note 13)		
Current	199,211	172,244
Deferred	(1,400)	(7,400)
	197,811	164,844
Net and total comprehensive income for the year	\$ 1,466,850	\$ 1,340,546

NIVERVILLE CREDIT UNION LIMITED

Consolidated Statement of Changes in Members' Equity

For the year ended September 30

	Provision for Issue of Shares	Members' Shares	Retained Earnings	Total
Balance at September 30, 2013	\$ 183,500	\$ 5,047,022	\$ 9,888,580	\$ 15,119,102
Net income for the year	-	-	1,340,546	1,340,546
Distributions to members (Note 14)	179,971	-	(158,792)	21,179
Issue of members' shares	(182,471)	194,317	-	11,846
Redemption of members' shares	-	(279,350)	-	(279,350)
Transfer (to) from liabilities	-	399,226	-	399,226
Balance at September 30, 2014	\$ 181,000	\$ 5,361,215	\$ 11,070,334	\$ 16,612,549
Net income for the year	-	-	1,466,850	1,466,850
Distributions to members (Note 14)	180,862	-	(171,618)	9,244
Issue of members' shares	(179,862)	185,686	-	5,824
Redemption of members' shares	-	(153,330)	-	(153,330)
Transfer (to) from liabilities	-	393,627	-	393,627
Balance at September 30, 2015	\$ 182,000	\$ 5,787,198	\$ 12,365,566	\$ 18,334,764

NIVERVILLE CREDIT UNION LIMITED

Consolidated Statement of Cash Flows

For the year ended September 30

2015

2014

Cash Flows from Operating Activities

Net income for the year	\$ 1,466,850	\$ 1,340,546
Adjustments for		
Interest and investment revenue	(9,904,767)	(9,654,736)
Interest expense	4,982,753	4,803,416
Depreciation expense	246,159	255,439
Provision for impaired loans	(24,138)	112,940
Loss on disposal of property, plant and equipment	309	28,091
Deferred income taxes	(1,400)	(7,400)
Insurance reserve	(11,308)	(21,215)
Distribution to members	9,244	21,179

(3,236,298) (3,121,740)

Change in other assets and liabilities	(225,291)	(1,100,595)
Change in income taxes payable	(22,049)	48,452

(247,340) (1,052,143)

Changes in member activities (net)		
Change in loans to members	(27,762,576)	(11,211,198)
Change in members' deposits	29,238,812	15,946,444

1,476,236 4,735,246

Cash flows related to interest, dividends, and income taxes		
Interest received on loans to members	8,884,786	8,758,448
Interest received on investments	868,087	695,524
Interest paid on members' deposits	(4,899,313)	(4,993,458)

4,853,560 4,460,514

Total cash flows from operating activities

2,846,158 5,021,877

Cash Flows from Investing Activities

Purchase of investment property	(26,603)	-
Purchase of investments	(3,068,585)	-
Redemption of investments	-	306,885
Purchase of property, plant and equipment	(105,258)	(280,862)
Purchase of intangibles	(13,394)	(12,816)

(3,213,840) 13,207

Cash Flows from Financing Activities

Issue of common and surplus shares	5,824	11,846
Redemption of common and surplus shares	(153,330)	(279,350)

(147,506) (267,504)

Net increase (decrease) in cash and cash equivalents

(515,188) 4,767,580

Cash and cash equivalents, beginning of year 38,978,222 34,210,642

Cash and cash equivalents, end of year **\$ 38,463,034** **\$ 38,978,222**

Comprised of the following

Funds on hand and on deposit	\$ 8,424,834	\$ 6,579,597
Credit Union Central of Manitoba term deposits	30,038,200	32,398,625

\$ 38,463,034 **\$ 38,978,222**

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

1. Nature of Operations and Summary of Significant Accounting Policies

Reporting Entity

Niverville Credit Union Limited (the "Credit Union") is incorporated under the Credit Unions and Caisses Populaires Act of the Province of Manitoba ("the Act") and is a member of Credit Union Central of Manitoba ("CUCM"). The Credit Union operates as one operating segment in the loans and deposit taking industry in Manitoba. The Credit Union operates two branches in Southeastern Manitoba and provides consumer, commercial and agricultural lending, deposit taking and related services to its members. The Credit Union's head office is located at 62 Main Street, Niverville, Manitoba.

These consolidated financial statements have been authorized for issue by the Board of Directors on December 15, 2015.

Basis of Presentation

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

These consolidated financial statements were prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments measured at fair value.

The Credit Union's functional and presentation currency is 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 2.

Basis of Consolidation

These consolidated financial statements include the accounts of the Credit Union and its wholly-owned subsidiary, Niverville Place Inc.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and current accounts with CUCM and term deposits held with CUCM for liquidity purposes less borrowings that are repayable on demand.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is equivalent to fair value.

Investments

Liquidity deposits

Liquidity deposits are deposit instruments classified as loans and receivables and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost, which approximates fair value.

Shares

Credit Union Central of Manitoba shares are classified as available-for-sale and are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably determinable in which case they are carried at cost.

Changes in fair value, except for those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

Where there is a significant or prolonged decline in the fair value of an equity instrument (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

Purchases and sales of equity instruments are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in accumulated other comprehensive income.

On sale, the amount held in accumulated other comprehensive income associated with that instrument is removed from equity and recognized in net income.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Debentures

These investments are classified as held to maturity as they are considered non derivative financial assets with fixed or determinable payments and fixed maturities that the Credit Union management has the positive intention or ability to hold to maturity. These are initially recorded at fair value including direct and incremental transaction costs and measured subsequently at amortized cost, using the effective interest rate method. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognized as impairment loss.

Loans to Members

Loans to members are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred and are subsequently measured at amortized cost, using the effective interest rate method, less any impairment (losses).

All loans to members 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.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on loans to members carried at amortized cost has 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.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

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.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

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 impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

Property Held for Resale

Property held for resale is valued at the lower of cost and fair market value.

Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment (losses), with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided on a straight line basis over the estimated useful life of the assets as follows:

Buildings	40 years
Furniture and equipment	5 - 20 years
Computer equipment	5 years
Parking lot	20 years
Signage	5 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Intangible Assets

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Credit Union. Software is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment (losses). Software is amortized on a straight-line basis over its estimated useful life of 10 years.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Investment Property

The Credit Union's investment property consists of land and building held to earn rental income. Investment property is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment (losses). Depreciation is recognized in net income and is provided on a straight line basis over the estimated useful life of the assets as follows:

Buildings	40 years
Furniture and equipment	5 years
Parking lot	20 years
Signage	5 years

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. Where 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 income, except to the extent they reverse gains previously recognized in other comprehensive income.

Income Taxes

Income tax expense comprises current and deferred income tax. Current and deferred income taxes are recognized in net income except to the extent that it relates to a business combination, or 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.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Income Taxes (continued)

Deferred income tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base.

Recognition of deferred income 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 income tax asset to be utilized. Deferred income 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 income 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 liabilities / assets are settled / 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 and are subsequently measured at amortized cost, using the effective interest rate method. They have been classified as other liabilities.

Pension Plan

The Credit Union participates in a multi-employer defined contribution pension plan recognizing contributions as an expense in the year to which they relate as disclosed in Note 12.

Other Liabilities

Liabilities for trade creditors and other payables 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.

Provisions

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

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirements of IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments.

Revenue Recognition

Interest on loans is recorded using the effective interest method except for loans which are considered impaired. When a loan becomes impaired, recognition of interest income ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for impaired loans as an adjustment to the specific allowance.

Investment income is recorded using the effective interest method, except as it relates to adjustments in the rates received from CUCM, these are recorded when payment is received.

Commissions, service charges and other revenue are recognized as income when the related service is provided or entitlement to receive income is earned.

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income.

Standards, Amendments and Interpretations Not Yet Effective

Accounting standards that have been issued but are not yet effective are listed below. The Credit Union has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Standards, Amendments and Interpretations Not Yet Effective (continued)

Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 are a part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments clarify the application of materiality to note disclosure and the presentation of line items in the primary statements provide options on the ordering of financial statements and additional guidance on the presentation of other comprehensive income related to equity accounted investments. The effective date for these amendments is January 1, 2016, with earlier application permitted. The Credit Union is in the process of evaluating the impact of the new standard.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Entities are required to apply IFRS 9 for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Credit Union is in the process of evaluating the impact of the new standard.

Amendments to IFRS 7 Financial Instruments: Disclosures

This amendment aligns with the deferral of the effective date of IFRS 9. Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 to IFRS 9 on the basis of the entity's date of adoption and if the entity chooses to restate prior periods. The amendment is effective for annual periods beginning on or after January 1, 2015. The Credit Union is in the process of evaluating the impact of the new standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. Entities are required to apply IFRS 15 for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Credit Union is in the process of evaluating the impact of the new standard.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

2. 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.

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. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods and assumptions applied, and the valuation techniques used, are disclosed in Note 18.

Provision for Impaired Loans

In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income the Credit Union makes a judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgment to group loans to members with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

In determining the collective loan loss provision, management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. Further details on the estimates used to determine the allowance for impaired loans collective provision are provided in Note 6.

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 income tax liability including the related interest and penalties in the current tax 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.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

2. Critical Accounting Estimates and Judgments (continued)

Property, Plant and Equipment

The estimated useful life, residual value and depreciation method chosen are the Credit Union's best estimate of such and are based on industry norms, historical experience of management and other estimates. These estimates also consider the period and distribution of future cash inflows.

Readers are cautioned that this list is not exhaustive and other items may also be affected by estimates and judgments.

3. Funds on Hand and on Deposit

The Credit Union's cash and current accounts are held with CUCM. The average yield on the accounts at September 30, 2015 is .44% (2014 - 1.25%).

Included in the balance of funds on hand and on deposit is \$1,030,928 (2014 - \$644,744) denominated in US dollars.

4. Investments

Liquidity deposits

	2015	2014
CUCM Term deposits	\$ 30,038,200	\$ 32,398,625
Concentra Financial Term Deposit	1,000,000	-
Accrued interest receivable	201,865	180,585
	\$ 31,240,065	\$ 32,579,210

The term deposits with CUCM and Concentra bear interest at rates ranging from 0.13% to 3.41% and have original maturity dates from 90 days to 3 years.

Included in the balance of liquidity deposits is \$1,338,200 (2014 - \$1,398,625) denominated in US dollars.

Shares

	2015	2014
CUCM - Class 1 shares	\$ 2,324,490	\$ 555,495
CUCM - Class 2 shares	1,210,095	910,505
Concentra Financial Services Association - shares	30,267	30,267
	\$ 3,564,852	\$ 1,496,267

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

4. Investments (continued)

The shares in CUCM are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of CUCM. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors of CUCM.

Class 1 and 2 CUCM shares are subject to a rebalancing mechanism at least annually and are issued and redeemable at par value. There is no separately quoted market value for these shares. However, fair value is determined to be equivalent to the par value due to the fact that transactions occur at par value on a regular and recurring basis.

The Credit Union is not intending to dispose of any CUCM shares as the services supplied by CUCM 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 CUCM.

The shares of Concentra Financial Services Association are required as a condition of membership and are redeemable upon withdrawal of membership subject to the approval of the Board of Directors of the Association.

Debentures

	<u>2015</u>	<u>2014</u>
Concentra Financial Services Association		
Debenture, interest at 4.03%, due November 30, 2022	\$ 750,000	\$ 750,000

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

5. Loans to Members

	2015	2014
Consumer		
Term loans	\$ 6,934,618	\$ 7,187,923
Real estate	130,321,141	121,458,021
Lines of credit	2,631,986	2,205,713
Commercial		
Term loans	5,427,112	5,684,778
Real estate	83,960,688	68,146,292
Lines of credit	6,193,660	6,769,814
Agricultural		
Term loans	2,881,263	2,249,346
Real estate	10,616,268	8,204,471
Lines of credit	1,554,805	932,444
	250,521,541	222,838,802
Accrued interest receivable	889,322	758,709
	251,410,863	223,597,511
Allowance for impaired loans	287,123	391,098
Net loans to members	\$ 251,123,740	\$ 223,206,413

Terms and Conditions

Loans to members can have either a variable or fixed rate of interest and mature within five years. The rate is determined by the type of security offered and the members' credit worthiness.

Variable rate loans are based on a "prime rate" formula, ranging from prime plus 0% to prime plus 3.45%. The Credit Union's prime rate at September 30, 2015 was 3.45%.

The interest rate offered on fixed rate loans being advanced at September 30, 2015 ranges from 2.55% to 3.00%.

Consumer, commercial and agricultural loans consist of term loans, real estate and lines of credit and, as such, have various repayment terms. They are secured by various types of collateral, including mortgages on residential and real property, general security agreements, charges on specific equipment, assignments of crops and livestock, investments, and personal guarantees.

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. A breakdown of the security held on a portfolio basis is as follows:

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

5. Loans to Members (continued)

Credit Quality of Loans (continued)

	2015	2014
Unsecured loans	\$ 4,220,663	\$ 4,068,821
Loans secured by assignment of members' deposits	3,181,605	1,659,550
Loans secured by real property	201,667,850	171,121,548
Loans secured by chattels	12,100,723	13,784,737
Residential mortgages insured by government	30,240,022	32,962,855
	\$ 251,410,863	\$ 223,597,511

Concentration of Risk

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:

No individual or related groups of loans to members exceed 5% of members' deposits and capital as at September 30, 2015.

As at September 30, 2015, the Credit Union held \$33,976,836 (2014 - \$22,156,340) in outstanding commercial loans relating to the real estate, rental, and leasing industry, \$16,290,078 (2014 - \$15,321,372) relating to the agriculture industry and \$29,129,384 (2014 - \$27,012,776) in outstanding commercial loans relating to the construction industry.

The majority of loans to members are with members located in southern Manitoba. A sizeable portfolio of the Credit Union's loan portfolio is secured by residential property in southern Manitoba. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio coverage should the property market be subject to a decline. The risk of losses from loans undertaken is primarily reduced by the nature and quality of the security taken.

6. Allowance for Impaired Loans

Total allowance for impaired loans is comprised of:

	2015	2014
Collective allowance	\$ 229,880	\$ 259,202
Individual specific allowance	57,243	131,896
Total allowance	\$ 287,123	\$ 391,098

During the year ended September 30, 2015, the Credit Union acquired \$- (September 30, 2014 - \$35,000) of assets in respect of problem loans.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

6. Allowance for Impaired Loans (continued)

Movement in individual specific and collective allowance for impairment is as follows:

	Consumer	Agricultural	Commercial	2015 Total
Balance at September 30, 2014	\$ 191,094	\$ 94,126	\$ 105,878	\$ 391,098
Provision for (recovery of) impaired loans	40,839	(32,857)	(32,120)	(24,138)
Loans transferred to property held for resale	(34,995)	-	-	(34,995)
Loans written off	(44,842)	-	-	(44,842)
Balance at September 30, 2015	\$ 152,096	\$ 61,269	\$ 73,758	\$ 287,123
 Gross principal balance of individually impaired loans	 \$ 345,243	 \$ 39,873	 \$ 181,768	 \$ 566,884
	Consumer	Agricultural	Commercial	2014 Total
Balance at September 30, 2013	\$ 144,550	\$ 103,124	\$ 131,365	\$ 379,039
Provision for (recovery of) impaired loans	108,054	(8,998)	13,884	112,940
Loans transferred to property held for resale	(28,604)	-	-	(28,604)
Loans written off	(32,906)	-	(39,371)	(72,277)
Balance at September 30, 2014	\$ 191,094	\$ 94,126	\$ 105,878	\$ 391,098
 Gross principal balance of individually impaired loans	 \$ 553,290	 \$ 76,065	 \$ 83,125	 \$ 712,480

An analysis of individual loans that are impaired or potentially impaired based on period of delinquency is as follows:

	2015		2014	
	Carrying Value	Individual Specific Allowance	Carrying Value	Individual Specific Allowance
Period of delinquency				
31 to 90 days	\$ 67,688	\$ -	\$ -	-
Greater than 90 days	135,532	3,212	421,947	124,457
Total impaired loans in arrears	203,220	3,212	421,947	124,457
 Total impaired loans not in arrears	 363,664	 54,031	 290,533	 7,439
 Total impaired loans	 \$ 566,884	 \$ 57,243	 \$ 712,480	 \$ 131,896

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

6. Allowance for Impaired Loans (continued)

Key Assumptions in Determining the Allowance for Impaired Loans Collective Allowance

The Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, 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.

An estimate of the collective allowance is based on the period of repayments that are past due, historical write-offs, and losses that have occurred in the agriculture and manufacturing sectors.

For purposes of the collective allowance, loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

Loans with repayments past due but not regarded as individually impaired and considered in determining the collective allowance are as follows:

	Consumer	Agricultural	Commercial	2015 Total
1 to 30 days	\$ 200,063	\$ 1,662,236	\$ -	\$ 1,862,299
31 to 90 days	35,137	913,379	-	948,516
Greater than 90 days	-	-	-	-
Balance at September 30, 2015	\$ 235,200	\$ 2,575,615	\$ -	\$ 2,810,815

	Consumer	Agricultural	Commercial	2014 Total
1 to 30 days	\$ 1,101,315	\$ -	\$ 155,997	\$ 1,257,312
31 to 90 days	335,295	-	-	335,295
Greater than 90 days	86,183	-	-	86,183
Balance at September 30, 2014	\$ 1,522,793	\$ -	\$ 155,997	\$ 1,678,790

NIVERVILLE CREDIT UNION LIMITED
Notes to Financial Statements

For the year ended September 30, 2015

7. Property, Plant and Equipment

	Land	Buildings	Furniture and Equipment	Computer Equipment	Parking Lot	Signage	Total
<u>Cost</u>							
Balance at September 30, 2013	\$ 101,294	\$ 3,293,728	\$ 845,589	\$ 200,805	\$ 89,465	\$ 48,029	\$ 4,578,910
Additions	-	-	248,772	32,090	-	-	280,862
Disposals	-	-	(209,709)	(19,344)	-	-	(229,053)
Balance at September 30, 2014	101,294	3,293,728	884,652	213,551	89,465	48,029	4,630,719
Additions	-	-	68,421	32,121	-	4,716	105,258
Disposals	-	-	(55,159)	(3,580)	-	-	(58,739)
Balance at September 30, 2015	\$ 101,294	\$ 3,293,728	\$ 897,914	\$ 242,092	\$ 89,465	\$ 52,745	\$ 4,677,238
<u>Accumulated Depreciation</u>							
Balance at September 30, 2013	\$ -	\$ 1,196,081	\$ 489,523	\$ 134,671	\$ 40,246	\$ 39,531	\$ 1,900,052
Depreciation expense	-	69,322	78,962	31,200	4,473	6,471	190,428
Disposals	-	-	(181,617)	(19,344)	-	-	(200,961)
Balance at September 30, 2014	-	1,265,403	386,868	146,527	44,719	46,002	1,889,519
Depreciation expense	-	69,321	70,591	31,297	4,473	2,210	177,892
Disposals	-	-	(55,159)	(3,273)	-	-	(58,432)
Balance at September 30, 2015	\$ -	\$ 1,334,724	\$ 402,300	\$ 174,551	\$ 49,192	\$ 48,212	\$ 2,008,979
<u>Net Book Value</u>							
September 31, 2014	\$ 101,294	\$ 2,028,325	\$ 497,784	\$ 67,024	\$ 44,746	\$ 2,027	\$ 2,741,200
September 30, 2015	\$ 101,294	\$ 1,959,004	\$ 495,614	\$ 67,541	\$ 40,273	\$ 4,533	\$ 2,668,259

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

8. Intangible Assets

	Computer Software
<u>Cost</u>	
Balance at September 30, 2013	\$ 509,360
Additions	12,816
Balance at September 30, 2014	522,176
Additions	13,394
Balance at September 30, 2015	\$ 535,570
<u>Accumulated Depreciation</u>	
Balance at September 30, 2013	\$ 191,051
Depreciation expense	53,549
Balance at September 30, 2014	244,600
Depreciation expense	56,140
Balance at September 30, 2015	\$ 300,740
<u>Net Book Value</u>	
September 30, 2014	\$ 277,576
September 30, 2015	\$ 234,830

9. Investment Property

	Land	Buildings	Equipment	Parking Lot	Total
<u>Cost</u>					
Balance at September 30, 2013	\$ 76,554	\$ 460,634	\$ 32,019	\$ 19,273	\$ 588,480
Additions	-	-	-	-	-
Balance at September 30, 2014	76,554	460,634	32,019	19,273	588,480
Additions	-	26,603	-	-	26,603
Balance at September 30, 2015	\$ 76,554	\$ 487,237	\$ 32,019	\$ 19,273	\$ 615,083
<u>Accumulated Depreciation</u>					
Balance at September 30, 2013	\$ -	\$ 294,425	\$ 32,019	\$ 19,273	\$ 345,717
Depreciation expense	-	11,462	-	-	11,462
Balance at September 30, 2014	-	305,887	32,019	19,273	357,179
Depreciation expense	-	12,127	-	-	12,127
Balance at September 30, 2015	\$ -	\$ 318,014	\$ 32,019	\$ 19,273	\$ 369,306
<u>Net Book Value</u>					
September 30, 2014	\$ 76,554	\$ 154,747	\$ -	\$ -	\$ 231,301
September 30, 2015	\$ 76,554	\$ 169,223	\$ -	\$ -	\$ 245,777

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

9. Investment Property (continued)

The fair value of the investment property is \$875,000. Investment properties were subject to external valuation on September 15, 2015, performed by Keystone Valuations, qualified professional valuers adhering to the generally accepted Standards of Professional Practice (CUSPAP) and the Code of Ethics of the Appraisal Institute of Canada. The fair value of investment property is determined by discounting the expected cash flows of the properties based upon internal plans and assumptions and comparable market transactions. There are no indicators that would create a difference in fair value of the investment property from the date of its valuation.

Investment property held by the Credit Union is leased out under operating leases. The lease contracts are on a month to month basis.

During the year, the Credit Union earned \$72,789 from the investment property with operating expenses of \$79,282.

10. Members' Deposits

	2015	2014
Chequing	\$ 41,327,838	\$ 37,685,764
Savings	80,925,627	72,022,432
Term deposits	110,921,488	91,534,854
Registered plans	43,474,610	46,165,853
Unclaimed and inactive accounts	15,694	17,541
	276,665,257	247,426,444
Accrued interest payable	1,835,291	1,751,851
	\$ 278,500,548	\$ 249,178,295

Terms and Conditions

Chequing and savings accounts are due on demand and bear interest from 0% to 1.80% at September 30, 2015.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi annually, monthly or upon maturity. The interest rates offered on term deposits issued on September 30, 2015 range from 1.75% to 2.45%.

The registered plans can be fixed or variable rate. The fixed rate accounts have terms and rates similar to the term deposit accounts described above. Members may make withdrawals from accounts on a monthly, semi-annual or annual basis.

Included in chequing and savings deposits is an amount of \$2,627,108 to be settled in US dollars (September 30, 2014 - \$2,076,398).

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

10. Members' Deposits (continued)

Concentration of Risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments.

No individual or related groups of members' deposits exceed 5% of members' deposits and capital as at September 30, 2015 and 2014.

The majority of members' deposits are with members located in and around southern Manitoba.

11. Insurance Reserve

The Credit Union has set aside funds to pay out the Life Insured Savings Accounts as they become due.

	<u>2015</u>		<u>2014</u>
Opening balance	\$ 218,357	\$	239,572
Insurance claims paid	11,308		21,215
Ending balance	<u>\$ 207,049</u>	\$	<u>218,357</u>

12. Pension Plan

The Credit Union has a multi-employer defined contribution pension plan for full and part 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 a rate of 6% of the employee salary. The expense and payments for the year ended September 30, 2015 were \$107,515 (2014 - \$105,910). As a defined contribution pension plan, the Credit Union has no further liability or obligation for future contributions to fund future benefits to plan members.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

13. Income Taxes

The total provision for income taxes in the consolidated statement of comprehensive income is at a rate less than the combined federal and provincial statutory income tax rates for the following reasons:

	2015	2014
	%	%
Combined federal and provincial statutory income tax rates	27.0	27.0
Credit Union rate reduction	(14.5)	(15.1)
Provincial Profits Tax	0.7	0.7
Non-deductible and other items	(1.3)	(1.6)
	11.9	11.0

The movement in deferred income tax liabilities and assets is as follows:

	Balance at September 30 2014	Recognize in Net Income	Recognize Directly in Equity	Reclassify from Equity to Net Income	2015 Balance at September 30 2015
Deferred income tax liabilities					
Property, plant and equipment	\$ 122,100	\$ (8,000)	\$ -	\$ -	\$ 114,100
Deferred income tax assets					
Insurance reserve	59,000	(3,100)	-	-	55,900
Allowance for impaired loans	11,300	(3,500)	-	-	7,800
	70,300	(6,600)	-	-	63,700
Net deferred income tax liability	\$ 51,800	\$ (1,400)	\$ -	\$ -	\$ 50,400

	Balance at September 30 2013	Recognize in Net Income	Recognize Directly in Equity	Reclassify from Equity to Net Income	2014 Balance at September 30 2014
Deferred income tax liabilities					
Property, plant and equipment	\$ 139,300	\$ (17,200)	\$ -	\$ -	\$ 122,100
Deferred income tax assets					
Insurance Reserve	64,700	(5,700)	-	-	59,000
Allowance for impaired loans	15,400	(4,100)	-	-	11,300
	80,100	(9,800)	-	-	70,300
Net deferred income tax liability	\$ 59,200	\$ (7,400)	\$ -	\$ -	\$ 51,800

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

14. Members' Shares

	Authorized	2015		2014	
		Equity	Liability	Equity	Liability
Common	Unlimited	\$ 4,341,336	\$ 321,426	\$ 3,972,024	\$ 715,053
Surplus	Unlimited	1,445,862	-	1,389,191	-
		\$ 5,787,198	\$ 321,426	\$ 5,361,215	\$ 715,053

Terms and Conditions

Each member must purchase one common share. No member may hold more than 10% of the issued shares of any class. Each member of the Credit Union has one vote, regardless of the number of shares that a member holds.

Authorized shares

Common shares

Authorized common share capital consists of an unlimited number of common shares, issued and redeemable at \$5 each. The total amount of common shares purchased or redeemed by the Credit Union in a fiscal year shall not exceed the total amount of common shares issued in that year if the Credit Union's equity is, or would by such purchase or redemption be, less than the level of capital as prescribed by the Act.

In order to accelerate the equity building plan undertaken by the Credit Union, a member share subscription program was commenced October 1994 and ended January 2011. This share program allowed members to increase their investment in the Credit Union by purchasing additional shares at \$5 each to a maximum of \$15,000 per member.

Surplus shares

Authorized surplus share capital consists of an unlimited number of surplus shares, issued and redeemable at \$1 each. The total amount of surplus shares purchased or redeemed by the Credit Union in a fiscal year shall not exceed 5% of the amount of surplus shares outstanding at the last fiscal year-end of the Credit Union if the Credit Union's equity is, or would by such purchase or redemption be, less than the level of capital as prescribed by the Act.

Class "A" Preference shares

Authorized Class "A" preference share capital consists of 1,000,000 non-voting Class "A" preference shares, having a non-cumulative dividend rate, when declared, of not less than the first year rate of the latest issue of Canada Savings Bonds, issued and redeemable at \$10 each.

Dividends are payable at the discretion of the Board. The total amount of Class "A" preference shares purchased or redeemed by the Credit Union in a fiscal year shall not exceed 5% of the amount of Class "A" preference shares outstanding at the last fiscal year-end of the Credit Union if the Credit Union's equity is, or by such purchase or redemption would be, less than the level of capital as prescribed by the Act. Class "A" preference shares are redeemable at the discretion of the Board.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

14. Members' Shares (continued)

Distributions to Members

The Board of Directors have declared dividends on common and surplus shares of \$180,862 (2014 - \$179,971) of which \$9,244 (2014 - \$21,179) has been presented as operating expenses on the statement of comprehensive income and \$171,618 (2014 - \$158,792) has been presented as a reduction of equity on the statement of changes in members' equity. Tax savings of \$21,253 (2014 - \$19,797) have been applied to reduce current income tax expense on the statement of comprehensive income.

15. Personnel Expenses

	2015	2014
Salaries and wages	\$ 1,817,013	\$ 1,733,688
Employee benefits	334,429	295,834
	\$ 2,151,442	\$ 2,029,522

16. Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly. Key management personnel have been taken to comprise the directors and members of management responsible for the day to day financial and operational management of the Credit Union.

The aggregate compensation of key management personnel during the year was as follows:

	2015	2014
Compensation		
Salaries, and other short-term employee benefits	\$ 612,037	\$ 569,555
Total pension and other post-employment benefits	34,591	34,718
	\$ 646,628	\$ 604,273

Included in compensation above are \$38,447 (2014 - \$25,830) of honouraria and per diems and \$8,411 (2014 - \$11,709) of meeting, training and conference costs to the directors and officers of the Credit Union for expenses associated with the performance of their duties:

	2015	2014
Loans to key management personnel		
Interest received on loans advanced	\$ 16,888	\$ 17,285
Aggregate value of loans outstanding	980,510	637,219
Deposits from key management personnel		
Aggregate value of term and savings accounts	\$ 1,713,357	\$ 1,710,318
Interest paid on term and savings accounts	19,330	22,386

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

16. Related Party Transactions (continued)

The Credit Union's policy for lending to and receiving deposits from key management personnel is that the loans are approved and deposits accepted on the same terms and conditions which apply to members for each class of loan or deposit. There are no benefits or concessional terms and conditions applicable to key management personnel or close family members.

17. Financial Instrument Classification

The carrying amount of the Credit Union's financial instruments by classification is as follows:

	Available-for-Sale	Held-to maturity	Loans and Receivables	Other Financial Liabilities	Total
September 30, 2015					
Funds on hand and on deposit	\$ -	\$ -	8,424,834	\$ -	8,424,834
Accounts receivable	-	-	7,697	-	7,697
Liquidity deposits	-	-	31,240,065	-	31,240,065
Shares	3,564,852	-	-	-	3,564,852
Debentures	-	750,000	-	-	750,000
Loans to members	-	-	251,123,740	-	251,123,740
Other liabilities	-	-	-	(1,009,362)	(1,009,362)
Members' deposits	-	-	-	(278,500,548)	(278,500,548)
Members' shares	-	-	-	(321,426)	(321,426)
	\$ 3,564,852	\$ 750,000	\$ 290,796,336	\$ (279,831,336)	\$ 15,279,852
September 30, 2014					
Funds on hand and on deposit	\$ -	\$ -	6,579,597	\$ -	6,579,597
Accounts receivable	-	-	7,594	-	7,594
Liquidity deposits	-	-	32,579,210	-	32,579,210
Shares	1,496,267	-	-	-	1,496,267
Debentures	-	750,000	-	-	750,000
Loans to members	-	-	223,206,413	-	223,206,413
Other liabilities	-	-	-	(1,226,336)	(1,226,336)
Members' deposits	-	-	-	(249,178,295)	(249,178,295)
Members' shares	-	-	-	(715,053)	(715,053)
	\$ 1,496,267	\$ 750,000	\$ 262,372,814	\$ (251,119,684)	\$ 13,499,397

18. Fair Value Measurement

Assets and liabilities that are measured at fair value in the balance sheet are grouped into three levels of a fair value hierarchy. The following is an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

18. Fair Value Measurement (continued)

- Level 2 fair value measurements are those derived from 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
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of three levels.

The following table set out the assets and liabilities that are measured and recognized at fair value at September 30, 2015.

<u>Recurring Fair Value Measurements</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>(in thousands)</i>				
Financial Assets:				
Funds on hand and on deposit	\$ -	\$ -	\$ 8,425	\$ 8,425
Accounts receivable	-	-	8	8
Liquidity deposits	-	-	31,240	31,240
CUCM and Concentra shares	-	3,565	-	3,565
Debentures	-	-	750	750
Loans to members	-	-	251,124	251,124
Investment property	-	-	246	246
Total financial assets	<u>\$ -</u>	<u>\$ 3,565</u>	<u>\$ 291,793</u>	<u>\$ 295,358</u>
Financial Liabilities:				
Other liabilities	\$ -	\$ -	\$ 1,009	\$ 1,009
Members' deposits	-	-	278,501	278,501
Members' shares	-	-	321	321
Total financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 279,831</u>	<u>\$ 279,831</u>

There were no transfers between Level 1, Level 2 and Level 3 for the year ended September 30, 2015.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

18. Fair Value Measurement (continued)

The following table presents the valuation technique used in determination of fair values within level 2 including the key inputs used:

Description	Valuation Approach and Inputs Used
CUCM and Concentra shares	Class 1 and 2 CUCM shares are subject to a rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares. However, fair value is determined to be equivalent to the par value due to the fact that transactions occur at par value on a regular and recurring basis. Concentra shares are held at their carrying amount which is deemed to approximate fair value.

The following table presents the assets and liabilities for which fair value is disclosed in the notes to the financial statements as at September 30, 2015.

Financial Instrument	Valuation Technique	Significant Unobservable Inputs
Funds on hand and on deposit	The carrying amount of the funds on hand and on deposit approximates their fair value.	-
Accounts receivable	The carrying amount of short-term trade receivables (less than 12 months) approximates their fair value.	-
Liquidity deposits	The fair market value of liquidity deposits is calculated based on the present value of future cash flows. To determine present value, future cash flows are discounted by the current rate curve by which the asset or liability is originally priced.	Discount spot rates vary from 0.47% to 1.95% based on maturity date and type of deposit.
Debentures	The fair market value of debentures is calculated using the discounted cash flow model.	A discount rate of 4.03% is used.
Loans to members	The fair market value of loans to members is calculated based on the present value of future cash flows. To determine present value, future cash flows are discounted by the current rate curve by which the asset or liability is originally priced.	Discount spot rates vary from 2.55% to 7.75% based on maturity date and type of loan.
Investment property	The fair value is determined by applying the income approach based on the estimated rental value of the property. Discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by an external valuer or management based on comparable transactions and industry data.	-

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

18. Fair Value Measurement (continued)

Financial Instrument	Valuation Technique	Significant Unobservable Inputs
Other liabilities	The carrying amount of short-term other liabilities (less than 12 months) approximates their fair values.	-
Members' deposits	The fair market value of members' deposits is calculated based on the present value of future cash flows. To determine present value, future cash flows are discounted by the current rate curve by which the asset or liability is originally priced.	Discount spot rates vary from 0.25% to 2.45% based on renewal date of the deposit.
Members' shares	The carrying amount of members' shares approximate their fair values.	-

The following represents the fair values of on and off balance sheet financial instruments of the Credit Union. The fair values disclosed exclude the value of assets and liabilities that are not considered financial instruments. In addition, the value of intangibles such as long-term member relationships are not included in the fair value amounts. The Credit Union considers the value of intangibles to be significant.

<i>(in thousands)</i>	2015			2014		
	Book Value	Fair Value	Excess over Book Value	Book Value	Fair Value	Excess over Book Value
Assets						
Funds on hand and on deposit	\$ 8,425	\$ 8,425	-\$	\$ 6,580	\$ 6,580	-
Accounts receivable	8	8	-	8	8	-
Investments	35,555	35,585	30	34,825	34,937	112
Loans to members	251,124	251,112	(12)	223,206	223,263	57
	\$ 295,112	\$ 295,130	\$ 18	\$ 264,619	\$ 264,788	\$ 169
Liabilities						
Other liabilities	\$ 1,009	\$ 1,009	-\$	\$ 1,226	\$ 1,226	-
Members' deposits	278,501	279,492	991	249,178	249,674	496
Members' shares	321	321	-	715	715	-
	\$ 279,831	\$ 280,822	\$ 991	\$ 251,119	\$ 251,615	\$ 496

Interest rate sensitivity is the main cause of changes in the fair value of the Credit Union's financial instruments. The book values are generally not adjusted to reflect the fair value, as it is the Credit Union's intention to realize their value over time by holding them to maturity.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

19. Financial Instrument Risk Management

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's management team. The Board of Directors receives monthly reports from the Credit Union's Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

Risk Measurement

Credit risk rating systems are designed to assess 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.

Objectives, Policies and Procedures

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, loan administration, credit concentration limits, and risk rating;
- Loan lending limits including Board of Directors limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- Loan collateral security classifications which set loan classifications, advance ratios and depreciation periods;
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears; and
- Audit procedures and processes are in existence for the Credit Union's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans, delinquent loans, overdraft utilization, and reports on credit concentration and risk rating. The Board of Directors also receives an analysis of bad debts and allowance for impaired loans quarterly.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

19. Financial Instrument Risk Management (continued)

Credit Risk (continued)

Maximum Exposure to Credit Risk

The Credit Union's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	2015		2014
	Carrying Value	Maximum Exposure	Maximum Exposure
CUCM deposits	\$ 30,038,200	\$ 30,038,200	\$ 32,398,625
Loans to members	251,123,740	251,123,740	223,206,413
Undisbursed loans	-	25,641,104	22,986,278
Unutilized lines of credit	-	23,324,877	22,566,970
Unexpired letters of credit	-	314,000	399,000
	\$ 281,161,940	\$ 330,441,921	\$ 301,557,286

Details regarding concentration of credit risk, collateral and other credit enhancements held and loans past due but not impaired are disclosed in Notes 5 and 6.

For the current year, the amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is \$23,108.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity Risk

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring actual and forecasted cash flows as to meet all cash outflow obligations as they fall due.

Risk Measurement

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective firm specific and market conditions and the related behaviour of its members and counterparties.

Objectives, Policies and Procedures

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

19. Financial Instrument Risk Management (continued)

Liquidity Risk (continued)

Objectives, Policies and Procedures (continued)

Provisions of the Act require the Credit Union to maintain liquid assets of at least 8% of members' deposits and borrowings in order to meet member withdrawals.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual and forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

The Board of Directors receives monthly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal year.

As at September 30, 2015, the position of the Credit Union is as follows:

Qualifying liquid assets on hand	\$ 38,463,034
Total liquidity requirement	22,280,044
Excess liquidity	\$ 16,182,990

The following are the contractual maturities of financial liabilities, including estimated interest payments:

2015						
	Carrying Amount	Gross Nominal Cash Outflow	Less than 1 year	1 - 3 years	4 - 5 years	Greater than 5 years
<i>(in thousands)</i>						
Other liabilities	\$ 1,009	\$ (1,009)	\$ (1,009)	\$ -	\$ -	-
Members' deposits	278,501	(282,523)	(204,509)	(56,682)	(21,332)	-
Members' shares	321	-	-	-	-	(321)
Unutilized lines of credit	-	(23,325)	(23,325)	-	-	-
Unadvanced loans	-	(25,641)	(25,641)	-	-	-
	\$ 279,831	\$ (332,498)	\$ (254,484)	\$ (56,682)	\$ (21,332)	\$ (321)

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

19. Financial Instrument Risk Management (continued)

Liquidity Risk (continued)

Objectives, Policies and Procedures (continued)

						2014
	Carrying Amount	Gross Nominal Cash Outflow	Less than 1 year	1 - 3 years	4 - 5 years	Greater than 5 years
<i>(in thousands)</i>						
Other liabilities	\$ 1,226	\$ (1,226)	\$ (1,226)	\$ -	\$ -	-
Members' deposits	249,178	(252,914)	(192,461)	(44,915)	(15,538)	-
Members' shares	715	(715)	-	-	-	(715)
Unutilized lines of credit	-	(22,567)	(22,567)	-	-	-
Unadvanced loans	-	(22,986)	(22,986)	-	-	-
	\$ 251,119	\$ (300,408)	\$ (239,240)	\$ (44,915)	\$ (15,538)	\$ (715)

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include two types of risk: interest rate risk and currency risk.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending.

Risk Measurement

The Credit Union's position is measured monthly. Measurement of risk is based on rates charged to clients as well as funds transfer pricing rates.

Objectives, Policies and Procedures

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and loans to members and interest paid on members' deposits. The objective of asset/liability management is to match interest sensitive assets with interest sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

19. Financial Instrument Risk Management (continued)

Market Risk (continued)

Objectives, Policies and Procedures (continued)

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Deposit Guarantee Corporation of Manitoba in accordance with the Credit Union's asset/liability management policy. This policy has been approved by the Board of Directors as required by Regulations to the Act. For the year ended September 30, 2015, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity.

Maturity Dates	Assets	Yield (%)	Liabilities	Cost (%)	Asset / Liability Gap
<i>(in thousands)</i>					
Interest sensitive					
Variable	\$ 111,693	4.09	\$ 95,691	1.24	\$ 16,002
<12 months	91,597	2.60	74,566	2.23	17,031
1 - 2 years	25,210	3.20	37,148	2.58	(11,938)
2 - 3 years	22,644	3.31	17,376	2.60	5,268
3 - 4 years	17,390	3.28	16,380	2.81	1,010
4 - 5 years	19,104	3.10	4,908	2.75	14,196
Greater than 5 years	2,528	3.23	60	2.47	2,468
Interest sensitive	290,166		246,129		44,037
Non-interest sensitive	8,294		52,331		(44,037)
Total	\$ 298,460		\$ 298,460		\$ -

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

An analysis of the Credit Union's risk due to changes in interest rates was calculated using financial modelling software and determined that an increase in interest rates of 1% could result in an increase to net income of \$342,764 while a decrease in interest rates of 1% could result in a decrease to net income of \$684,924.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency Risk

Currency exchange risk relates to the Credit Union operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

19. Financial Instrument Risk Management (continued)

Market Risk (continued)

Currency Risk (continued)

The Credit Union's currency exchange risk is related to US dollar deposits denominated in US dollars. Foreign currency changes are continually monitored by the investment committee for effectiveness of its foreign exchange mitigation activities and holdings are adjusted when offside of the investment policy.

Risk Measurement

The Credit Union's position is measured daily. Measurement of risk is based on rates charged to members as well as currency purchase costs.

Objectives, Policies and Procedures

The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to \$150,000 in US funds.

For the year ended September 30, 2015, the Credit Union's exposure to currency risk is within policy.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

20. Capital Management

The Credit Union's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

Regulations to the Act require that the Credit Union establish and maintain a level of capital that meets or exceeds the following:

- Total members' capital as shown on the balance sheet shall not be less than 5% of the book value of all assets;
- Retained earnings shall not be less than 3% of the book value of assets; and
- Capital calculated in accordance with the Act shall not be less than 8% of the risk weighted value of its assets.

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

20. Capital Management (continued)

The Credit Union considers its capital to include members' shares (common shares and surplus shares), and retained earnings. There have been no changes in what the Credit Union considers to be its capital since the previous period.

The Credit Union establishes the risk weighted value of its assets in accordance with the Regulations of the Act which establishes the applicable percentage for each class of assets. The Credit Union's risk weighted value of its assets as at September 30, 2015 - \$172,007,688 (2014 - \$142,422,102).

As at September 30, 2015, the Credit Union met the capital requirements of The Act with a calculated members' capital ratio of 6.25% (2014 - 6.46%), a retained surplus ratio of 4.14% (2014 - 4.13%) and a risk weighted asset ratio of 10.87% (2014 - 12.19%).

	2015	2014
Tier I Capital		
Members' shares	\$ 5,969,198	\$ 5,542,215
Retained earnings	12,365,566	11,070,334
Deferred income tax liability	50,400	51,800
Intangible assets	(234,830)	(277,576)
Collective provision	229,880	259,202
	18,380,214	16,645,975
Tier II Capital		
Redeemable portion of other member shares	321,426	715,053
Total regulatory capital	\$ 18,701,640	\$ 17,361,028

21. Commitments

Credit Facilities

The Credit Union has approved lines of credit with CUCM equal to 10% of its members' deposits and bears interest at prime (effective rate of 2.5% at September 30, 2015). For the current year, this amounts to \$27.9 million. These accommodations are secured by an assignment of shares and deposits in CUCM and a general assignment of loans receivable from members. The balance outstanding at September 30, 2015 was \$Nil (2014 - \$Nil).

Loans to Members

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

Unadvanced loans	\$ 25,641,104
Unused lines of credit	23,324,877
Letters of credit	314,000

NIVERVILLE CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended September 30, 2015

21. Commitments (continued)

Contractual Obligations

Other

Credit Union Central of Manitoba

The Credit Union is a member of CUCM, which provides banking and other services to Credit Unions in Manitoba. By nature of membership in CUCM, the Credit Union is obligated to pay affiliation dues which are based on membership and assets.

Deposit Guarantee Corporation of Manitoba

The Deposit Guarantee Corporation of Manitoba (the "Corporation") is a deposit insurance corporation. By legal obligation under the Act, the Corporation protects the savings and deposits of all Credit Union members in every credit union within Manitoba. By legislation, the Credit Union pays a quarterly levy to the Corporation based on a percentage of members' deposits.

Celero Solutions

The Credit Union has entered into an agreement with Celero Solutions to provide the delivery of some banking system services and the maintenance of the infrastructure needed to ensure uninterrupted delivery of such services. Celero Solutions is a company formed as a joint venture by the Credit Union Centrals of Alberta, Saskatchewan and Manitoba along with Concentra Financial and Credit Union Electronic Transaction Services. The agreement expires November 23, 2019.