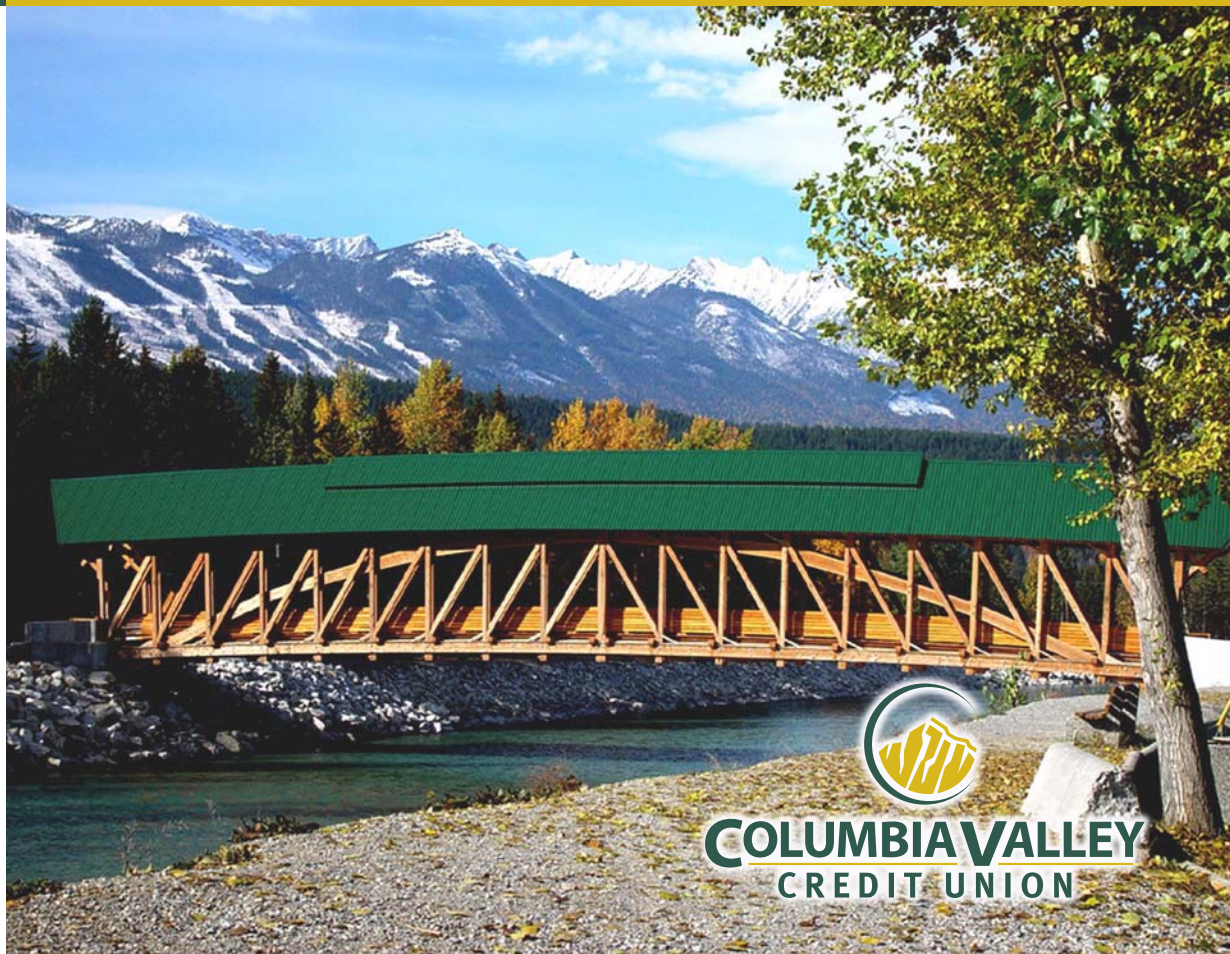




Making a
Difference



COLUMBIA VALLEY
CREDIT UNION



Making a *Difference*

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Annual General Meeting

Wednesday, April 20, 2011, at the Seniors' Centre commencing at 7:30 p.m.

MEETING AGENDA

- Call to Order
- Welcome and Introduction
- Adoption of Agenda and Rules of Order
- Minutes of Last General Meeting
- Business Arising from Minutes
- President's and General Manager's Report
- Auditor's Report
- Approval of Financial Statements
- Nominating Committee Report
- Election Result
- Unfinished Business
- Appointment of Auditor
- New Business
- Good and Welfare
- Adjournment

Refreshments will be served and door prizes awarded. As in past years, for reasons of economics, the Annual Report will not be mailed out to each member, but will be available through the office and at the Annual Meeting.

TRANSPORTATION

Any member wishing transportation to the meeting is requested to contact the office at 344-2282 and arrangements will be made.

INSURANCE

The Management of Columbia Valley Credit Union wishes to remind all members that under the terms and conditions of your mortgage and/or chattel lien, you are required to maintain insurance to the full insurable value of your property and/or chattel liens with loss, if any, payable to Columbia Valley Credit Union as their interest may appear. **Please—this is for everyone's protection!**

Vision Statement

A member owned organization assisting its members to access the very best financial products and services.

Mission Statement

Assisting our members to achieve their financial goals.

Guiding Principles

- Serving members is the primary purpose of our existence.
- We provide exceptional, customized service.
- We act with integrity and sincerity.
- We never stop learning.
- We continuously innovate.

Officers

BOARD OF DIRECTORS:

2 years to serve	Gary Bjarnason Atma Sandher
1 years to serve	Paul Ricard John Spurrill
Term Expired	Lyle Johnson (Incumbent) Connie Barlow (Incumbent) Don Rosodi (Retired)

DIRECTORS ELECTIONS FOR: 3 Directors — for 3 Year Terms

STAFF MEMBERS:

Paul Pupo, General Manager	Jackie Feuz, Teller
Carol Braisher, Administrative Assistant	Angela McAteer, Teller
Karen Cotton, Executive Secretary	Tessa Elkington, Teller
Kerstin Behrens-Bolt, Administration Manager	Annette Parker, Part-time Teller
Rob Parker, Commercial Loans / IT Manager	Wanda Anderson, Part-time Teller
Marlene Cibulka, Retail Loans Manager	Devin Solberg, Part-time Teller
Cathy Johnson, Member Service Rep.	Marlene Thompson, Loans Clerk
Neva Essery, MSR / Accounting Clerk	
Bonny MacLeod, Member Service Rep.	
Bobbi Jodouin, Head Teller	

MANAGEMENT COMMITTEE:

Paul Pupo
Rob Parker
John Spurrill

AUDITORS: Adams Wooley

SOLICITORS: Ewan & McKenzie

OFFICE HOURS:

Monday to Thursday	10:00 a.m. to 4:00 p.m.
Friday	10:00 a.m. to 5:00 p.m.
Saturday / Sunday	CLOSED

Telephone Numbers:	Main: (250) 344-2282	Toll Free:	1-888-298-1777
	Loans: (250) 344-7024	Phone Banking:	(250) 344-7968
	Fax: (250) 344-2117	Phone Banking Toll Free:	1-866-344-7968
	Internet: www.cvcu.bc.ca	E-mail:	cvcu@cvcu.bc.ca

**3 ATM'S, Rolled Coin / Bill Dispenser Open 24 Hours In The Credit Union Lobby
Drive Thru ATM / Night Deposit at Petro-Can on the Trans-Canada Open 24/7**

55th Annual Meeting of Columbia Valley Credit Union

April 14, 2010

5

The 55th Annual General Meeting of Columbia Valley Credit Union was called to order at 7:30 p.m. by President Paul Ricard, after the requirements for a quorum were met. There were 63 members present.

INTRODUCTIONS: President Paul Ricard introduced the General Manager, Paul Pupo, and Jim Wooley of Adams Redding Wooley, along with the Board of Directors, to the members present.

AGENDA: It was moved by John Spurrill and seconded by Atma Sandher that the agenda for the 55th Annual General Meeting for Columbia Valley Credit Union be accepted. Motion carried.

MINUTES OF THE 54th ANNUAL MEETING: The minutes of the last Annual General Meeting were circulated and read by the members present. It was moved by Erica Badior and seconded by Lyle Johnson that the minutes of the 54th Annual General Meeting, held on April 15, 2009, be accepted as circulated. Motion carried.

BUSINESS ARISING OUT OF MINUTES: There was no business arising out of the minutes.

GENERAL MANAGER'S / PRESIDENT'S REPORT (On behalf of the Board of Directors): President Paul Ricard presented the General Manager's / Board of Directors' Report, which was consolidated into one report. It was moved by Atma Sandher and seconded by Helen Bryant that the General Manager's / Board of Directors' Report be accepted as presented. Motion carried.

AUDITOR'S REPORT: Jim Wooley of Adams Redding Wooley, external auditors for Columbia Valley Credit Union for the years 2007-2009, was in attendance. Mr. Wooley presented the Auditor's Report for 2009. He explained various aspects of the financial report to the members present. It was moved by Glen Ewan and seconded by John Spurrill that the Auditor's Report be accepted as presented. Motion carried. It was moved by Glen Ewan and seconded by Connie Barlow to accept the Financial Statements as presented. Motion carried.

NOMINATING COMMITTEE REPORT: It was moved by Lyle Johnson and seconded by John Spurrill to accept the Nominating Committee Report as presented by Paul Ricard. Motion carried. Gary Bjarnason addressed the members present stating that Columbia Valley Credit Union is always looking for new directors as there are always directors retiring and they need new candidates. If anyone is interested, or know of someone that might be interested, please contact one of the directors for a Director's Nomination Package. In response to Gary Bjarnason's comments, Cyril Page stated that he took two Board of Director Applications around town and could not get anyone to volunteer. He feels the Credit Union is not well favoured and that maybe the directors should look into the relationship it has with its members and the community.

ELECTIONS: There were two vacancies on the Board of Directors this year. Incumbents Gary Bjarnason and Atma Sandher let their names stand for re-election. As there were no other candidates running, no election took place. Gary Bjarnason and Atma Sandher will be the two directors of Columbia Valley Credit Union for a three year term.

ORDINARY RESOLUTION: There were no Ordinary Resolutions.

APPOINTMENT OF AUDITORS: Cyril Page made a suggestion that we put external auditing services out to tender as the current contract for the years 2007-2009 had expired. President, Paul Ricard, responded that this process is part of the Audit Committee's Terms of Reference and Responsibility. It was moved by Atma Sandher and seconded by Glen Ewan to appoint the firm of Adams Redding Wooley of Cranbrook (soon to be Adams Wooley) as our external auditors for 2010. Motion carried. Every year, a motion has to be put to the floor to accept the auditors for the current year.

NEW BUSINESS: Questions were raised and much discussion took place on issues that Cyril Page and Phil Dougherty brought to the floor, including Board of Directors Budget, pension plans, salaries / benefits and lending. The General Manager, Paul Pupo, the President of the Board of Directors, Paul Ricard and External Auditor, Jim Wooley responded to the best of their abilities but, with confidentiality issues, some of the questions and concerns of these members could not be discussed.

Cyril Page also brought up the matter of Dividends and Loan Rebates and why Columbia Valley Credit Union did not pay Loan Rebates for 2009. President, Paul Ricard, explained we are regulated by the Financial Institution Commission and that only 40% of our profit can be distributed to the members. Cyril Page made a motion to declare a 4% Share Dividend and an 8% Loan Rebate for 2009 and was seconded by Brenda Smith. Parliamentarian, Glen Ewan, said that it would be unconstitutional as the Credit Union is not authorized to go against the bylaws that govern all Credit Unions and would be in violation of the Financial Institutions Act and, therefore, the motion is out of order. A vote resulted with 62 opposed to the motion and 1 in favour so the motion was defeated.

GOOD AND WELFARE: There were six draws of \$50.00 each. Winners were: Adrian Beauregard, Gurnam K. Barn, Liz Hartwig, Len Pagliaro, Mark Badior and Paul Hambruch. Congratulations to the winners. As in the past three years the Directors, Staff and their spouses did not participate in the draws.

ADJOURNMENT: It was moved by Adrian Beauregard seconded by Erica Badior to adjourn the 55th Annual General Meeting of Columbia Valley Credit Union on April 14, 2010 at 8:20 p.m. Motion carried.

General Manager's / President's Report

The past several years have presented significant challenges for our Credit Union. The main challenge in 2009 and 2010 was the dramatic fall of interest rates to levels not seen in over 50 years.

Early in 2010, we recognized the need to refocus and alter our Business Model by changing the way we do business. Through teamwork, we effectively managed through this financial crisis and deteriorating local, national and global economic environment. Our financial position has improved to more normal levels and, with our 32% Capital Position and extra Liquidity, we are well positioned to take advantage of the next local growth cycle anticipated in 2012.

We continue to make significant updates to our Business Model to achieve long term sustainability and to ensure our ability to serve all our members well in to the future. A big part of our new Business Model and new direction was to begin the process to upgrade and Re-Brand the interior of our Credit Union to allow for relationship building, more privacy and to provide a new feel and experience for our members. We have incorporated different zones within our branch design to provide Sit-Down Service, an Electronic Banking Centre and a 650 square foot Video Conferencing/ Meeting/Seminar Room. Over the coming year we will be working on strengthening our relationship with our members and the community by providing more value added financial services with the assistance of our Strategic Partners and by utilizing our state-of-the-art Video Conferencing Room.

Your Board of Directors has made significant improvement in our Governance and Reporting. With the assistance of our friends at Central 1 Credit Union, we have revised and implemented new Terms of Reference for all Board Committees and have completed the Board Self-Assessment Program. We continue to focus on our Governance and execution of our Strategic Plan to position our Credit Union for the many challenges facing our members and the community.

The Management Team and Board of Directors are planning for a healthy financial future for our membership and community. We are confident that we are well positioned and ready to weather the current financial situation and global upheaval that 2011 will bring.

We are very thankful for our member's patronage and support over the years. Without you, and the dedication of Management and staff, we would not be the successful Credit Union we are today.

Respectively Submitted,



Paul Pupo
General Manager



Paul Ricard
President, Board of Directors

Nominating Committee Report

Qualifications for a Director of a Credit Union state that a Director must be a Member in good standing, who is over the age of 19 years and who meets the criteria as set out by the Credit Union Act and accompanying rules and regulations of Columbia Valley Credit Union. There are seven Directors, three of whom are elected each year for a three-year term. This year we have 3 vacancies for three-year terms on the Board of Directors.

In our January, 2011 Newsletter our Nominating Committee served notice to our members of an election of Directors at the upcoming Annual General Meeting on April 20, 2011 as per our rules 4.9 to 4.15. The Nominating Committee is pleased to submit the following name as the candidate for the vacancy for Director of Columbia Valley Credit Union. Refer to Credit Union Rules 4.1-4.59 for qualifications and additional information in our Credit Union Rules.

Respectfully submitted,



Paul Ricard

Nomination:

Connie Barlow, Incumbent

Lyle Johnson, Incumbent

Scott King



Financial
Statements

COLUMBIA VALLEY CREDIT UNION

Financial Statements

Year Ended December 31, 2010

COLUMBIA VALLEY CREDIT UNION

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Year Ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Members of Columbia Valley Credit Union

We have audited the accompanying financial statements of Columbia Valley Credit Union, which comprise the balance sheet as at December 31, 2010, and the statements of earnings and retained earnings and cash flow 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 Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

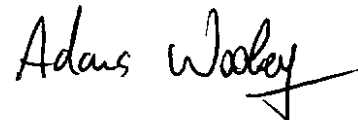
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Columbia Valley Credit Union as at December 31, 2010, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Cranbrook, BC
February 24, 2011

Adams Wooley
Certified General Accountants

Management's Responsibility for Financial Reporting

The financial statements of Columbia Valley Credit Union have been prepared in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Columbia Valley Credit Union's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Adams Wooley, Certified General Accountants, in accordance with Canadian auditing standards.



Mr. Paul Ricard, President



Mr. Paul Pupo, General Manager

Golden, BC
February 24, 2011

COLUMBIA VALLEY CREDIT UNION

Balance Sheet

December 31, 2010

	2010	2009
ASSETS		
CASH AND TERM DEPOSITS	\$ 57,682,606	\$ 67,740,347
MEMBERS' LOANS (Note 2)	84,327,899	82,872,878
OTHER (Note 3)	78,409	311,907
INVESTMENTS (Note 4)	920,437	960,687
PROPERTY, PLANT AND EQUIPMENT (Note 5)	1,616,913	1,827,457
	<u>\$ 144,626,264</u>	<u>\$ 153,713,276</u>
LIABILITIES AND MEMBERS' EQUITY		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (Note 6)	\$ 629,539	\$ 765,284
MEMBERS' DEPOSITS (Note 7)	116,502,591	125,092,291
MEMBERS' SHARES (Note 8)	105,626	110,281
	<u>117,237,756</u>	<u>125,967,856</u>
MEMBERS' EQUITY		
Share capital (Note 8)	15,848,409	16,882,166
Retained earnings	11,540,099	10,863,254
	<u>27,388,508</u>	<u>27,745,420</u>
	<u>\$ 144,626,264</u>	<u>\$ 153,713,276</u>

ON BEHALF OF THE BOARD

Paul Ricard _____ Director

Connie Barlow _____ Director

The attached notes are an integral part of these financial statements.

COLUMBIA VALLEY CREDIT UNION
Statement of Earnings and Retained Earnings
Year Ended December 31, 2010

	2010	2009
FINANCIAL INCOME		
Interest from Loans	\$ 4,600,329	\$ 4,655,140
Interest from Investments	632,549	879,590
	<u>5,232,878</u>	<u>5,534,730</u>
FINANCIAL EXPENSES		
Interest on Deposits	2,536,140	3,458,246
Interest on Borrowed Funds	-	2,809
	<u>2,536,140</u>	<u>3,461,055</u>
FINANCIAL MARGIN (52%; 2009 - 37%)	<u>2,696,738</u>	<u>2,073,675</u>
OTHER INCOME (EXPENSES)		
Service Fees, Commissions and Rental	917,852	1,160,954
Processing and Handling Fees	(84,851)	(82,329)
Losses on Loans	(64,062)	(26,769)
	<u>768,939</u>	<u>1,051,856</u>
	3,465,677	3,125,531
OPERATING EXPENSES (Schedule 1)	<u>(2,318,198)</u>	<u>(2,524,638)</u>
EARNINGS BEFORE DISTRIBUTIONS AND TAXES	1,147,479	600,893
REWARDS TO MEMBERS (Note 10)	<u>(376,825)</u>	<u>(228,876)</u>
EARNINGS BEFORE INCOME AND CAPITAL TAXES	770,654	372,017
INCOME AND CAPITAL TAXES (Note 11)	<u>(93,809)</u>	<u>(98,434)</u>
NET EARNINGS	676,845	273,583
RETAINED EARNINGS - BEGINNING OF YEAR	<u>10,863,254</u>	<u>10,589,671</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 11,540,099</u>	<u>\$ 10,863,254</u>

The attached notes are an integral part of these financial statements.

COLUMBIA VALLEY CREDIT UNION

Operating Expenses

(Schedule 1)

Year Ended December 31, 2010

	2010	2009
Administrative		
Staff Salaries	\$ 799,926	\$ 844,763
Data Processing and Accounting	324,446	354,435
Staff Benefits	211,086	305,924
Director and Committee Costs	52,105	71,937
Telephone	32,294	28,750
Postage	31,595	32,092
Stationery and Supplies	25,285	28,408
Insurance	24,663	23,844
Staff Travel and Training	10,722	6,688
	<u>1,512,122</u>	<u>1,696,841</u>
Building and Occupancy		
Amortization	69,958	69,958
Property Taxes	30,034	26,075
Rental	19,530	18,900
Insurance	18,080	13,998
Utilities	17,928	16,851
Janitor	17,180	17,188
Repairs and Maintenance	13,712	24,129
	<u>186,422</u>	<u>187,099</u>
Other		
Amortization	283,992	271,573
Dues	109,205	123,860
Stabilization Central Assessment Fees	70,987	74,195
Audit and Inspection	55,821	47,178
Miscellaneous	40,972	48,404
Equipment Rental and Maintenance	22,571	16,062
Legal and Collection	19,638	39,484
Promotion and Advertising	16,468	19,942
	<u>619,654</u>	<u>640,698</u>
TOTAL	<u>\$ 2,318,198</u>	<u>\$ 2,524,638</u>

The attached notes are an integral part of these financial statements.

COLUMBIA VALLEY CREDIT UNION**Statement of Cash Flow****Year Ended December 31, 2010**

	2010	2009
OPERATING ACTIVITIES		
Net income	\$ 676,845	\$ 273,583
Item not affecting cash:		
Amortization	<u>353,950</u>	341,531
	<u>1,030,795</u>	615,114
Changes in non-cash working capital:		
Other Assets	233,498	(100,859)
Accounts Payable and Accrued Liabilities	<u>(135,745)</u>	<u>(178,053)</u>
	<u>97,753</u>	(278,912)
Cash flow from operating activities	<u>1,128,548</u>	336,202
INVESTING ACTIVITIES		
Members' Loans	(1,455,021)	(542,845)
Investments	40,250	(464,492)
Additions to Property, Plant and Equipment - Net	<u>(143,406)</u>	<u>(421,572)</u>
Cash flow used by investing activities	<u>(1,558,177)</u>	(1,428,909)
FINANCING ACTIVITIES		
Members' Deposits	(8,589,700)	(7,662,777)
Members' Shares	(4,655)	1,545
Equity Shares	<u>(1,033,757)</u>	<u>1,247,337</u>
Cash flow used by financing activities	<u>(9,628,112)</u>	(6,413,895)
DECREASE IN CASH FLOW	(10,057,741)	(7,506,602)
Cash - beginning of year	<u>67,740,347</u>	<u>75,246,949</u>
CASH - END OF YEAR	\$ 57,682,606	\$ 67,740,347
CASH CONSISTS OF:		
Cash	\$ 12,273,672	\$ 12,941,655
Deposits - Special and Term	<u>45,408,934</u>	<u>54,798,692</u>
	<u>\$ 57,682,606</u>	<u>\$ 67,740,347</u>

The attached notes are an integral part of these financial statements.

COLUMBIA VALLEY CREDIT UNION

Notes to Financial Statements

Year Ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared on an historical cost basis using Canadian Generally Accepted Accounting Principles (“GAAP”), with notes describing the changes required to reflect the adoption of International Financial Reporting Standards (“IFRS”) effective January 1, 2011.

Changes in accounting policies

International Financial Reporting Standards:

The accounting policies adopted are consistent with those used in the previous financial year except that the credit union has adopted International Financial Reporting Standards (“IFRS”) effective January 1, 2011, in accordance with the implementation plan published by the Canadian Accounting Standards Board (“AcSB”). Adoption of IFRS will require the restatement of certain figures from 2010 in order to provide a meaningful comparison in the future.

The amounts to be restated are described in greater detail in Note 5 and Note 17.

Impairment losses on loans and advances

The credit union reviews its loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the credit union makes judgments about the borrower’s financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the estimated present value of the asset. The carrying value of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Although interest continues to accrue in such a circumstance it is not recorded as income, or if it is recorded as income the allowance is increased by any such income, so no increase in net income is achieved on an impaired asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the credit union. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to “Loan loss expense”.

The impairment loss on loans and advances is disclosed in more detail in Note 2(b).

Derecognition of financial assets and liabilities

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The credit union has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement and has either transferred substantially all the risks and rewards of the asset, or has transferred control of the asset.

(continues)

COLUMBIA VALLEY CREDIT UNION

Notes to Financial Statements

Year Ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment has historically been recorded at cost, less accumulated amortization based on the expected useful life of each specific asset.

Amortization is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not amortized. The estimated useful lives are as follows:

Building	40 years
Furniture and equipment	3 to 7 years
Motor vehicles	7 years

As a first time adopter of IFRS, the credit union is allowed to recognise previously unrecognised increases resulting from the fair value being greater than original cost. Following initial recognition any changes to fair value will be monitored on a regular basis. If events or changes in circumstances indicate that the fair value has been impaired, or has increased, the carrying value of the asset will be adjusted to the fair value.

International Accounting Standard (“IAS”) 16 allows for the segregation of assets for IFRS 1 implementation. The credit union, by resolution of the Board of Directors, decided to segregate the land from the building for this purpose. The fair value of the land, as determined from an appraisal prepared by Corrie Appraisals Ltd. on January 21, 2010, will recognise an increase in the carrying value of the land asset by a total of \$278,191. The offsetting entry will increase the retained earnings of the credit union by the same amount.

The increase in the carrying value of the land is shown in more detail in Note 5.

Comprehensive income

Comprehensive income is comprised of net income and other comprehensive income. Major components of other comprehensive income that may impact the credit union include unrealized gains and losses on financial assets classified as “available for sale”, and changes in fair value of the effective portion of cash flow hedging instruments. During the year ended December 31, 2010 the credit union did not have any financial assets subject to the calculation of other comprehensive income.

(continues)

COLUMBIA VALLEY CREDIT UNION

Notes to Financial Statements

Year Ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments - Recognition and Measurement

Both GAAP and IFRS provide direction on recognising and measuring financial assets and liabilities and derivatives. All financial instruments should be measured at their fair value on initial recognition and are to be classified as: held to maturity; loans and receivables; held for trading; available for sale; or other liabilities. Financial assets and liabilities held for trading will be measured at their fair values with gains and losses recognised in net income. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading will be measured at amortised cost. Available for sale financial instruments will be measured at fair value with unrealized gains and losses recognised in other comprehensive income.

Financial assets that would be eligible for classification as loans and receivables (i.e. those assets which, apart from not being held with the intent of sale in the near term, have fixed or determinable payments, are not quoted in an active market and contain no features which could cause the holder not to recover substantially all of its initial investment except through credit deterioration) may be recognised as loans and receivables, if the credit union has the intention and the ability to hold them for the foreseeable future. Financial assets that are not eligible for classification as loans and receivables, may be transferred from “held-for-trading” to “available-for-sale or to “held-to-maturity” only in rare circumstances.

Amendments to IAS 39, which governs the recognition of financial instruments under IFRS, are currently being considered and it is anticipated that changes may be recommended in the future. Any such changes will be examined for application to the credit union.

Future income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Measurement uncertainty

The preparation of financial statements in conformity with GAAP and IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates relates to the determination of potential loan losses and the useful life of property and equipment. Actual results could differ from these estimates.

Financial guarantees

In the ordinary course of business, the credit union gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees are initially recognised in the financial statements at fair value, being the fee received, which is recognised in the income statement. Subsequent to initial recognition, the credit union’s liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees in excess of the security held is recognised in the income statement as a Loss on Loans Expense.

Provision for rewards to members

Dividends payable on shares and Member Rewards (Patronage Rebates) are charged to earnings for the year as reflected in the income statement.

The amounts established for the current year are set out in more detail in Note 10.

COLUMBIA VALLEY CREDIT UNION

Notes to Financial Statements

Year Ended December 31, 2010

2. MEMBERS' LOANS

	<u>2010</u>	<u>2009</u>
a)		
Residential Mortgages	\$ 59,834,290	\$ 60,463,865
Commercial Mortgages and Loans	15,787,745	13,998,575
Personal Loans	7,331,115	7,154,041
Commercial Revolving Credits	2,023,596	1,849,907
Accrued Interest Receivable	<u>214,908</u>	<u>241,575</u>
	85,191,654	83,707,963
Deduct: Allowance for Impaired Loans	<u>(863,755)</u>	<u>(835,085)</u>
	<u>\$ 84,327,899</u>	<u>\$ 82,872,878</u>

Loans totaling \$2,720,638 to related parties and staff are included in members' loans (2009 - \$3,375,457).

As part of its remuneration and benefit package the Credit Union offers staff members a reduction from current interest rates subject to specific maximum amounts as approved by the Financial Institutions Commission.

In the normal course of business, the credit union issues Letters of Credit on behalf of its members, with deposits or other property pledged as security. These undrawn amounts of \$833,446 at December 31, 2010 (2009 - \$842,480) are not included in the balance sheet.

	<u>2010</u>	<u>2009</u>
b)		
Allowance for Impaired Loans - Beginning	\$ 835,085	\$ 812,790
Provision Charged to Operations - Net	<u>64,827</u>	<u>24,887</u>
	899,912	837,677
Loans Written Off	<u>(36,157)</u>	<u>(2,592)</u>
	\$ 863,755	\$ 835,085

3. OTHER

	<u>2010</u>	<u>2009</u>
Prepaid Expenses	\$ 64,080	\$ 79,613
Accounts Receivable	5,610	181,906
Corporate Tax Recoverable	<u>8,719</u>	<u>50,388</u>
	<u>\$ 78,409</u>	<u>\$ 311,907</u>

COLUMBIA VALLEY CREDIT UNION

Notes to Financial Statements

Year Ended December 31, 2010

4. INVESTMENTS

	<u>2010</u>	<u>2009</u>
Southern Interior Innovation Fund Inc.	\$ 500,000	\$ 500,000
Central 1 Credit Union - Class A Shares	362,281	397,531
CUPP Services Ltd. Shares	57,910	57,910
Stabilization Central Shares	171	171
Central 1 Credit Union - Class E Shares	75	75
Credit Union Brokerage	-	5,000
	<u>\$ 920,437</u>	<u>\$ 960,687</u>

The shares in Central 1 Credit Union and Stabilization Central Credit Union are held pursuant to the Financial Institutions Act and the Credit Union Corporation Act.

The Class "A" and "E" shares that the credit union holds in Central 1 Credit Union are considered as Available For Sale for the purposes of GAAP and IFRS and are to be measured at fair value, unless they do not have a quoted market price in an active market and the value cannot be reliably measured. For the purposes of the implementation to IFRS it has been determined that the shares in Central 1 Credit Union do not have an active market and the value cannot be reliably measured. There is also no indication that the fair value has been impaired; therefore, the investment in Central 1 Credit Union shares will continue to be reflected at cost until a change in the fair value of the shares can be reliably identified.

The investment in Southern Interior Innovation Fund Inc. consists of 500,000 Class A shares at a cost of \$1 each. As a result of this investment, the credit union has received a British Columbia Tax Credit Certificate, resulting in a provincial tax credit of \$42,878 for the taxation year ended December 31, 2010 (2009 = \$9,489).

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	\$ 108,309	\$ -	\$ 108,309	\$ 108,309
Building	1,925,544	832,031	1,093,513	1,163,471
Furniture and equipment	2,452,555	2,043,804	408,751	542,998
Motor vehicles	44,376	38,036	6,340	12,679
	<u>\$ 4,530,784</u>	<u>\$ 2,913,871</u>	<u>\$ 1,616,913</u>	<u>\$ 1,827,457</u>

As a result of an appraisal prepared by Corrie Appraisals Ltd. on January 21, 2010 the carrying value of the lands owned by the credit union will be increased to fair value as at January 1, 2011 in accordance with the provisions of IFRS 1 and IAS 16. The credit union owns two parcels of land in Golden, B.C., with a combined historical cost of \$108,309. The fair value of the land, as determined from the appraisal prepared by Corrie Appraisals Ltd. on January 21, 2010 is:

- Main Street \$263,500
- 8th Avenue \$123,000

The increase in the carrying value of the lands will therefore be \$278,191.

The internal financial statements prepared monthly throughout 2011 and the financial statements prepared for the year ended December 31, 2011 will recognise the comparative amount effective January 1, 2010.

COLUMBIA VALLEY CREDIT UNION

Notes to Financial Statements

Year Ended December 31, 2010

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2010</u>	<u>2009</u>
Dividends Payable	\$ 299,206	\$ 228,873
Accounts Payable and Accruals	294,388	483,871
Future Income Taxes	35,945	52,540
	<u>\$ 629,539</u>	<u>\$ 765,284</u>

7. MEMBERS' DEPOSITS

	<u>2010</u>	<u>2009</u>
Term Deposits	\$ 49,879,848	\$ 55,772,597
Demand Deposits	38,604,815	41,218,544
Registered Savings Plans	27,289,959	27,225,660
Accrued Interest Payable	727,969	875,490
	<u>\$ 116,502,591</u>	<u>\$ 125,092,291</u>

8. MEMBERS' SHARES

The Credit Union has authorized the establishment of three classes of shares:

a) Class "A" Membership Equity Shares: Each share has a par value of \$1.00. The minimum requirement for membership is 25 Class "A" Equity Shares (5 shares for junior members). Voting rights are determined by membership, not number of shares held. Each member is entitled to one vote.

b) Class "C" Voluntary Equity Shares: Each share has a par value of \$1.00. Members may voluntarily purchase up to a total of 5,000 Class "C" Voluntary Equity Shares. They are redeemable at the discretion of the board or at the option of the member, within specified parameters as set out by the board. There are no shares of this class issued to members.

c) Class "D" Non-Equity Shares: Each share has a par value of \$1.00. Interest dividends may be established at the direction of the board of directors. They can be paid as further shares of any class of shares, or cash, as the board determines.

As at December 31, 2010 the three classes of shares consisted of the following issued and fully paid shares:

	<u>2010</u>	<u>2009</u>
Class "A" Membership Equity Shares	\$ 105,626	\$ 110,281

	<u>2010</u>	<u>2009</u>
Class "D" Non-Equity Shares	\$ 15,848,409	\$ 16,882,166

The Class "A" and "C" equity shares are not guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia.

COLUMBIA VALLEY CREDIT UNION

Notes to Financial Statements

Year Ended December 31, 2010

9. DIRECTORS' REMUNERATION

During the current year, the directors, in their capacity as directors, received remuneration in the amount of \$28,050 (2009 - \$21,200).

10. REWARDS TO MEMBERS

During the year, dividends on shares and Patronage Refunds were declared as follows:

	<u>2010</u>	<u>2009</u>
Share Dividend - Non-Equity Shares	<u>\$ 376,825</u>	<u>\$ 228,876</u>

11. INCOME AND CAPITAL TAXES

	<u>2010</u>	<u>2009</u>
Current Income Taxes	\$ 100,804	\$ 31,276
Future Income Taxes	(16,595)	21,658
B.C. Corporation Capital Tax	<u>9,600</u>	<u>45,500</u>
	<u>\$ 93,809</u>	<u>\$ 98,434</u>

The current income tax rate is less than the general corporate income tax rate due to the extended small business rate reduction available to credit unions.

12. CAPITAL REQUIREMENTS

The Financial Institutions Act, Under which the Credit Union operates, requires that a prescribed amount be maintained in Retained Earnings. The prescribed amount forms part of the capital adequacy requirements of the Credit Union and is not available for distribution. At December 31, 2010 the Credit Union exceeded its statutory capital adequacy requirement.

13. DEFINED PENSION / RETIREMENT BENEFITS

The credit union participates in a multi-credit union defined benefit pension plan. Contributions are made by the credit union and the employees, and pensions are based on years of service, contributions and average earnings at retirement. An actuarial valuation is performed periodically to determine the present value of the accrued pension benefits.

In addition to providing pension benefits as above, the credit union has provided for a Supplementary Executive Retirement Plan (SERP) for the General Manager as compensation for the amount of loss due to the income tax limit. The accrued liability included in accounts payable and accrued liabilities at December 31, 2010 is \$103,380 (2009 - \$91,061).

COLUMBIA VALLEY CREDIT UNION

Notes to Financial Statements

Year Ended December 31, 2010

14. LEASE COMMITMENTS

The credit union leases premises adjoining the Trans Canada Highway PetroCanada location under a long term lease that expires on June 30, 2013. Under the lease, the credit union is required to pay a base rent of \$18,000 plus HST per annum for the five-year term. At the end of the initial five-year term, the credit union has the option of renewing the lease for a further five-year term. In the event the credit union does not renew the lease at the end of the initial five-year term, the landlord has agreed to purchase all the right title and interest of the premises for the sum of \$80,000.

Future minimum lease payments as at year end are as follows:

2011	\$	20,160
2012		20,160
2013		10,080
		<u>50,400</u>
	\$	<u>50,400</u>

15. INTEREST RATE RISK

Interest rate risk refers to the potential impact on the Credit Union's earnings and net asset values due to changes in interest rates. Interest rate risk arises primarily from differences in the maturity or expiring dates of assets and liabilities. When the terms of asset and liability instruments differ the difference is commonly referred to as a "mismatch".

The Credit Union monitors interest rate risk inherent in the portfolio. The following table sets out the net mismatch position as at December 31, 2010.

	Within 1 Year	1 to 5 Years	Not Interest Sensitive	2010	2009
<u>Assets</u>					
Cash and Term					
Deposits	\$ 45,300,000	\$ -	\$ 12,382,606	\$ 57,682,606	\$ 67,740,347
Loans	11,859,992	53,453,504	19,014,403	84,327,899	82,872,878
Other	-	-	2,615,759	2,615,759	3,100,051
	<u>57,159,992</u>	<u>53,453,504</u>	<u>34,012,768</u>	<u>144,626,264</u>	<u>153,713,276</u>
<u>Liabilities and</u>					
<u>Members'</u>					
<u>Accounts</u>					
Members' Deposits	32,984,595	40,694,798	58,777,233	132,456,626	142,084,738
Other	-	-	12,169,638	12,169,638	11,628,538
	<u>32,984,595</u>	<u>40,694,798</u>	<u>70,946,871</u>	<u>144,626,264</u>	<u>153,713,276</u>
	<u>\$ 24,175,397</u>	<u>\$ 12,758,706</u>	<u>\$ (36,934,103)</u>	<u>\$ -</u>	<u>\$ -</u>

COLUMBIA VALLEY CREDIT UNION

Notes to Financial Statements

Year Ended December 31, 2010

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair values of the financial instruments are set out below. Fair values have been assumed, for property and equipment or any other asset or liability that is not a financial instrument, to be book value.

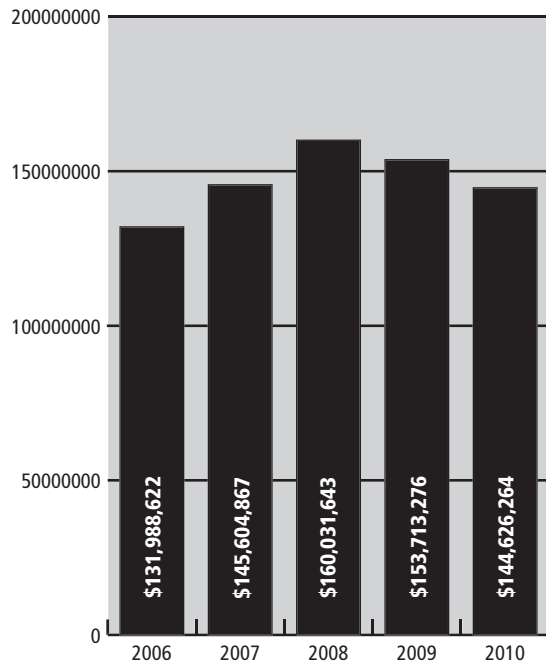
	2010		2009	
	Book Value	Fair Value	Book Value	Fair Value
<u>Assets</u>				
Cash and Term Deposits	\$ 57,682,606	\$ 57,682,606	\$ 67,740,347	\$ 67,740,347
Members' Loans	84,327,899	85,521,447	82,872,878	84,123,595
Other Investments	2,615,759	2,615,759	3,100,051	3,100,051
	144,626,264	145,819,812	153,713,276	154,963,993
<u>Liabilities</u>				
Members' Deposits and Shares	\$ 132,456,626	\$ 134,575,464	\$ 142,084,738	\$ 145,682,175
Accounts Payable and Accrued Liabilities	629,539	629,539	765,284	765,284
Retained Earnings	11,540,099	11,540,099	10,863,254	10,863,254
	144,626,264	146,745,102	153,713,276	157,310,713

The fair value of items which are highly liquid or short-term in nature approximates their carrying value (such items consist of cash, investments and other assets and liabilities that are considered current). The fair value of loans and member deposits with fixed rates is estimated using present value calculations based on the differences between actual and market rates for similar types of instruments. The fair value of loans and member deposits with rates of interest is assumed to be their carrying value.

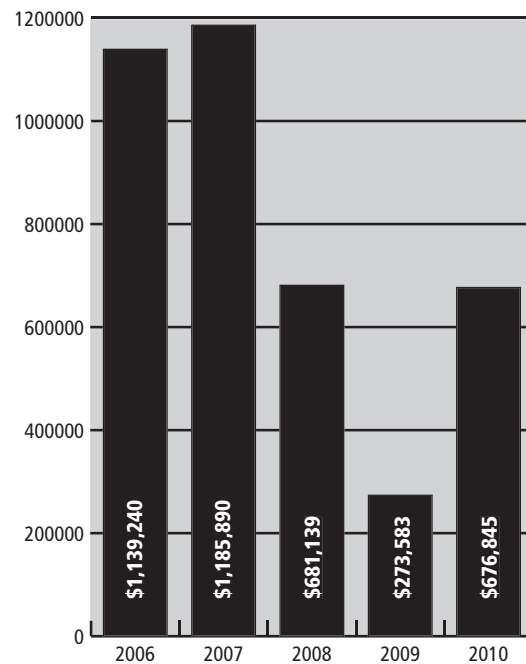
17. RETAINED EARNINGS

As a result of the increase to the carrying value of the lands owned by the credit union, as set out in Note 5, retained earnings will be increased by \$278,191 effective January 1, 2011. Comparative figures presented monthly throughout 2011 and the financial statements prepared for the year ended December 31, 2011 will recognise the comparative increase effective January 1, 2010.

Total Assets



Net Earnings



Financial Statement Statistics

	2004	2005	2006	2007	2008	2009	2010
Assets	106,604,778	114,207,370	131,988,622	145,604,867	160,031,643	153,713,276	144,626,264
Net Income	654,947	789,599	1,139,240	1,185,890	681,139	273,583	676,845
Dividend	3.5%	3.5%	4.5%	5.0%	4.0%	1.5%	2.0%
Loan Patronage Refund	3.5%	3.5%	4.5%	5.0%	4.0%	0%	2.0%
Retained Earnings	6,793,802	7,583,401	8,722,641	9,908,531	10,589,670	10,863,254	11,540,099
Retained Earnings as % Loans	9.50%	9.90%	11.34%	11.92%	12.86%	13.10%	13.68%





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