



Your  
**CREDIT  
UNION**

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# It's All About People

**Financial Statements  
For the year ended September 30, 2010**

# Your Credit Union Limited

September 30, 2010

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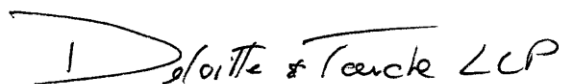
## Auditors' Report

To the Members of Your Credit Union Limited

We have audited the balance sheet of Your Credit Union Limited as at September 30, 2010 and the statements of operations and undivided earnings and cash flows for the year then ended. These financial statements are the responsibility of the Credit Union's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Credit Union as at September 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants  
Licensed Public Accountants

October 29, 2010

# Your Credit Union Limited

## Statement of operations and undivided earnings

year ended September 30, 2010

(Tabular amounts expressed in thousands of dollars)

	2010	2009
	\$	\$
<b>Interest revenue (Note 12)</b>	<b>7,692</b>	8,063
Investment income		
Interest and other investment revenue	429	695
Write-up (down) of investment in CUCO shares and investment in ABCP Limited Partnership (Note 5)	108	(272)
	537	423
	8,229	8,486
Interest expense (Note 13)	3,021	4,068
Financial margin	5,208	4,418
Other revenue	1,584	1,611
	6,792	6,029
Operating expenses		
Salaries and benefits	3,607	3,499
Amortization of property and equipment	361	342
Provision for losses on loans (Note 7)	157	151
DICO deposit insurance	224	220
Administrative expenses	2,283	2,371
	6,632	6,583
Income (loss) before income taxes	160	(554)
Income taxes (Note 14)		
Current (recovered)	52	(129)
Future	-	(32)
	52	(161)
Net income (loss) for the year	108	(393)
Undivided earnings, beginning of year	7,224	7,617
<b>Undivided earnings, end of year</b>	<b>7,332</b>	7,224

# Your Credit Union Limited

## Balance sheet

as at September 30, 2010


(Tabular amounts expressed in thousands of dollars)

	2010	2009
	\$	\$
<b>Assets</b>		
Cash and cash equivalents (Note 4)	<b>23,300</b>	9,513
Investments (Note 5)	<b>20,371</b>	24,740
Loans to members (Note 7)	<b>158,253</b>	155,273
Property and equipment (Note 8)	<b>5,382</b>	5,271
Other assets		
Accrued interest receivable	<b>224</b>	295
Accounts receivable	<b>66</b>	79
Income taxes receivable	-	82
Prepaid expenses and other assets	<b>741</b>	597
Derivative financial instruments (Note 21)	<b>592</b>	333
	<b>208,929</b>	196,183
<b>Liabilities</b>		
Members' deposits (Note 9)	<b>196,231</b>	184,430
Other liabilities		
Accounts payable and accrued liabilities	<b>1,168</b>	582
Income taxes payable	<b>41</b>	-
Future income tax (Note 14)	<b>28</b>	28
Derivative financial instruments (Note 21)	<b>592</b>	333
Members' shares (Note 10)	<b>3,537</b>	3,586
	<b>201,597</b>	188,959
<b>Members' equity</b>		
Undivided earnings	<b>7,332</b>	7,224
	<b>208,929</b>	196,183

Approved by the Board



Director



Director

# Your Credit Union Limited

## Statement of cash flows

year ended September 30, 2010

(Tabular amounts expressed in thousands of dollars)

	2010	2009
	\$	\$
<b>Cash flows from operating activities</b>		
Net income (loss) for the year	108	(393)
Adjustments for non-cash items		
Dividends on Class B Investment shares	97	86
Provision for losses on loans	157	151
Amortization of property and equipment	361	342
Future income taxes (recovered)	-	(32)
	<b>723</b>	154
Net changes in non-cash working capital items (Note 15)	<b>649</b>	(268)
	<b>1,372</b>	(114)
<b>Cash flows from investing activities</b>		
Acquisition of investments	-	(4,771)
Proceeds from sale of investments	4,369	-
Net increase in loans to members	(3,137)	(6,692)
Net purchase of property and equipment	(472)	(73)
	<b>760</b>	(11,536)
<b>Cash flows from financing activities</b>		
Net increase in members' deposits	11,801	5,487
Net decrease in membership shares	(17)	(26)
Net decrease in Class B Investment shares	(129)	(225)
	<b>11,655</b>	5,236
Increase (decrease) in cash and cash equivalents	<b>13,787</b>	(6,414)
Cash and cash equivalents, beginning of year	<b>9,513</b>	15,927
<b>Cash and cash equivalents, end of year</b>	<b>23,300</b>	9,513

Additional information is presented in Note 15.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 1. Nature of business

The Credit Union is incorporated under the Credit Unions and Caisses Populaires Act of Ontario (the Act) and is therefore regulated through a regulatory framework that involves the Ministry of Finance, the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO).

The Credit Union is a member of Central 1 Credit Union (Central 1), successor to Credit Union Central of Ontario (CUCO).

### 2. Changes in accounting policies

#### *Credit risk and the fair value of financial assets and financial liabilities*

In January 2009, the Emerging Issues Committee ("EIC") issued Abstract No. 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparty(s) when determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC, which was effective for the Credit Union on October 1, 2009, had no impact on financial position or results of operations.

#### *Effective interest method – amendments to: financial instruments – recognition and measurement, section 3855*

In June 2009, the Canadian Institute of Chartered Accountants ("CICA") clarified Section 3855 with respect to the effective interest method which is a method of calculating the amortized cost of financial assets and financial liabilities and of allocating the interest income or interest expense over the relevant period. The impact of the clarification had no material impact on financial position or results of operations.

#### *Embedded derivatives on reclassification of financial assets – amendments to: financial instruments – recognition and measurement, section 3855*

In June 2009, the CICA clarified Section 3855 with respect to the reclassification of financial instruments with embedded derivatives. A financial instrument classified as held-for-trading may not be reclassified when the embedded derivative that would have to be separated on reclassification of the combined contract cannot be measured separately. The amendment was effective for reclassifications made on or after July 1, 2009 and had no material impact on financial position or results of operations.

#### *Fair value and liquidity risk disclosure – amendments to: financial instruments – disclosures, section 3862*

In June 2009, the CICA amended Section 3862 to improve fair value and liquidity risk disclosures. Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1	Inputs are unadjusted quoted prices of identical instruments in active markets.
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	One or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 2. Changes in accounting policies (continued)

*Fair value and liquidity risk disclosure – amendments to: financial instruments – disclosures, section 3862 (continued)*

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The amendments only impact disclosures. Refer to Note 17.

*Impairment of financial assets – amendments to: financial instruments – recognition and measurement, section 3855*

In August 2009, the CICA issued various amendments to Section 3855 which eliminated the distinction between debt securities and other debt instruments and changed the categories to which debt instruments are required or are permitted to be classified. As a result of these amendments non-derivative financial assets with fixed or determinable payments that are not quoted in an active market may be classified as loans and receivables; loans and receivables for which we may not recover substantially all of our initial investment, other than credit deterioration, must be classified as available-for-sale; and loans and receivables that we intend to sell immediately or in the near term must be classified as held-for-trading. The amendments also permit, upon adoption and on an on-going basis, certain financial assets to be reclassified from the held-for-trading and available-for-sale categories into the loans and receivables category, when specified conditions are met. They also require reversing an impairment loss relating to an available-for-sale debt instrument when, in a subsequent period, the fair value of the instrument increases and the increase can be objectively related to an event occurring after the loss was recognized. Impairment for debt instruments classified as loans and receivables will be assessed using the impairment model for loans.

The Credit Union adopted these amendments with retrospective application at October 1, 2009. No reclassifications were made pursuant to these amendments.

*Future accounting changes*

#### International financial reporting standards

The Canadian Accounting Standards Board will require all publically accountable enterprises to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011, including the restatement of comparative period financial statements on the same basis. The transition from Canadian generally accepted accounting principles ("GAAP") to IFRS will be applicable for the Credit Union for the year ending September 30, 2012. The Credit Union is developing an IFRS transition plan and will be evaluating the differences between its existing accounting policies and those provided by IFRS, including alternatives available on adoption. The assessment includes the potential impact on the Credit Union's financial statements, disclosures, financial reporting systems and controls.

### 3. Significant accounting policies

*Basis of presentation*

The Credit Union's financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis. Management has made an assessment of the Credit Union's ability to continue as a going concern and concluded that there are no material uncertainties or conditions that would cast significant doubt upon the Credit Union's ability to continue as a going concern.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 3. Significant accounting policies (continued)

#### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Credit Union's designation of such instruments. Settlement date accounting is used.

#### a) Classification

Cash and cash equivalents	Held for trading
Investments:	
Liquidity Reserve Deposit	Held for trading
Fixed Income Securities	Held for trading
ABCP Limited Partnership	Held for trading
Loans to members	Loans and receivables
Other assets:	
Derivative financial instruments	Held for trading
Others	Loans and receivables
Members' deposits	Other liabilities
Other liabilities:	
Derivative financial instruments	Held for trading
Others	Other liabilities

#### b) Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Financial instruments designated as held for trading cannot be transferred into or out of this category after designation. Financial Services Commission of Ontario ("FSCO") has imposed certain restrictions, which must be met, in order to use the fair value designation. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in income on investments.

#### c) Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method.

#### d) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to other income.

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 3. Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### d) Available-for-sale (continued)

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

##### e) Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

##### f) Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

##### g) Transaction costs

Transaction costs related to financial assets and liabilities are expensed as incurred.

#### *Fair values*

The fair values used in these financial statements have been determined at market prices quoted by investment brokers, except for the fair value of the units in the ABCP Limited Partnership (LP), which has been determined by an independent valuation using other valuation techniques provided to the LP.

#### *Derivative financial instruments*

The Credit Union's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Credit Union hedges the underlying risk of Index-Linked Term Deposits by entering into a financial contract whereby the counterparties are obligated to fund all future payments to members in return for a fixed rate of interest to be paid by the Credit Union. The premium related to the hedged embedded derivative transaction, which is included in other assets, is recognized over the term of the embedded derivative contract as an adjustment to interest expense. The fair value changes for the year with respect to both the embedded derivatives in the deposit liabilities and the hedging instrument with the counterparty (Central 1) are recognized in operations as offsetting items.

#### *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, cash on deposit with Central 1, cheques and other items in transit, and short-term investments with original maturities at acquisition of 100 days or less, with the exception of short-term investments that are part of the liquidity reserve deposit with Central 1. All investments that form part of the liquidity reserve deposit with Central 1 are included in "Investments".

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 3. Significant accounting policies (continued)

#### *Allowance for impaired loans*

A loan becomes impaired as a result of deterioration in credit quality to the extent that the Credit Union no longer has reasonable assurance of timely collection of the full amount of principal and interest. The Credit Union calculates the allowance for impaired loans on an individual account basis substantially as set out in directives issued by DICO, including By-law #6. For each loan more than 90 days in arrears, the allowance is calculated equal to the amount which the principal balance exceeds the estimated net realizable value of collateral, and all uncollected interest. In addition, allowance is made for those loans, not in arrears, the collection of which is doubtful.

#### *Property and equipment*

Property and equipment are recorded at cost. Amortization of these assets is calculated using the straight-line method over the estimated useful lives set out below.

Buildings	20 to 40 years
Furniture and equipment	5 to 15 years
Office machinery	3 to 5 years
Automated Teller Machines (ATMs)	10 years
Leasehold improvements	10 years

#### *Income taxes*

The Credit Union uses the liability method of tax allocation to account for income taxes. Future income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. These amounts are also re-measured annually to account for changes in tax rates.

#### *Revenue recognition*

The Credit Union's primary revenue consists of interest revenue, including interest earned on loans and mortgages. Interest income is recorded on an effective interest basis. Other income is recognized when good or services are provided and collection is reasonably assured.

#### *Foreign currency translation*

Transactions during the year in foreign currency have been converted to Canadian dollars using the exchange rate in effect at the date of the transaction. All monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect at the year-end. The resulting foreign exchange gains and losses are included in the statement of operations and undivided earnings for the year.

#### *Use of estimates*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates and assumptions as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

Significant estimates include assumptions used in estimating the recoverability of loans to members, specifically determining impairment and the required allowance for impairment; and the fair value of financial instruments, in particular the valuation of the Credit Union's investments in CUCO and the ABCP Limited Partnership.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 4. Cash and cash equivalents

The majority of cash is held at Central 1 in accounts bearing interest at approximately 1.4%. As at September 30, 2010, the Credit Union was holding \$ 592,000 Canadian denominated in U.S. dollars.

### 5. Investments

	<b>2010</b>	2009
	\$	\$
Liquidity Reserve Deposit	<b>15,004</b>	14,058
Fixed Income Securities	<b>3,079</b>	8,424
Shares – Central 1	<b>1,391</b>	1,170
Shares – CUCO	<b>6</b>	248
ABCP Limited Partnership	<b>891</b>	840
	<b>20,371</b>	24,740

The shares are not equity instruments under Canadian generally accepted accounting principles. They do not have a reasonably determinable market value and are therefore stated at amortized cost less an allowance, if required, for impairment which is considered to be other than temporary.

#### *Liquidity reserve deposit*

As a condition of maintaining membership in Central 1 in good standing, the Credit Union is required to maintain on deposit in Central 1's liquidity pool an amount equal to 7% of its total assets, adjusted at each calendar quarter end. The deposit can be withdrawn only through reductions in the balance of the Credit Union's own assets or upon withdrawal from membership.

At September 30, 2010, the Credit Union held term and discount deposits with Central 1 representing its "Liquidity Reserve Deposit", which bear interest from 0.97% to 3.10% and mature between December 2010 and April 2014.

#### *Fixed income securities*

At September 30, 2010, the Credit Union held bonds and term deposits with Concentra and Central 1, which bear interest from 2.43% to 4.37% and mature between April 2011 and April 2012.

#### *Shares – Central 1 and CUCO*

Central 1 was formed on July 1, 2008 as a result of the merger between CUCO and Credit Union Central of British Columbia (CUCBC). On July 1, 2008, CUCO sold substantially all of its net assets to Central 1 in exchange for shares and cash. Based on CUCO's audited financial statements at December 31, 2008, the value of the shares was impaired. As a result, the Credit Union wrote down the value of its CUCO shares by \$ 82,000, representing its proportionate share of the deficit. No additional provision was required in 2009-2010.

An additional distribution of Central 1 shares occurred in June 2010, whereby the Credit Union received \$ 242,000 in Central 1 shares through an offsetting reduction in the remaining CUCO shares.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 5. Investments (continued)

#### *Shares – Central 1 and CUCO (continued)*

As a condition of membership in Central 1, the Credit Union is required to maintain an investment in shares of Central 1, equal to 0.6% of the Credit Union's total assets at the conclusion of the preceding calendar year.

No market exists for the shares of Central 1 except that they may be surrendered for proceeds equal to the paid-in value in accordance with withdrawal from membership provisions or when the Credit Union's own shares and deposits decline.

#### *ABCP Limited Partnership*

As a pre-condition of the sale of CUCO's net assets to Central 1, CUCO was required to divest itself of investments in certain third-party asset-backed commercial paper (ABCP). A limited partnership (LP) was created to acquire these investments, funded by member credit unions in proportion to their share investment in CUCO. On July 1, 2008, the ABCP with a total par value of \$ 186,916,000 was acquired by the LP at its estimated fair value of \$ 133,564,000. The Credit Union was required to purchase 1,307,000 units in the ABCP LP. As there was no active market for these ABCP investments, the fair values used to determine the acquisition price were provided by a specialized asset management firm engaged by CUCO to provide an independent valuation of the underlying assets.

The ABCP LP is governed by a Board of Directors that was elected by Ontario member credit unions and each limited partner will record its proportionate share of net income or loss in the ABCP LP as determined by Canadian generally accepted accounting principles and subject to an annual external audit. For the period ended December 31, 2009, the LP's audited financial statements reported a net profit of \$ 13,592,000 (2008: net loss of \$ 27,814,000). The Credit Union's proportionate share of that profit was \$ 133,000 (2008: loss of \$ 272,000), which was recorded in investment income. The LP's unaudited financial statements as at September 30, 2010 reported a net profit of \$ 7,168,000 (2009: \$ 8,392,000). The Credit Union's proportionate share of that income was \$ 70,000 (2009: \$ 82,000), which was recorded in investment income.

During the current year, the Credit Union received \$ 57,000 (2009: \$ 277,000) in distributions from the ABCP LP, a result of interest payments received by the LP and the maturity of investments held by the LP. These distributions were recorded against the investment in the ABCP LP.

Due to current market uncertainties, the Credit Union will continue to monitor the investment on a go forward basis. Possible changes that could have a material impact on the future value of the ABCP include the following: (i) current economic conditions, and (ii) future developments related to the liquidity of the ABCP market.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

### 6. Liquidity requirements

The Act requires the Credit Union to maintain liquid assets of at least 8.00% of the amount of deposits and borrowings of the Credit Union. Based on internal unaudited financial reports and filings to DICO, the Credit Union remained in compliance with the Act and regulations regarding liquidity requirements throughout the year. As at September 30, 2010 the Credit Union had liquid assets of 19.62% of the amount of deposits and borrowings.

The Credit Union has a liquidity policy in place that addresses limits on the sources, quality and amount of liquid assets to meet normal operations, contingency funding for significant deposit withdrawals, and regulatory requirements.

### 7. Loans to members

	2010	2009
	\$	\$
Personal loans	<b>8,305</b>	11,629
Residential mortgages	<b>114,229</b>	120,947
Commercial loans	<b>35,719</b>	22,697
	<b>158,253</b>	155,273

#### *Allowance for losses on loans*

	2010	2009
	\$	\$
Balance, beginning of year	<b>851</b>	802
Add: Recoveries on loans previously written off	<b>31</b>	32
	<b>882</b>	834
Deducted: Loans written off	<b>(201)</b>	(134)
	<b>681</b>	700
Provision charged to operations	<b>157</b>	151
Balance, end of year	<b>838</b>	851

The allowance for impaired loans consists of an allowance for specific impaired loans and a non-specific allowance for potential losses on other loans. The gross principal amounts of specific impaired loans at the end of the year are as follows:

	2010	2009
	\$	\$
Personal loans	<b>201</b>	288
Residential mortgages	<b>333</b>	785
Commercial loans	<b>1,291</b>	935
Gross principal amounts of loans	<b>1,825</b>	2,008
Less: Fair value of security	<b>(1,524)</b>	(1,628)
Allowance for specific impaired loans	<b>301</b>	380

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

### 7. Loans to members (continued)

#### *Allowance for losses on loans (continued)*

The non-specific allowance for potential losses at September 30, 2010 amounts to \$ 72,000 (2009 - \$ 103,000) for personal loans, \$ 114,000 (2009 - \$ 122,000) for residential mortgages and \$ 351,000 (2009 - \$ 246,000) for commercial loans.

#### *Interest rate sensitivity*

							2010	2009
	On demand	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 7 years	<b>Total</b>	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Variable	40,564	-	-	-	-		<b>40,564</b>	34,298
Fixed	-	6,684	12,804	17,281	48,378	33,380	<b>118,527</b>	121,826
	40,564	6,684	12,804	17,281	48,378	33,380	<b>159,091</b>	156,124
Less:								
Allowance for losses on loans							<b>838</b>	851
							<b>158,253</b>	155,273
Effective interest rate before allowance for losses on loans	4.87%	5.51%	5.39%	5.72%	5.11%	4.74%	<b>5.08%</b>	5.20%

Personal loans consist of consumer instalment loans, lines of credit and other personal loans. These loans may be repaid in full or in part at any time without notice or penalty. Personal loans may be amortized over a maximum of 7 years, unless collateralized by real property in which case the amortization period can be up to 15 years. Interest rates on personal loans and other advances may be fixed for a maximum of 7 years.

The Credit Union mitigates its credit risk exposure with respect to personal loans by limiting the total unsecured personal loans to each member to \$ 50,000, by performing a thorough credit analysis prior to approval of the loan and by obtaining collateral when necessary.

Residential mortgages and commercial loans include \$ 28,146,000 (2009 - \$ 31,206,000) of mortgages collateralized by real property such as a principal residence and non-owner occupied properties insured by Canada Mortgage and Housing Corporation (CMHC). These mortgages yield interest at an average of 4.85% (2009 - 4.99%).

The amount of commercial loans included in the above tables before the allowance for doubtful loans was \$ 36,170,000 as at September 30, 2010 (2009 - \$ 23,043,000). The interest earned on commercial loans was \$ 1,870,000 (2009 - \$ 933,000) during the year.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

### 7. Loans to members (continued)

#### *Interest rate sensitivity (continued)*

As at September 30, 2010, conventional mortgage advances may be made up to a maximum of 80% of the appraised value of the property. Mortgages in excess of 80% of the value of the underlying property are insured with CMHC. The maximum amount of residential mortgages to a member at any given time is \$ 700,000 (\$ 2,800,000 for commercial mortgages).

Mortgages may be pre-approved and interest rates committed up to 120 days prior to the mortgage being advanced. As at September 30, 2010, residential mortgages and commercial loans totalling \$ 10,979,000 (2009 - \$ 13,672,000) had been approved but not yet disbursed, the longest term of which was five years.

Mortgages are repaid in weekly, bi-weekly, monthly or bi-monthly instalment payments and are generally amortized over a maximum of 25 years. Mortgages may be prepaid at the mortgagor's option by one lump sum payment per year not exceeding 20% of the original mortgage amount, and/or by increasing the monthly instalments once yearly by 20% of the previous instalment amount. Repayment in full prior to maturity is subject to a penalty equal to the greater of:

- 3 months' interest on the outstanding mortgage balance; and
- the interest rate differential between the current market rate and effective interest rate applied on the outstanding balance of the remaining term of the mortgage.

Interest rates on mortgages are at a variable rate or they may be fixed for a maximum of 7 years.

### 8. Property and equipment

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Land	456	-	456	456	-	456
Buildings	5,100	1,098	4,002	5,062	955	4,107
Furniture and equipment	902	492	410	889	422	467
Office machinery and ATMs	1,203	710	493	866	647	219
Leasehold improvements	31	10	21	29	7	22
	<b>7,692</b>	<b>2,310</b>	<b>5,382</b>	<b>7,302</b>	<b>2,031</b>	<b>5,271</b>

# Your Credit Union Limited

Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

## 9. Members' deposits

	<b>2010</b>	2009
	\$	\$
Saving and chequing accounts	<b>96,317</b>	79,367
Term deposits	<b>28,216</b>	32,924
Registered plans (RRSPs, RRIFFs and TFSA's)	<b>67,152</b>	67,079
Leave plans	<b>3,521</b>	3,357
	<b>195,206</b>	182,727
Accrued interest payable	<b>1,025</b>	1,703
	<b>196,231</b>	184,430

*Summary of Members' deposits (excluding accrued interest payable)*

					<b>2010</b>	2009
	On demand	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	<b>Total</b>	Total
	\$	\$	\$	\$	\$	\$
Saving and chequing accounts	96,317	-	-	-	<b>96,317</b>	79,367
Term deposits	-	12,283	12,170	3,763	<b>28,216</b>	32,924
Registered plans	9,601	18,221	27,431	11,899	<b>67,152</b>	67,079
Leave plans	3,521	-	-	-	<b>3,521</b>	3,357
	109,439	30,504	39,601	15,662	<b>195,206</b>	182,727
Effective interest rate	0.42%	1.50%	2.07%	2.12%	<b>1.29%</b>	2.01%

Included above are Members' deposits of \$ 1,370,000 Canadian denominated in U.S. dollars.

## 10. Members' shares

	<b>2010</b>	2009
	\$	\$
Membership shares	<b>703</b>	720
Class B investment shares	<b>2,737</b>	2,772
Dividends payable on Class Investment shares	<b>97</b>	94
	<b>3,537</b>	3,586

*Authorized share capital*

The authorized share capital of the Credit Union consists of the following:

An unlimited number of Class B non-cumulative, non-voting, non-participating, special shares ("Class B investment shares").

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 10. Members' shares (continued)

#### *Authorized share capital (continued)*

In addition to these shares, the Credit Union is authorized to issue an unlimited number of membership shares, subject to its by-laws which prescribe a minimum of ten membership shares to be owned by each member.

Membership shares rank junior to Class B shares for priority in the declaration and payment of dividends and in the event of the liquidation, dissolution or winding-up of the Credit Union. All classes of shares are redeemable at the amounts paid thereon, plus declared and unpaid dividends, under various conditions and in accordance with the terms set out in the articles of the Credit Union, and subject to certain restrictions which are set out in governing legislation.

#### *Membership shares*

Membership shares along with undivided earnings represent the members' residual interest in the Credit Union's net assets and are included in regulatory capital. The shares are redeemable at their paid-up amount when the member withdraws from membership in the Credit Union. As a condition of membership, each member is required to maintain a minimum of 10 shares at \$ 5 per share. Members under the age of 18 are not required to purchase membership shares. Dividends are at the discretion of the Board of Directors. As at September 30, 2010, the Credit Union had 13,332 (2009 - 13,808) memberships.

#### *Class B investment shares*

The holders of Class B Investment shares are entitled to receive non-cumulative dividends which will be declared by the Board of Directors and paid annually provided the Credit Union complies with all capital adequacy and liquidity requirements. The Board of Directors has defined an appropriate dividend rate to be a rate which exceeds the Credit Union's 5-year term deposit rate by 1.0%, and it has also indicated that its intention is to pay these dividends in the form of additional Class B Investment shares. The \$ 97,000 (2009 - \$ 94,000) of dividends declared on Class B Investment shares are included in interest expense (Note 13) for the year ended September 30, 2010.

Class B Investment shares were not redeemable for five years after their issuance on September 30, 2000. Since September 30, 2005, holders of these shares could request redemption of some or all of their shares and the Credit Union could redeem the shares to a maximum of 10% of the total Class B Investment shares outstanding at the previous year-end. Effective September 30, 2005, the Credit Union has the option of redeeming all or any portion of these shares, subject to the capital and liquidity requirements of the Act. Prior to the 2007 fiscal year there were no redemptions. During the fiscal year 2010, the Board of Directors approved redemptions of \$ 129,000 (2009 - \$ 216,000) plus dividends for the 2010 fiscal year up to the date of redemption of Nil (2009 - \$ 9,000), for a total payment of \$ 129,000 (2009 - \$ 225,000).

### 11. Regulatory capital

The Credit Union has a capital management policy in place that addresses the quantity, quality, and composition of capital needed that reflects the inherent risks of the organization, to support the current and planned operations, and to meet regulatory requirements.

The Act requires the Credit Union to maintain regulatory capital at 4.00% of total assets and 8.00% of risk weighted assets. Based on internal unaudited financial reports and filings to DICO, the Credit Union remained in compliance with the Act and regulations regarding regulatory capital throughout the year.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

### 11. Regulatory capital (continued)

As at September 30, regulatory capital consists of:

	2010	2009
	\$	\$
Tier 1 capital:		
Members' shares	3,537	3,586
Undivided earnings	7,332	7,224
	<b>10,869</b>	10,810
Tier 2 capital:		
Non specific allowance for losses on loans	537	471
Total regulatory capital	<b>11,406</b>	11,281
Percent of total assets	<b>5.46%</b>	5.75%
Percent of total risk weighted assets	<b>12.41%</b>	13.92%

Under the Act, Tier 2 capital cannot exceed Tier 1 capital for calculation purposes of the Credit Union's regulatory capital.

### 12. Interest revenue

	2010	2009
	\$	\$
Personal loans	745	1,085
Residential mortgages	5,077	6,045
Commercial loans	1,870	933
	<b>7,692</b>	8,063

### 13. Interest expense

	2010	2009
	\$	\$
Saving and chequing accounts	382	521
Term deposits	745	1,180
Registered plans (RRSPs, RRIFs and TFSA's)	1,786	2,258
Leave plans	3	18
Funds borrowed from Central 1	8	5
Dividends on Class B Investment shares (Note 9)	97	86
	<b>3,021</b>	4,068

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

### 14. Income taxes

The provision for income taxes reported for the year ended September 30, 2010 differs from the amount computed by applying the Canadian statutory rate to income before income taxes for the following reasons:

	<b>2010</b>	2009
Statutory income tax rate	<b>16.25%</b>	16.50%
	<b>2010</b>	2009
	\$	\$
Expected provision of income taxes	<b>26</b>	(91)
Non-taxable and non-deductible items	<b>2</b>	(10)
Other	<b>24</b>	(60)
Reported income tax provision	<b>52</b>	(161)

Temporary differences which give rise to the following future income tax liability as at September 30 are as follows:

	<b>2010</b>	2009
	\$	\$
Future income tax assets (liabilities)		
Allowance for impaired loans	<b>121</b>	14
Capital assets	<b>(120)</b>	(73)
Other	<b>(29)</b>	31
Future income tax assets (liabilities), net	<b>(28)</b>	(28)

### 15. Additional information related to the statement of cash flows

	<b>2010</b>	2009
	\$	\$
<i>Net changes in non-cash working capital items related to operating activities</i>		
Accrued interest receivable	<b>71</b>	60
Accounts receivable	<b>13</b>	9
Income taxes receivable/payable	<b>123</b>	62
Prepaid expenses and other assets	<b>(144)</b>	(105)
Accounts payable and accrued liabilities	<b>586</b>	(294)
	<b>649</b>	(268)

#### *Other information*

Interest paid	<b>3,602</b>	4,260
Income taxes recovered	<b>(72)</b>	(191)

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 16. Other statutory information

#### *Restricted party transactions*

The total amount of loans and deposits that relate to restricted parties, as defined in Regulation 82 of the Act, at September 30, 2010 are \$ 840,000 and \$ 471,000 respectively (2009 - \$ 732,000 and \$ 332,000). Interest revenue of \$ 30,000 (2009 - \$ 65,000) and interest expense of \$ 12,000 (2009 - \$ 24,000) relates to restricted parties. There are 10 loans to restricted parties at the end of the 2010 fiscal year (2009 - 12 loans). No provision for losses is required for these loans.

#### *Expenses relative to Board of Directors*

There was no remuneration paid to Board of Directors and committee members during the year. Total expenses for Board and committee meetings, training and conferences were \$ 25,000 (2009 - \$ 33,000).

#### *Commissions*

The total amount of commissions earned by the Credit Union on the sale of life and disability insurance on behalf of an underwriter was \$ 151,000 (2009 - \$ 179,000).

#### *Executive remuneration*

Effective October 1, 2009, the Act requires disclosure of the remuneration paid to the five highest-paid officers and employees of the credit union where remuneration paid during the year exceeded \$ 150,000. Mr. Denis Laframboise, President and Chief Executive Officer was paid salary and variable compensation of \$ 238,523 and received benefits amounting to \$ 2,212.

### 17. Fair value of financial instruments

#### *Fair value*

The amounts set out below represent the fair values of the Credit Union's financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets that are not considered financial instruments, such as prepaids, capital assets, intangible assets, future income taxes payable and accrued employment contract benefits.

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

# Your Credit Union Limited

Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

## 17. Fair value of financial instruments (continued)

			2010	2009
	Fair value	Book value	Fair value over (under) book value	Fair value over book value
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	23,300	23,300	-	-
Investments	20,462	20,371	91	223
Loans to members	165,931	158,253	7,678	9,682
Other assets	1,623	1,623	-	-
<b>Liabilities</b>				
Members' deposits	195,199	196,231	(1,032)	152
Other liabilities	1,829	1,829	-	-
Members' shares	3,537	3,537	-	-

### Fair value

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

- (i) The fair values of cash and cash equivalents, certain other assets and certain other liabilities are assumed to approximate their carrying values, due to their short-term nature.
- (ii) The fair value of investments is based on quoted market values where available (see Note 5).
- (iii) The estimated fair value of floating rate loans and floating rate deposits is assumed to be equal to book value as the interest rates on these loans and deposits re-price to market on a periodic basis.
- (iv) The estimated fair value of fixed rate loans, fixed rate deposits and members' shares is determined by discounting the expected future cash flows of these loans, deposits and capital accounts at current market rates for products with similar terms and credit risks.

Financial instruments are measured at fair value and classified by the fair value hierarchy set out in Section 3862 as described in Note 2 as follows:

	Level 1	Level 2	Level 3	Total financial assets and financial liabilities at fair value
	\$	\$	\$	\$
<b>Financial assets:</b>				
Cash and cash equivalents	23,300	-	-	23,300
Liquidity Reserve Deposit	-	15,004	-	15,004
Fixed Income Securities	-	3,079	-	3,079
ABCP Limited Partnership	-	891	-	891
	23,300	18,974	-	42,274

During the year, there has been no significant transfer of amounts between Levels 1 and 2. Additionally, there are no financial instruments classified in Level 3.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 18. Financial risk management

The Credit Union is exposed to a variety of financial risks inherent in its operations. It is the policy of the Credit Union to manage significant risks efficiently and effectively through an Enterprise Risk Management Process, which includes a comprehensive infrastructure of policies, procedures, methods, oversight and review designed to reduce the significant risks and to manage those risks within an appropriate threshold. The Credit Union's Audit Committee and Board of Directors are provided with timely and complete reports on the management of significant risks. Significant risks managed by the Credit Union include liquidity, credit and market risks.

#### *Liquidity risk*

Liquidity risk is defined as the risk that the Credit Union will not be able to pay obligations when they fall due or not be able to repay depositors when funds are withdrawn. To mitigate this risk, the Act requires that the Credit Union maintain, at all times, liquidity that is adequate in relation to the business carried on. Management calculates the Credit Union's liquidity position on a monthly basis to assess compliance with liquidity requirements. These balances are communicated to the Credit Union's Audit Committee and the Board of Directors regularly throughout the year.

The Credit Union manages liquidity by continuously monitoring actual daily cash flows, monitoring the maturity dates of financial assets and financial liabilities, and maintaining adequate cash reserves, including its Liquidity Reserve Deposit (see Note 4) and to meet the Credit Union's liquidity requirements under the Act (see Note 5). The Credit Union also has collateral arrangements in place at September 30, 2010 (see Note 20). The Credit Union's financial instruments that significantly impact liquidity risk are investments, loans to members, members' deposits and members' shares.

#### *Credit risk*

Credit risk is defined as the risk of financial loss to the Credit Union related to member loans as the result of a member failing to meet their obligations in accordance with contractual terms.

Providing credit facilities to qualified members is one of the Credit Union's primary sources of earnings and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the member's ability to repay principal and interest over the term of the facility, which is determined by following Board approved policies, which includes assessing the member's credit history, character, collateral and debt servicing capacity. In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with Credit Union lending policies and procedures. Further, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

Overdue loan accounts, or lending delinquency, is closely monitored and reported on a timely and frequent basis to ensure that all allowances for potential loan losses are adequately provided for and written-off when collection efforts have been exhausted. Credit risk is mitigated primarily by the nature and quality of the underlying security as prescribed by the Credit Union's lending policies and procedures.

Credit risk associated with cash and cash equivalents and investments is minimized substantially by ensuring that these assets are invested in creditworthy parties identified in the Credit Union's policy manual. An ongoing review is performed to evaluate changes in the status of the issuers of securities authorized for investment under the Credit Union's Finance Policy.

Management monitors the Credit Union's credit risk on a monthly basis and reports to the Audit Committee and the Board of Directors regularly throughout the year.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 18. Financial risk management (continued)

#### *Market risk*

Market risk is defined as the risk that the Credit Union will not have the ability to meet its business objectives and will be adversely affected by volatility in market rates, including interest rates and foreign currency exchange rates.

#### Interest rate risk

Interest rate risk is the risk that a movement in interest rates will have a material impact on the financial position of the Credit Union. The Credit Union manages and controls interest rate risk primarily by managing asset and liability maturities.

The Credit Union manages its exposure to the interest rate risk of its cash and cash equivalents by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Credit Union's results of operations. The Credit Union's primary objective with respect to its investments is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory investment return.

The Credit Union measures interest rate risk on a quarterly basis and reports the results to the Audit Committee and the Board of Directors.

See Note 19 for interest rate sensibility.

#### Foreign currency exchange risk

Foreign currency risk exposure results if financial assets or financial liabilities are denominated in a currency other than Canadian dollars. The Credit Union is subject to currency risk through its U.S. dollar denominated operating activities, which at September 30, 2010 includes U.S. holdings of cash and cash equivalents. The Credit Union limits its exposure to foreign currency risk by maintaining U.S. dollar denominated assets to offset U.S. dollar denominated liabilities, and accordingly does not use derivative instruments to reduce its exposure to foreign currency risk.

### 19. Interest rate sensitivity

The Credit Union's fixed rate financial instruments are exposed to interest rate price risk, which may have a positive or negative impact on the results of operations. The Credit Union's variable rate financial instruments are exposed to interest rate cash flow risk, which may have a positive or negative impact on the results of operations.

As at September 30, 2010, an immediate and sustained 100 basis points (1%) increase in interest rates would have resulted in an approximate decrease to income before income taxes of \$ 672,000. An immediate and sustained 100 basis points (1%) decrease in interest rates would have resulted in an approximate decrease to income before income taxes of \$ 685,000.

There are several assumptions used to prepare the information on interest rate risk sensitivity.

- The most significant assumption used in the interest rate risk analysis is that of interest rate forward yield curves. These curves are constructed based on market data. Several yield curves are used in the analysis. They are the mortgage curve, term curve, short-term yield curve and zero yield curve.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 19. Interest rate sensitivity (continued)

- Another assumption is that of core deposits. This means that a certain portion of the Credit Union's savings and chequing accounts and undivided earnings balances are allocated to various periods to fill gap differences between total loans to members and total deposits. A portion of these core deposits is deemed to be variable and, therefore, allocated to the one-month period and the rest is spread evenly over the remaining 60 months.
- The last assumption used is that of mortgage pre-payment. This assumes that 5% of the Credit Union's total mortgages balances are prepaid and therefore these cash flows are allocated accordingly to various months throughout the life of the mortgages.

The above methods and assumptions are consistent with the prior year.

The sensitivity analyses included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analyses, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

### 20. Commitments

#### *Collateral arrangements*

The Credit Union has assigned its book debts and signed a general security agreement related to two lines of credit with Central 1. The limits on the lines of credit were \$ 3,690,000 Canadian (2009 - \$ 3,690,000) at prime and \$ 100,000 U.S. (2009 - \$ 100,000) at prime and remain unused at year-end.

The Credit Union has an additional line of credit with Central 1 in the amount of \$ 100,000 Canadian at prime, which is restricted as security for the derivative financial instruments (Note 21). At September 30, 2010 Nil (2009 - Nil) of the line of credit has been restricted as security. In addition, the Credit Union has authority to borrow up to \$ 4,610,000 (2009 - \$ 4,610,000) from Central 1. At September 30, 2010 Nil (2009 - Nil) borrowings are outstanding.

#### *Lines of credit to members*

As at September 30, 2010 the total approved lines of credit to members was approximately \$ 114,269,000 (2009 - \$ 106,352,000) of which approximately \$ 73,804,000 (2009 - \$ 68,886,000) have been disbursed.

#### *Lease commitments*

The minimum annual payments under an operating lease are \$ 60,000 per year to December 31, 2012.

# Your Credit Union Limited

## Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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### 20. Commitments (continued)

#### *Service agreements*

The Credit Union has service agreements regarding information technology.

The minimum annual payments under service agreements in each of the next four years and in aggregate are as follows (expressed in thousands of dollars):

	\$
2011	378
2012	360
2013	360
2014	90
	<hr/> 1,188

### 21. Derivative financial instruments

The Credit Union has sold Index-Linked Term Deposits to its members. These are either 3 or 5 year deposits that pay the members interest based on the performance of the TSX 60 index. The Credit Union has entered into hedge agreements with Central 1 to offset the exposure associated with this product, whereby the Credit Union pays Central 1 a fixed rate of interest on the face value of the Index-Linked Term Deposits. At the end of the terms of the deposits, Central 1 pays the Credit Union an amount equal to the amount that will be paid to the member based on the performance of the TSX 60 index since Central 1 has effectively taken full responsibility for the interest rate risk. At September 30, 2010, the Credit Union has \$ 7,458,000 (2009 - \$ 4,966,000) in Index-Linked deposits included in members' deposits.

These hedging derivatives are recorded at fair value, but changes in fair value only impact the results of operations to the extent that they do not perfectly offset changes in the fair value of the item being hedged (i.e. "hedge ineffectiveness"). Any hedge ineffectiveness would be recorded in the statement of operations. The Credit Union's hedge agreements with Central 1 are such that hedges should very closely match the items that are hedged and, as a result, there is no hedge ineffectiveness.

### 22. Segment disclosures

The Credit Union operates in the loans and deposit-taking industry in Ontario and, based on the Credit Union's internal management reporting structure, only has one operating segment. Products and services offered to its members include mortgage loans, personal loans, commercial loans and lines of credit. Management, the Audit Committee and the Board of Directors regularly review the risks and returns related to each of these products and services and make operating decisions accordingly.

No single member accounts for 10 percent or more of the Credit Union's interest revenue.

### 23. Pension plan

The Credit Union maintains a defined contribution pension plan. The total cost of \$ 23,257 (2009 - \$ 25,262) recognized in the statement of operations and undivided earnings represents cash contributions made by the Credit Union to the plan. Those contributions are only for the Cornwall branch employees. No such plan exists for the other branches.

# Your Credit Union Limited

Notes to the financial statements

September 30, 2010

(Tabular amounts expressed in thousands of dollars)

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## **24. Comparative amounts**

In certain instances, the 2009 amounts, presented for comparative purposes, have been reclassified to conform to the financial statement presentation adopted for the current year. These reclassifications had no impact on the Credit Union's financial position, results of operations and cash flows.

Figures for 2009 have been audited by another audit firm.