

2015

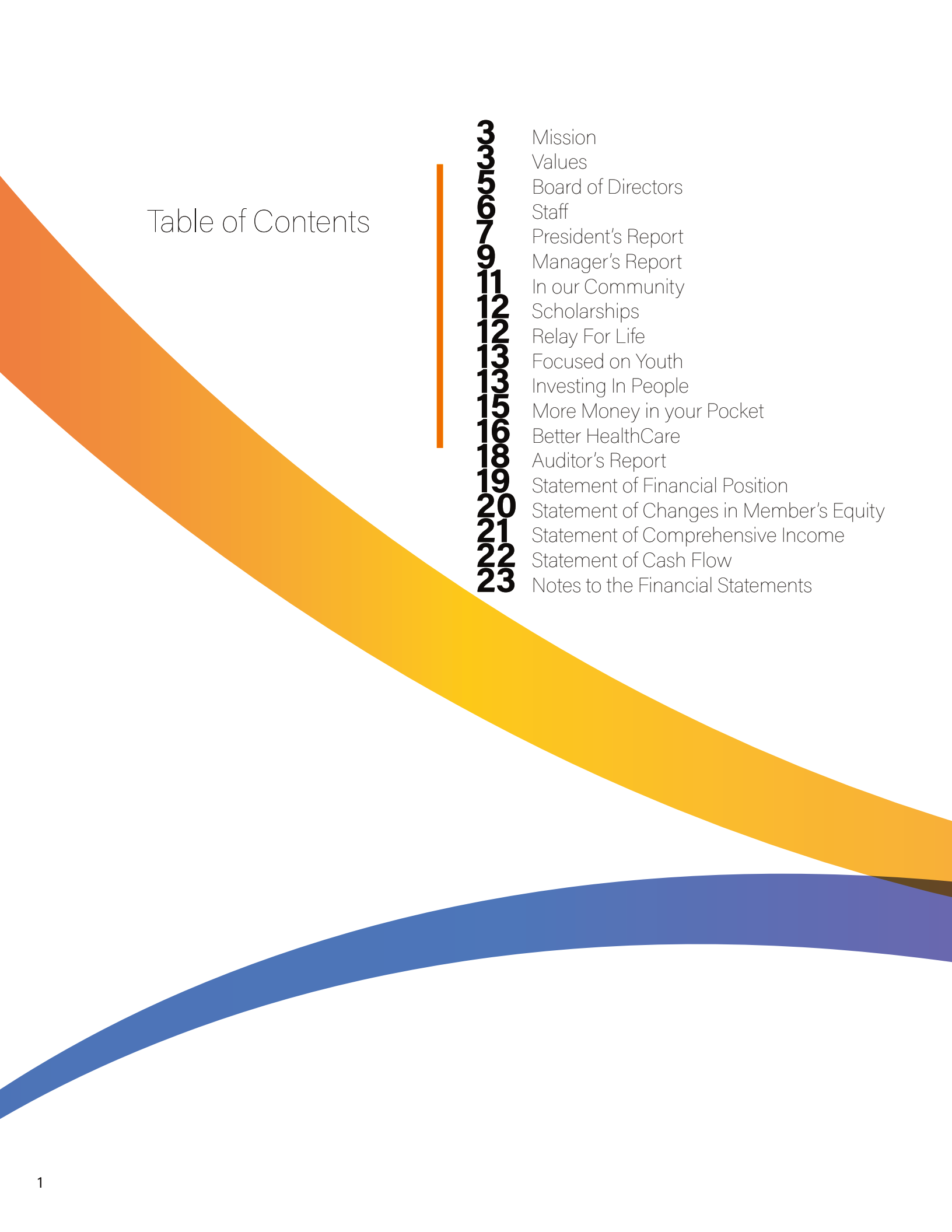
Annual  
Report



**CREDIT  
UNION**

MORELL

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## Mission

At Morell Credit Union, we are focused on you: your community, your future, your prosperity. We want to be a partner in your success. We're committed to providing outstanding financial service and wise financial guidance that will enable you, our members, to reach your financial goals. We are a community-minded cooperative that helps build through involvement, leadership, and monetary generosity in the community. We pride ourselves in our commitment to serving you, our members, and community as best as possible, and we believe that this annual report will be an indication of that commitment.

## Values

Honest

Passionate

Holistic

Spiritual

Evolutionary

Simplistic

Inclusive



# Board of Directors



John Cameron, President



Dennis Clough, Vice-President



Sheryll O'Hanley, Secretary



Tom Atkins



Allan Coffin



Kevin MacAdam



Muriel Coffin



Peter MacAdam



Randy Byrne

Staff



## President's Report




John Cameron  
President

In the midst of what appears to be constant change, Morell Credit Union strives to remain a vital community organization.

In reviewing the year, the Board recognizes and appreciates the reasons for the Credit Union's success: First, thanks to our members for your support and confidence. Rest assured that Morell Credit Union, in association with the Credit Union System across the Island and across Atlantic Canada, will continue to provide, and improve upon, the services you need.

Second, the Board applauds our dedicated staff and management for their pleasant and professional service. On behalf of the Board of Directors, I sincerely thank Sherri and her staff





for their work during a challenging year on multiple fronts.

We also extend our thanks and appreciation to the Atlantic Central team for their support and cooperation over the past year. Along with the other credit unions on the Island and in the rest of Atlantic Canada, we look forward to working with Atlantic Central in developing the most effective ways to serve our members of the Mount Stewart, Morell, and St. Peter's region.

Finally, I want to thank my fellow Directors for their dedication and concern for the well-being of our Credit Union. The three-year terms of three directors have expired. Two of them,

Sheryll O'Hanley and Dennis Clough, can re-offer and have agreed to do so; the third, Allan Coffin, has completed his third consecutive term and therefore must step down. Allan, we'll miss your contributions and dedication to the CU, epitomized by your 18 years as a Board member.

## Manager's Report



Sherri Clark  
General Manager

Despite a difficult economy, 2015 was another successful year for your Credit Union. Michelle Burge from MRSB Chartered Accounts will present our financials details later in the meeting. I would like to mention a couple of highlights.

Total Assets at year-end amounted to \$32,075,695 down slightly from our previous year by 1.5%. Our loan portfolio grew slightly by 1.5%, our share deposits continue to grow and most importantly, our Equity position remains strong at 9.58%. This is well above our 5% requirement. Our undistributed income for the first time is over three million dollars.

During 2015 your Credit Union saw growth in mobile banking services with the launch of the Apple and Android banking apps, and Deposit Anywhere. These products are used by a wide range of our membership. Tax Free Savings Accounts have also become a member favorite when investing funds at our credit union, and in 2015 we launched our Star Saver Program in Morell and Mount Stewart Consolidated Schools.

This program is proving to be a great success.

The success of our Credit Union is attributed to many things, each one helps make Morell Credit Union a stronger co-operative organization. These include and are not limited to: a collaborative network of Credit Unions across PEI and a forward thinking Central office that help our Credit Union grow while meeting consumer demands and provide products at competitive pricing.

Your Board of Directors, who contribute many hours of personal time to attend meetings and training sessions to ensure the well-being of your Credit Union. The membership and communities that we serve, without your support, we would not be where we are today. Last but not least, the staff at your Credit Union who work every day through an ever changing environment to ensure the success of your Credit Union. The work

they do is extraordinary, each one giving the best of their strengths and ability. For that I thank each of you.

Looking forward to 2016, we see an exciting and challenging year ahead as we strive to set attainable goals while growing your credit union not only in profitability but in our communities.



## In our Community

Giving back to our members and to the community has always been of a high importance to credit unions. We pride ourselves in our commitment to social responsibility, and each year we strive to serve our community more than the year before. One of the largest and most significant ways in which we better the community is through donations and sponsorships.

This year, over **\$18,234.00** in donations were made on behalf of the credit union, benefitting not only community groups but also numerous families alike. We are completely confident that this year we created a noteworthy impact on our community through our numerous donations. While we are a financial co-operative and strive to help our members reach their financial goals, we also put great emphasis on the goals of the community.

**\$18,234**  
was invested into our community in  
**2015**

# Scholarships

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We are pleased to announce 3 Morell Credit Union Scholarship Recipients for 2015. Each scholarship recipient received \$2,000 towards furthering their education. In total, Morell Credit Union distributed \$6,000. We wish everyone all the best in their studies and future endeavors.



Ross MacDonald



Bethany Dunn



Katlyn O'Brien

## Relay For Life

While each credit union on PEI are individually committed to local initiatives, on occasion all credit unions will work together to sponsor larger scale events that affect all of PEI. For the last 10 years we have been the Provincial Sponsor for the Canadian Cancer Society's Relay For Life. Along with the sponsorship of the events themselves, our staff have been willfully involved in fundraising for the event as well as donating their time with numerous collected volunteer hours. Over the last ten years as Provincial Sponsor, PEI Credit Unions has contributed over \$463,000 to the Canadian Cancer Society, more impressively, over \$283,000 of the total was raised by staff themselves.

## Board of Directors' Terms

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Board of Director	Year Elected	Term Expires
Allan Coffin	2006	2015
Dennis Clough	2009	2015
Sheryll O'Hanley	2012	2015
John Cameron	2010	2016
Muriel Coffin	2010	2016
Randy Byrne	2013	2016
Tom Atkins	2008	2017
Kevin MacEwen	2008	2017
Peter MacAdam	2008	2017



## Focused on Youth

Appealing to the youth market has been of high priority to the credit union over the past year. While tailoring new Spending Accounts to their needs and greatly expanding our mobile and online availability, 2015 marked new territory for engaging our younger members.

The Cash Dash was created out of wanting a more creative way to attain and attract new youth members. Partnering with local radio station Hot 105.5, we created an amazing-race styled event that took place over the better part of the Island. Four teams of two raced across our different services areas completing tasks and different challenges. The prize? \$5,000.00. We had an overwhelming response to the contest both in interest and online through our social pages.

## Investing In People

As a cooperative financial institution, credit unions truly believe in empowering the community even in the smallest of actions. This past year marked the inception of Investing In People, a primarily social media based campaign. Investing In People aims to do exactly as you may assume – invest in the local community and more specifically, those who live there and support their own local economy.

Investing In People has been running since early 2015 and already over forty-five individuals and community groups have benefitted from our small purchase gestures. Whether we are surprising a family by purchasing their child a bike or covering the bill for a group of friends at lunch, Investing In People has shown many across the Island that credit unions understand the value of a dollar and realize even the smallest of gestures can mean the most.





#InvestingInPeople

 /PEICreditUnions

# Financial Statements



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## INDEPENDENT AUDITOR'S REPORT

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### To the Members of Morell Credit Union Limited

#### Report on the Financial Statements

We have audited the accompanying financial statements of Morell Credit Union Limited, which comprise the statement of financial position as at December 31, 2015 and the statements of comprehensive income, changes in member's equity, and cash flow for the 15 months then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

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

#### 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 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 Morell Credit Union Limited as at December 31, 2015 and its financial performance and its cash flow for the period then ended in accordance with International Financial Reporting Standards.

*MRSB Chartered Accountants*

MRSB CHARTERED ACCOUNTANTS

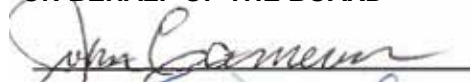
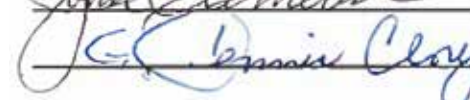
Charlottetown, PE

January 27, 2016

**MORELL CREDIT UNION LIMITED**  
**Statement of Financial Position**  
**December 31, 2015**

	December 31 2015	September 30 2014
<b>Assets</b>		
Cash and cash equivalents (Note 4)	\$ 844,389	\$ 2,321,314
Investments (Note 5)	10,955,989	10,454,955
Accounts receivable (Note 6)	211,749	187,459
Member loans and mortgages (Note 7)	19,393,935	19,113,844
Provision for impaired loans (Note 8)	(226,700)	(307,137)
Prepaid expense	25,481	21,204
Real estate for resale	135,697	-
Deferred income taxes (Note 10)	1,716	1,572
Property and equipment (Schedule 1)	733,439	766,146
	<b>\$ 32,075,695</b>	<b>\$ 32,559,357</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 87,397	\$ 51,450
Employee benefits payable	21,557	21,337
Accrued interest payable	229,644	245,623
Income taxes payable	18,131	7,900
Member deposits (Note 11)	26,348,355	27,256,069
Share deposits	2,297,909	2,045,015
	<b>29,002,993</b>	<b>29,627,394</b>
<b>Commitments (Note 12)</b>		
<b>Members' equity</b>		
Members' shares (Statement 4)	8,965	8,775
Undistributed earnings (Statement 4)	3,063,737	2,923,188
	<b>3,072,702</b>	<b>2,931,963</b>
	<b>\$ 32,075,695</b>	<b>\$ 32,559,357</b>

**ON BEHALF OF THE BOARD**

 Director  
 Director

Notes 1 - 19 are an integral part of these financial statements

**MORELL CREDIT UNION LIMITED**  
**Statement of Changes in Members' Equity**  
**15 Months Ended December 31, 2015**

	December 31 2015	September 30 2014 (12 months)
<b>Members' shares</b> (Note 13)		
Balance - beginning of year	\$ 8,775	\$ 8,980
Redemption of members' shares, net of issuance	<u>190</u>	<u>(205)</u>
Balance - end of year	<u>8,965</u>	<u>8,775</u>
<b>Undistributed earnings</b>		
Balance - beginning of year	2,923,188	2,793,610
Net comprehensive income (Statement 5)	<u>140,549</u>	<u>129,578</u>
Balance - end of year	<u>3,063,737</u>	<u>2,923,188</u>
<b>Members' equity</b>	<u><b>\$ 3,072,702</b></u>	<u><b>\$ 2,931,963</b></u>

**MORELL CREDIT UNION LIMITED**  
**Statement of Comprehensive Income**  
**15 Months Ended December 31, 2015**

	December 31 2015	September 30 2014 (12 months)
<b>Income</b>		
Interest and investment	\$ 1,505,849	\$ 1,254,904
Cost of capital and borrowings		
Interest and service charges	511,651	459,078
Share dividends	24,440	20,419
	536,091	479,497
Financial margin	969,758	775,407
<b>Other</b>		
Commissions	347,504	272,619
Miscellaneous	59,730	46,900
	407,234	319,519
	1,376,992	1,094,926
<b>Expenses</b>		
Advertising and promotions	58,346	51,120
Amortization of property and equipment	42,564	37,296
Automated teller machines	20,833	17,447
Data processing	117,456	84,306
Director training	21,059	8,198
Dues and memberships	1,914	750
Insurance	72,702	55,674
Office	62,499	40,616
Premises	60,752	53,016
Professional fees	33,746	24,050
Provision for impaired loans	(6,387)	40,000
Service fees	192,759	140,659
Telephone	12,549	10,384
Travel	7,895	7,944
Wages and wage levies	511,802	372,422
	1,210,489	943,882
<b>Income before income taxes</b>	166,503	151,044
<b>Income taxes</b>		
Current (Note 14)	26,098	21,716
Deferred	(144)	(250)
	25,954	21,466
<b>Net comprehensive income</b>	\$ 140,549	\$ 129,578

Notes 1 - 19 are an integral part of these financial statements

**MORELL CREDIT UNION LIMITED**  
**Statement of Cash Flow**  
**15 Months Ended December 31, 2015**

	December 31 2015	September 30 2014 (12 months)
<b>Cash flows from operating activities</b>		
Net comprehensive income	\$ 140,549	\$ 129,578
Items not affecting cash:		
Amortization of property and equipment	42,564	37,296
Future income taxes	(144)	(250)
	182,969	166,624
Changes in non-cash working capital:		
Investments	(501,034)	(53,174)
Accounts receivable	(24,290)	72,998
Prepaid expense	(4,277)	11,007
Accounts payable and accrued liabilities	35,947	(85,613)
Employee benefits payable	220	2,450
Accrued interest payable	(15,979)	4,412
Income taxes payable	10,231	39,386
	(499,182)	(8,534)
	(316,213)	158,090
<b>Cash flows from investing activities</b>		
Increase in member loans and mortgages, net of provision	(360,528)	(3,286)
Purchase of property and equipment	(9,857)	(3,273)
Increase in real estate for resale	(135,697)	-
	(506,082)	(6,559)
<b>Cash flows from financing activities</b>		
Decrease in member deposits	(907,714)	(14,179)
Increase in share deposits and members' shares	253,084	1,126,356
	(654,630)	1,112,177
<b>Net change in cash and cash equivalents</b>	(1,476,925)	1,263,708
<b>Cash and cash equivalents - beginning of period</b>	2,321,314	1,057,606
<b>Cash and cash equivalents - end of period</b>	\$ 844,389	\$ 2,321,314
<b>Cash flow supplementary information</b>		
Interest received	\$ 1,440,963	\$ 1,319,876
Interest paid	531,467	486,171
Income taxes paid (recovered)	13,780	(17,670)

Notes 1 - 19 are an integral part of these financial statements

Notes to the Financial Statements





**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

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**1. DESCRIPTION OF BUSINESS**

Morell Credit Union Limited was incorporated under the Companies Act of Prince Edward Island on January 27, 1938 and is governed by the Prince Edward Island Credit Unions Act. Morell Credit Union Limited is a member-owned financial institution whose principal business activities include financial and banking services for its members at its branch in Morell, Prince Edward Island.

These financial statements were authorized for issue by the Board of Directors on January 27, 2016.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared in accordance with and are in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of the financial statements are set out in Note 3.

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in Note 3. These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

**3. SIGNIFICANT ACCOUNTING POLICIES**

Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand and cash in financial institutions.

Investments

Investments for which there are quoted prices in an active market are carried at fair value by the Credit Union. Unrealized gains or losses are reported as part of net comprehensive income. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net comprehensive income.

Accounts receivable

Accounts receivable arise from miscellaneous rebates and accrued interest on loans and mortgages and investments. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the year of recovery.

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**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

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**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Loans and mortgages

Member loans and mortgages are initially measured at fair value, net of origination fees and inclusive of transaction costs incurred.

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

Impairment

Loans and mortgages are considered impaired when there has been deterioration in credit quality. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Credit Union makes judgments as to whether there is any observable data indicating an impairment followed by a measurable decrease in the estimated future cash flows from a loan or mortgage. Deterioration of estimated future cash flows is determined considering the financial condition of the borrower, payment history and security pledged.

The Credit Union first assesses whether objective evidence of impairment exists individually for member loans and mortgages. If it is determined that no objective evidence of impairment exists for individual assets, the asset is included in a group of financial assets with similar credit characteristics and that group is assessed collectively for impairment. Assets that are individually assessed for impairment are not included in the collective assessment. The expected cash flows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience, future estimates based on current events and objective evidence of impairment similar to those in the portfolio.

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

Member loans and mortgages considered uncollectible are written off.

Interest on an impaired loan or mortgage continues to be recognized in earnings on an accrual basis and is provided for in the allowance for loan losses. At December 31, 2015, interest accrued on impaired loans and mortgages totals \$8,456 (2014 - \$nil).

Non-financial assets are assessed for impairment at least annually and, where impairment exists, the carrying value is reduced to the recoverable amount.

Real estate held for sale

Real estate held for resale is carried at the market value of the loan or mortgage foreclosed, adjusted for estimates of revenues to be received and costs to be incurred subsequent to foreclosure, and the estimated net proceeds from the sale of the assets.

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**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred income taxes

Income tax expense comprises current and deferred tax.

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

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

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

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

Property and equipment

Property and equipment is stated at cost less accumulated amortization. Property and equipment is amortized over its estimated useful life on a declining balance basis at the following rates:

Building	4%
Equipment	20%
Computer hardware	30%, 45% and 55%

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal.

Finance charges

Fees related to the purchase of Index-Linked RRSP units are amortized using the straight-line method over the term of the investment and are netted against the cost of the liability.

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**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Employee future benefits

The Credit Union records annually the estimated liabilities for pension and other benefit obligations, which are payable to its employees in subsequent years under the Credit Union's policy.

The Credit Union provides post employment benefits through a defined contribution plan. Pension expenses for the defined contribution pension plan include the required employer contributions. Contributions to the plan are recognized as an expense in the period that the relevant employee services are rendered. During the period, the contributions by the Credit Union to the defined contribution pension plan were \$19,489 (2014 - \$12,636).

Liabilities are recorded for employee benefits including salaries and wages, deductions at source and bonuses that are expected to be settled within 12 months of the financial statement date. These represent present obligations resulting from employees' services provided to the financial statement date and are calculated at the undiscounted amounts based on remuneration rate that the Credit Union expects to pay at the financial statement date.

Benefits such as medial care are non-vesting and are expensed by the Credit Union as the benefits are taken by the employees.

Member deposits

Deposits are measured at fair value on recognition net of transaction costs directly attributable to issuance. Subsequent measurement is at amortized cost using the effective interest method. Chequing accounts, call deposits and term deposits are on a call basis and earn interest at various rates.

Share deposits pay a dividend return at the discretion of the Board of Directors. Privileges of the shares are under the authority of the Board of Directors. The dividend rate declared and paid for 2015 was 1.25% (2014 - 1.5%) and was based on the average of the lowest monthly share balances.

Share deposits

The Credit Union has authorized an unlimited number of voting equity shares, with a value of \$5 per share. The shares are non-transferable, redeemable by the Credit Union, retractable by members subject to the Credit Union's right to suspend redemption, if the redemption would impair the financial stability of the Credit Union, for a period of up to twelve months by Board resolution and indefinitely by Board resolution with the approval of the Credit Union Deposit Corporation.

As at the financial statement date, the Credit Union has 1,793 member shares issued and outstanding with a value of \$8,965 (2014 - 1,755 shares with a value of \$8,775).

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**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can readily be measured. The principal sources of revenue are interest and fee income. Interest on loans and mortgages is recognized and reported on an accrual basis using the effective interest method.

Operating expenses are recognized upon the utilization of the services or at the date of their origin. Expenses incurred directly in the origination of loans and mortgages are deferred and recognized in the statement of comprehensive income, as a reduction to income over the expected life of the relevant loans and mortgages.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Measurement uncertainty

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The estimates and underlying assumptions are continually reviewed on an ongoing basis based on historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances, including expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results, and actual results may ultimately differ from these estimates.

Revisions to accounting estimates are recorded in the period in which the estimate is reversed if the revision affects only that period or in the period of revision and in future periods if the revision affects both the current and future periods.

The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include the provision for impaired loans, measurement of employee benefits, and the estimates of useful lives for depreciation of property and equipment.

*(continues)*

**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments

The Credit Union classifies its financial assets and financial liabilities according to their characteristics and management's intentions related thereto for the purposes of ongoing measurements. Financial assets and liabilities are initially recognized at fair value regardless of classification choice and are subsequently accounted for based on their classification as described below.

Financial assets must be classified as fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM), or loans and receivables (L&R). Financial liabilities are required to be classified as FVTPL or other financial liabilities (OFL). All financial instruments, including all derivatives, are subsequently measured at fair value on the statement of financial position with the exception of loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or the Credit Union transfers the contractual rights to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to a third party and the Credit Union has transferred all of the risks and rewards of ownership of that asset to a third party. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Changes in fair value of financial assets and financial liabilities classified as FVTPL are reported in earnings, while the changes in value of available for sale financial assets are reported within other comprehensive income (OCI) until the financial asset is disposed of, or becomes impaired.

Accumulated OCI is reported on the statement of financial position as a separate component of members' equity. It includes, on a net of taxes basis, the net unrealized gains and losses on available for sale financial assets. The Credit Union has classified its equity investments as AFS; however, because there is no active market for these investments and their fair value cannot be estimated reliably, the Credit Union has not recorded any other comprehensive income as a result of these.

The Credit Union has classified its financial instruments as follows:

FVTPL	Cash and cash equivalents
AFS	Investments - shares
HTM	Investments - debentures
L&R	Member loans and mortgages and accounts receivable
OFL	Accounts payable and accrued liabilities, employee benefits payable, accrued interest payable, and member and share deposits

The Credit Union utilizes settlement date accounting for all purchases and sales of financial assets in its investment portfolio. Transactions costs other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred, are added to the fair value of the financial asset or liability on initial recognition and amortized using the effective interest method.

*(continues)*

**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Changes in accounting standards

A number of new standards, and amendments to standards and interpretations, are not yet effective for the 15 months ended December 31, 2015 and have not been adopted by the Credit Union in preparing these financial statements. Other than the introduction of IFRS 9, these changes are not expected to have a material impact on the financial statements.

*IFRS 9 - Financial Instruments*

In 2009 and 2010, the IASB issued IFRS 9 Financial Instruments which contains new requirements for accounting for financial assets and liabilities, and will contain new requirements for impairment and hedge accounting, replacing the corresponding requirements in IAS 39. It will lead to significant changes in the way the Credit Union accounts for financial instruments. The key changes issued and proposed relate to:

- Financial assets - financial assets will be held at either fair value or amortized cost, except for equity investments not held for trading and certain eligible debt instruments, which may be held at fair value through other comprehensive income;
- Financial liabilities - gains and losses on fair value changes arising on non-derivative financial liabilities designated at fair value through profit or loss will be taken to other comprehensive income;
- Impairment - credit losses expected (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss will be reflected in impairment allowances; and
- Hedge accounting - hedge accounting will be more closely aligned with financial risk management.

In 2014, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Credit Union has not yet been determined.

Other standards and amendments have been issued but are not yet effective and are not expected to have a material impact.

**4. CASH AND CASH EQUIVALENTS**

	<b>December 31 2015</b>	September 30 2014
Cash in financial institutions	<b>\$ 464,013</b>	\$ 1,996,650
Cash on hand	<b>380,376</b>	324,664
	<b>\$ 844,389</b>	\$ 2,321,314

**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

**5. INVESTMENTS**

	<b>December 31 2015</b>	September 30 2014
<b>Shares</b>		
Concentra Financial Services Association - 20,000 Class D Series 1 preferred shares	\$ 500,000	\$ -
Atlantic Central Credit Union Limited - common shares	299,220	302,590
Atlantic Central Credit Union Limited - Class B preferred shares	91,500	91,500
League Savings and Mortgage - Class A preferred shares	54,201	54,201
League Data Limited - 1,511 Class B preferred shares	15,510	15,510
Morell Consumers Co-operative Association, Ltd.	1,902	1,902
Atlantic Central Credit Union Limited - Class PEI shares	800	800
7730543 Canada Inc.	8	8
	<b>963,141</b>	466,511
<b>Debentures</b>		
Atlantic Central Credit Union Limited term deposit - 2.15%; matures December 2, 2016	3,064,500	3,000,000
Atlantic Central Credit Union Limited term deposit - 1.60%; matures October 30, 2017	2,000,000	2,000,000
Atlantic Central Credit Union Limited term deposit - 1.55%; matures May 6, 2016	2,000,000	2,000,000
Atlantic Central Credit Union Limited liquidity deposit - 0.67%	1,918,348	1,978,444
Atlantic Central Credit Union Limited term deposit - 1.40%; matures November 5, 2016	1,000,000	1,000,000
League Savings and Mortgage subordinate debt	10,000	10,000
	<b>9,992,848</b>	9,988,444
	<b>\$ 10,955,989</b>	\$ 10,454,955

Liquidity deposits are investments placed with Atlantic Central Credit Union Limited to provide protection against cash flow demand. National standards have been established requiring 6% of Morell Credit Union Limited assets to be held on deposit.

**6. ACCOUNTS RECEIVABLE**

	<b>December 31 2015</b>	September 30 2014
Accrued interest - loans and mortgages	\$ 163,360	\$ 98,473
Accrued interest - investments	33,045	86,195
Other receivables	15,344	2,791
	<b>\$ 211,749</b>	\$ 187,459



**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

**7. MEMBER LOANS AND MORTGAGES**

<b>December 31 , 2015</b>	<b>Total loans</b>	<b>Specific allowance</b>	<b>Net loans</b>
Personal and business	\$ 9,920,935	\$ (146,700)	\$ 9,774,235
Lines of credit and overdrafts	1,262,818	(80,000)	1,182,818
Mortgages	7,091,826	-	7,091,826
LS&M reverse MOP	1,118,356	-	1,118,356
	<b>\$ 19,393,935</b>	<b>\$ (226,700)</b>	<b>\$ 19,167,235</b>
<hr/>			
September 30 , 2014	Total loans	Specific allowance	Net loans
Personal and business	\$ 10,376,608	\$ (187,137)	\$ 10,189,471
Lines of credit and overdrafts	1,410,448	(120,000)	1,290,448
Mortgages	6,772,988	-	6,772,988
LS&M Reverse MOP	553,800	-	553,800
	<b>\$ 19,113,844</b>	<b>\$ (307,137)</b>	<b>\$ 18,806,707</b>

**8. PROVISION FOR IMPAIRED LOANS**

	<b>December 31 2015</b>	September 30 2014
Provision for impaired loans - beginning of year	\$ 307,137	\$ 312,591
Provision for impaired loans - current year	(6,387)	40,000
Recovery of loans written off	1,323	253
Loans written off - current year	(75,373)	(45,707)
Provision for impaired loans - end of year	<b>\$ 226,700</b>	<b>\$ 307,137</b>

Members' loans can have either variable or fixed rate of interest. The rates offered to members are determined by the type of security offered, the member's credit worthiness, competition from other lenders and the current prime rate.

**9. LOANS IN ARREARS**

The following is an analysis of loans in arrears based on the age of repayments outstanding:

	<b>December 31 2015</b>	September 30 2014
61 to 90 days	\$ 2,480	\$ 22,926
Over 180 days	135,697	-
	<b>\$ 138,177</b>	<b>\$ 22,926</b>

**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

**10. DEFERRED INCOME TAXES**

Deferred income taxes reflect the tax consequences of 'temporary differences' between the statement of financial position carrying amounts and the tax bases of assets and liabilities. These deferred income taxes are calculated using the income tax rates and tax laws that are expected to apply when these temporary differences are reflected in taxable income.

Temporary differences which give rise to deferred income tax assets are as follows:

	<b>December 31 2015</b>	September 30 2014
Property and equipment	<b>\$ 1,716</b>	\$ 1,572

**11. MEMBER DEPOSITS**

	<b>December 31 2015</b>	September 30 2014
Term deposits	<b>\$ 8,908,733</b>	\$ 9,990,872
Registered Retirement Savings Plan (RRSP) deposits	<b>8,098,929</b>	8,493,195
Personal chequing accounts	<b>5,226,436</b>	5,185,780
Registered Retirement Income Fund (RRIF) deposits	<b>1,504,840</b>	1,617,083
Tax Free Savings Account (TFSA) deposits	<b>1,324,109</b>	597,796
Call deposits	<b>1,285,308</b>	1,371,343
	<b>\$ 26,348,355</b>	\$ 27,256,069

**12. COMMITMENTS**

The Credit Union has entered into a lease agreement for the lease of a postage machine and a photocopier. Future minimum lease payments as at December 31, 2015 are as follows:

2016	\$ 2,616
2017	2,277
2018	1,708

**13. MEMBERS' SHARES**

	<b>Number of shares</b>	<b>December 31 2015</b>	Number of shares	September 30 2014
Balance - beginning of year	<b>1,755</b>	<b>\$ 8,775</b>	1,796	\$ 8,980
Shares issued (redeemed), net of redemption (issuance)	<b>38</b>	<b>190</b>	(41)	(205)
Balance - end of year	<b>1,793</b>	<b>\$ 8,965</b>	1,755	\$ 8,775

**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

**14. INCOME TAXES**

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 33.79% (2014 - 32.47%) to the income for the period and is reconciled as follows:

	<b>December 31 2015</b>	September 30 2014
Income before income taxes	<b>\$ 166,503</b>	\$ 151,044
Income tax expense at the combined basic federal and provincial tax rate:	<b>\$ 56,261</b>	\$ 49,044
Increase (decrease) resulting from:		
Small business deduction	<b>(25,314)</b>	(23,001)
Capital cost allowance claimed in excess of amortization	<b>340</b>	183
Non-deductible expenses	<b>319</b>	(4,333)
Tax reserves	<b>30,507</b>	1,594
Provision for loan loss reserve	<b>(24,390)</b>	12,990
Recovery of loans previously written off	<b>435</b>	82
Loans written off in the current year	<b>(9,942)</b>	(14,843)
Provision for October to December 2014 included in 15 financial statements	<b>(2,118)</b>	-
Effective tax expense	<b>\$ 26,098</b>	\$ 21,716

The effective income tax rate is 15.67% (2014 -14.38%).

**15. LINE OF CREDIT AVAILABILITY**

The Credit Union has an approved line of credit with Atlantic Central Credit Union Limited of \$800,000, which is due for renewal on December 31, 2020, and was not utilized at the year end. The line of credit bears an interest rate of 2.2% and is secured by a general security agreement.

**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

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**16. RELATED PARTY TRANSACTIONS**

Morell Credit Union Limited provides financial services to members. These members hold the loans, deposits and share deposits and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

As at period end, some members of the Board of Directors, Credit Committee, management, and employees had loans and mortgages from Morell Credit Union Limited. These loans were in the normal course of operations with interest rates at the regular rates offered to all members of the Credit Union. Interest rates of deposits and dividends on shares were at identical rates offered to all Credit Union members.

Key management personnel include the General Manager and other senior officers of the Credit Union. The components of total compensation received by key management personnel, and balances due to/from key management personnel are as follows:

	<b>December 31</b>	September 30
	<b>2015</b>	2014
Short-term employee benefits	\$ 176,574	\$ 141,171
Contributions to a retirement pension plan	9,076	6,425
Mortgages, loan balances, and lines of credit due from key management	3,243	8,894
Deposit balances due to key management	<b>333,836</b>	68,534

Short-term employee benefits include salaries, variable compensation and other benefits. The mortgage and deposit transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

**17. RISK MANAGEMENT**

The Credit Union manages significant risks through a comprehensive infrastructure of policies, procedures, methods, oversight, and independent review designed to reduce the significant risks and to manage those risks within an appropriate threshold. The Board of Directors is provided with timely, relevant, accurate, and complete reports on the management of significant risks. Significant risks managed by the Credit Union include credit, liquidity, currency and interest rate risks.

Credit risk

Credit risk is the risk that a member will fail to meet their obligation to the Credit Union. 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 and procedures, 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. Also, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

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**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

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**17. RISK MANAGEMENT (continued)**

Overdue loan accounts, or lending delinquency, is closely monitored and frequently reported to senior management to ensure 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 described by approved lending agreements.

The Credit Union's loan portfolio is focused in two main areas: consumer and commercial loans and mortgages, the latter of which are to mainly small and mid-sized companies. A syndication process is available with other Credit Unions for larger commercial loans, when considered necessary, to appropriately mitigate the Credit Union's credit risk. Consumer mortgages are made available on a conventional basis up to 80% of the lesser of cost or appraised value of single family housing, up to 75% on other residential properties, up to 65% of the lesser of cost or appraised value on commercial properties having general purpose usage, and up to 50% of the lesser of cost or appraised value on commercial properties designed for specific use. Other credit facilities provided include personal overdrafts that have no recourse to the Credit Union.

The Credit Union maintains both specific and collective allowances for credit losses. Specific allowances are established on an account by account basis using management's knowledge of the account and prevailing conditions. In addition, accounts delinquent greater than ninety days are included in the specific allowance. Collective allowances are maintained to cover any impairment in the loan portfolio that cannot yet be associated with specific loans and includes factors such as market conditions, concentration of credit risk for member accounts, and the general state of the economy. Senior management regularly monitors credit risk and reports to the Board of Directors on a monthly basis.

The Credit Union's maximum exposure to credit risk at the reporting date in relation to each class of recognized financial asset is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event parties fail to perform their obligations. The principal collateral and other credit enhancements holds as security for loans include a) insurance and mortgages over properties, b) recourse to sell assets such as real estate, equipment, inventory, and accounts receivable and c) recourse to liquid assets, guarantees, and securities.

Cash and equivalents and investments have low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio, the Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral.

**Liquidity risk**

Liquidity risk is the risk of being unable to meet financial commitments without having to raise funds at unreasonable prices or sell assets on a forced basis. The Credit Union has established policies to ensure the Credit Union is able to generate sufficient funds to meet all of its financial commitments in a timely and cost effective manner. The Credit Union's liquidity management practices include ensuring the quality of investment acquired for liquidity purposes meet very high standards, matching maturities of assets and liabilities and monitoring cash flow on a regular basis. Management monitors the Credit Union's liquidity position and reports to the Board on a regular basis.

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**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

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**17. RISK MANAGEMENT (continued)**

The Credit Union is required to maintain 6% of prior quarter's assets in liquid investments in which 100% must be held by Atlantic Central Credit Union Limited and the Credit Union was in compliance with this requirement at period end. Cash flows payable under financial liabilities by remaining contractual maturities are disclosed in Schedule 2. The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Credit Union is exposed to currency risk through its cash accounts and member deposits. The Credit Union maintains deposits in foreign currencies to service its member accounts.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate materially due to changes in market interest rates. The Credit Union is exposed to interest rate risk through its loans and mortgages, providing lending services to its members for a rate based on the Bank of Canada base rate plus a risk premium determined at the loan inception. The Credit Union manages and controls interest rate risk primarily by managing asset and liability maturities. Interest rate risk is measured on a quarterly basis and the results are reported to the Board of Directors.

**18. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Morell Credit Union Limited has evaluated the fair value of its financial instruments based on the current interest rate environment, market values, and the actual prices of financial instruments with similar terms. Fair value represents the amount at which a financial investment could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price, if one exists. Quoted market prices are not available for a significant portion of the Credit Union's financial instruments.

A three-tier hierarchy is used as a framework for disclosing fair values based on inputs used to value the Credit Union's financial instruments recorded at fair value. Valuation methods used in this framework are categorized under the following fair value hierarchy:

Level 1 - Quoted prices for active markets for identical financial instruments that the entity can access at the measurement date.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

The carrying value of cash and cash equivalents approximates their fair value as they are short term in nature or are receivable on demand.

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**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

**18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

Long term investments in shares in the Credit Union System and others have been classified as available for sale and are required to be measured at fair value with any changes in fair value recorded in other comprehensive income. The Credit Union has determined the fair value of these investments cannot be measured reliably and therefore measures these investments at cost with no adjustment to other comprehensive income. The Credit Union's investments in system debentures have been classified as held-to-maturity and are required to be measured at amortized cost.

The differences between the carrying and fair values of the Credit Union's loans and deposits are primarily due to changes in interest rates. The carrying value of the Credit Union's financial instruments are not adjusted to reflect increases or decreases in fair value as a result of interest rate changes, as it is the Credit Union's intention to realize their value over time by holding them to maturity.

**19. CAPITAL MANAGEMENT**

Morell Credit Union Limited provides lending services to its members in the form of loans, lines of credit and mortgages. The Credit Union's objective in the lending process is to remain within the lending guidelines set for the institution and to provide an adequate return to its members through adjusting risk premiums with the level of assessed risk on an individual basis. These services are provided to members at the discretion of the general manager and lending personnel within the established parameters. Total lending activities managed by the Credit Union during the 2015 fiscal period amounted to \$19,393,935 (2014 - \$19,113,844).

Consistent with other Prince Edward Island Credit Unions, Morell Credit Union Limited is required by the Credit Union Deposit Insurance Corporation to maintain an equity level of 5% of the Credit Union's total assets. This ratio is calculated by adding the undistributed earnings at the end of the previous period plus the operating surplus in the current period and members' shares, divided by the total assets of the Credit Union.

	<b>December 31 2015</b>	<b>September 30 2014</b>
Undistributed earnings	<b>\$ 3,063,737</b>	\$ 2,923,188
Members' shares	<b>8,965</b>	8,775
Total regulatory equity	<b>3,072,702</b>	2,931,963
Total assets	<b>32,075,695</b>	32,559,357
	<b>9.58 %</b>	9.00 %

*(continues)*

**MORELL CREDIT UNION LIMITED**  
**Notes to Financial Statements**  
**15 Months Ended December 31, 2015**

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**19. CAPITAL MANAGEMENT (continued)**

Credit Union bylaws require Morell Credit Union Limited to maintain sufficient liquid assets and a line of credit to meet its normal cash flow requirements. Overall, a minimum liquid asset level of 10% of total assets must be maintained to ensure ongoing cash flow requirements are met.

	<b>December 31 2015</b>	September 30 2014
Total assets	<b>\$ 32,075,695</b>	\$ 32,559,357
Liquid assets	<b>12,012,127</b>	12,963,728
	<b>37.45 %</b>	39.82 %



**MORELL CREDIT UNION LIMITED**  
**Schedules to Financial Statements**  
**Statement of Property and Equipment**  
**15 Months Ended December 31, 2015**

(Schedule 1)

	Cost beginning of period	Cost beginning of period	Disposals and write downs	Cost end of period	Amort beginning of period	Amort in period	Amort end of period	NBV 2015	NBV 2014
Land	\$ 130,535	\$ -	\$ -	\$ 130,535	\$ -	\$ -	\$ -	\$ 130,535	\$ 130,535
Building	841,050	9,857	-	850,907	251,006	29,645	280,651	570,256	590,044
Equipment	252,025	-	-	252,025	210,464	10,390	220,854	31,171	41,561
Computer hardware	186,575	-	-	186,575	182,569	2,529	185,098	1,477	4,006
	<b>\$1,410,185</b>	<b>\$ 9,857</b>	<b>\$ -</b>	<b>\$1,420,042</b>	<b>\$ 644,039</b>	<b>\$ 42,564</b>	<b>\$ 686,603</b>	<b>\$ 733,439</b>	<b>\$ 766,146</b>

Notes 1 - 19 are an integral part of these financial statements

**MORELL CREDIT UNION LIMITED**  
**Schedules to Financial Statements**  
**Interest Rate Sensitivity**  
**15 Months Ended December 31, 2015**

(Schedule 2)

	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 75,710	\$ -	\$ -	\$ 768,679	\$ 844,389
Effective interest rate	0.43 %	-	%	-	%
Investments	7,982,848	2,000,000	-	973,141	10,955,989
Effective interest rate	1.60 %	1.60 %	-	-	%
Accounts receivable	-	-	-	211,749	211,749
Loans and mortgages	2,717,352	12,237,606	3,029,459	-	17,984,417
Effective interest rate	4.27 %	4.93 %	5.98 %	-	%
Lines of credit and overdrafts	1,182,818	-	-	-	1,182,818
Effective interest rate	5.71 %	-	%	-	%
Prepaid expense	-	-	-	25,481	25,481
Real estate for resale	-	-	-	135,697	135,697
Future income taxes	-	-	-	1,716	1,716
Property and equipment	-	-	-	733,439	733,439
	<b>\$ 11,958,728</b>	<b>\$ 14,237,606</b>	<b>\$ 3,029,459</b>	<b>\$ 2,849,902</b>	<b>\$ 32,075,695</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 87,397	\$ 87,397
Employee benefits payable	-	-	-	21,557	21,557
Accrued interest payable	-	-	-	229,644	229,644
Income taxes payable	-	-	-	18,131	18,131
Member deposits	17,094,028	4,076,375	-	5,177,952	26,348,355
Effective interest rate	1.70 %	2.22 %	-	-	%
Share deposits	2,297,909	-	-	-	2,297,909
Effective interest rate	1.00 %	-	%	-	%
Members' shares	8,965	-	-	-	8,965
Effective interest rate	1.00 %	-	%	-	%
Undistributed earnings	-	-	-	3,063,737	3,063,737
	<b>\$ 19,400,902</b>	<b>\$ 4,076,375</b>	<b>\$ -</b>	<b>\$ 8,598,418</b>	<b>\$ 32,075,695</b>

The above table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the Credit Union's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, loans and mortgages are shown at contractual maturity but certain could prepay earlier.

As at December 31, 2015, Morell Credit Union Limited's net interest spread was 2.77%. The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year end interest bearing liabilities.

Notes 1 - 19 are an integral part of these financial statements





**CREDIT  
UNION**

MORELL

29 Park Street  
Morell PE  
C0A 1S0

[www.morellcreditunion.com](http://www.morellcreditunion.com)



@PEICreditUnions