



Credit Union
Central of Canada

Credit Union Central of Canada

2015 Annual Report

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2015 ANNUAL REPORT

DAN BURNS, BOARD CHAIR
MARTHA DURDIN, PRESIDENT & CEO

As part of our efforts to be a more effective and transparent industry

leader, Credit Union Central of Canada (CUCC) shared its commitment with Canada's credit unions in 2015 – a commitment to create a more dynamic, streamlined industry association that is viewed as a top tier national trade association.

Change for any organization is difficult – it takes time, discipline and hard work. But the truth is that those who dare to think big and take bold steps are more likely to build wildly successful companies. So that's what we did last year – dared to make a significant change and work toward transitioning, both in name and in our approach to doing business.

As leaders in the financial services sector, we are clearly aware that the marketplace is constantly evolving: member expectations around service and delivery are changing; financial services organizations are becoming increasingly competitive; credit unions are working with razor-thin margins; regulatory demands are increasing; and long-held business models are changing. What doesn't change however, is the proud commitment of all credit unions to put their members and communities first.

Our biggest accomplishment this year was transitioning to become the first, national credit union governed organization, owned and directed by its members. Canada's credit unions and caisses populaires (outside of Quebec) starting January 1, 2016.

To achieve this goal, CUCC's executive team, Board and staff worked to find ways to be more nimble, responsive and effective. This resulted in a restructuring of our organization, and the addition of new senior leaders tasked with executing a more focused approach to our marketing and communications efforts, and our learning and development program offerings.

We also made significant advancements in the ways we advocate on behalf of the system with federal government agencies and parliamentarians, leading to opportunities to raise the profile of credit unions during the 2015 federal election. We set up working groups for our government relations and compliance-related activities, to help eliminate duplication where possible, and to help ensure our advocacy efforts provincially and federally are better aligned.

We also made progress on our payments strategy in 2015, working closely with system committees, and credit union leaders to ensure that they have the ability to offer their members a competitive suite of payments services, many of which will be implemented in 2016. And finally, we elected a new Board of Directors, bringing together credit union leaders from every region of Canada, representing credit unions of all sizes.

We strongly believe that many of our successes this year were a direct result of increased collaboration with credit unions, especially through our national committees and working groups.

This refocused approach also resulted in strong financial results, as we continued to build on the momentum of the previous year in terms of our operating business. The 2015 financial statements available in this Report present a full picture of the breadth and scope of CUCC's activities, and show how, through the implementation of a new sales approach and more disciplined decision making, led to Cusource, the professional and development area of CUCC, meeting its financial targets.

We would not have been able to make these changes without the leadership and guidance of our Board of Directors – old and new. We thank all current and former Directors for their service and welcome the new Board to the Canadian Credit Union Association (CCUA).

In 2016, the new Board will focus on finding ways to improve the ways the national association works with credit unions, caisses populaires and Centrals – all with the goal of helping to strengthen Canadian's understanding of credit unions' contributions to banking innovation, economic growth and the communities across Canada they serve proudly.

This refocused approach to doing business will require us to take risks – and as a result, there may be times that we stumble and need to regroup. But great, otherwise unseen opportunities often come from taking a risk.

Finally, as an organization, 2016 will be about actively pursuing success, for us as an organization, and for the credit union system as a whole. We look forward to another successful year, and embrace the countless opportunities that lay ahead as we begin a new journey, with a new name – Canadian Credit Union Association – and a re-focused vision.

In 2015, the Canadian credit union system mourned the loss of two long-standing members of CUCC's Board of Directors - David MacLean and Sean Jackson. Mr. MacLean was a member of the CUCC Board, and former Chairman, and Mr. Jackson served on the Board from 2006 to 2013. Both will be greatly missed.

“It has been an honour and a privilege to represent the interests of Canada’s credit unions and Centrals over the past few years in my roles as both Board Chair and Board Director, for Credit Union Central of Canada. I look forward to seeing the evolution of the industry and am excited about the opportunities that lay ahead for the system as a whole.”

Daniel Burns, Credit Union Central of Canada Board Chair

“I want to thank Dan Burns and all of our Board Directors – past and present – for their dedication to helping in the transition of our organization into a new, national trade association – an association that has a more compelling vision, a redefined governance model, and clear priority initiatives. We look forward to another successful year ahead, and to working closely with all of our members as we build on the unique differences and values that make our system an integral part of local communities.”

Martha Durdin, President and CEO, Credit Union Central of Canada



FINANCIAL HIGHLIGHTS

STEPHEN FITZPATRICK, VICE PRESIDENT, CORPORATE SERVICES & CFO

Management Discussion and Analysis

The Financial Summary that follows this Management Discussion and Analysis of Credit Union Central of Canada's (CUCC) 2015 financial results includes only the consolidated financial statements, and not the notes that support the statements. As such, they don't constitute the audited financial statements of CUCC since the notes are an integral component of the audited financial statements. The complete audited financial statements, including the independent auditors' report, are available through CUCC's website¹ at www.ccu.com/AnnualReports.

On December 30, 2015, CUCC was continued as 189286 Canada Inc., a company incorporated under the Canada Business Corporations Act. This company will continue to be known as CUCC, but will no longer be a federally-regulated financial institution. Therefore, the financial statements are issued under the name of 189286 Canada Inc. and represent the 2015 financial performance of CUCC. On January 1, 2016 the majority of the assets and liabilities of CUCC were transferred to Canadian Credit Union Association (CCUA), which will operate as the national trade association for Canada's credit unions.

From a financial management and reporting perspective, the 2015 financial statements present a full picture of the breadth and scope of CUCC's activities. The financial statements of Credit Union Institute of Canada (CUIC Inc.) operating as CUSOURCE Credit Union Knowledge Network, have been consolidated with the financial statements of CUCC. The financial results of CUIC Inc. are disclosed in Note 37 to the financial statements. CUCC prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

The year ended December 31, 2015 was a successful year for CUCC, achieving its goals while generating a small profit after returning a rebate of \$75,000 to its members. On the Statement of Financial Position (SFP), total assets decreased by 9.9 per cent to approximately \$10.1 million at the end of 2015, from approximately \$11.2 million on December 31, 2014 principally because of lower cash balances, loans to members and customers, property and equipment, and intangible assets, the latter two decreases related to depreciation and amortization expenses. Within prepaid expenses, cumulative

¹ Credit Union Central of Canada (CUCC) formerly transitioned to the Canadian Credit Union Association (CCUA) on January 1, 2016.

legal costs of \$428,000 are recorded, related to CUCC's participation in the restructuring of the Interac Association and its affiliated companies on behalf of the credit union system (see Note 29 in the financial statements). CUCC's largest single asset is its \$4.0 million holding of 7.8 per cent non-cumulative Class B Preferred Shares of Concentra Financial Services Association. CUCC is the sole holder of this share class which entitles it to appoint a member of the Concentra Board of Directors. Intangible assets include capitalized costs related to the development of the Learning Gateway technology platform in CUIC Inc., replacing its legacy Learning Management System, and website development costs related to CCUA's new site. Total liabilities decreased 5.2 per cent from approximately \$4.8 million to \$4.5 million, related largely to a \$344,000 decrease in the balance of accumulated passthrough costs owing to members at year-end and a \$449,000 decrease in deferred revenue; these decreases related to project completions in 2015 and to lower year-end billings in CUIC, Inc.. Deferred revenue balances are generated in CUIC Inc. and reflect amounts paid by users to register in courses or programs which had not yet been delivered at year-end. The decreases were partially offset by increases in trade payables and in the accrual for incentive payments and salaries related to the timing of payroll, captured in Other liabilities (See Note 31 in the financial statements).

The level of consolidated retained earnings of CUCC is considered in the determination of a dividend declaration by CUCC and/or a rebate of assessments to the member Centrals. As part of the capital plan for CUCC, our objective is to maintain a minimum amount of \$1,000,000 in retained earnings, with a rebate or dividend declaration to be determined accordingly. No dividend has been declared to CUCC's members since 2010. No rebate was authorized in 2014 in recognition of the immaterial excess over the \$1,000,000 threshold, and a small rebate of \$75,000 was paid in 2015, keeping retained earnings at approximately the same level in both years.

With respect to CUCC's Statement of Comprehensive Income (SCI), in 2015, CUCC generated net income after tax of \$18,124 (2014 - \$37,074). With respect to revenues, lower revenues from sales of marketing materials and conferences (attributable to holding one less conference in 2015 than in 2014) were largely offset by improved revenues from courses, leading to an overall revenue reduction of \$189,000. Conversely, operating expenses were \$154,000 lower in 2015 than in 2014. Increased restructuring expenses of almost \$1,000,000 and higher course content development and delivery expenses were offset by lower delivery expenses for marketing materials and conferences, as well as lower expenses for professional services.

The activities and services of CUCC are funded largely by assessments paid by our member Centrals and strategic partners, based on CUCC's annual budget. These assessments appear on the SCI as revenue. In 2015, assessments represented 58.0 per cent of revenues, compared to 57.5 per cent in 2014; in 2015, total assessments declined slightly, to \$9.652 million.

Within this financial umbrella, CUCC undertook, and participated in, initiatives relating to: credit union income tax legislation; the mandates of Federal Crown Corporations and their impacts on credit unions; expansion of a grassroots lobbying strategy through growth of the *CU Nation*TM network and the "My Credit Union Matters" campaign, including during the 2015 federal election; support of credit unions with respect to regulatory compliance through advocacy and education; continued enhancement of our research partnership with the Filene Research Institute; representation of credit unions in the *Interac* Association restructuring; and development of a system-wide payments strategy, particularly working with several champion credit unions to introduce Mobile Debit. CUCC also provided management services to several system entities, namely the Cooperative EFT Development Association, Cooperative Network Services Committee, and the Canadian Business Owners Strategy. Finally, CCUA was created in late 2015, and substantially all of CUCC's assets and liabilities were conveyed to CCUA on January 1, 2016.

The Financial Summary which follows contains the SFP, SCI, Statement of Changes in Equity, and Statement of Cash Flows in a reporting format consistent with IFRS requirements. As stated above, they cannot be considered as the audited statements unless they are read in conjunction with the auditor's report and the Notes to the statements. The complete audited financial statements, including the independent auditor's report, are available through CUCC's website at www.ccua.com/AnnualReports.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2015, with comparative information for 2014

	NOTE	2015	2014
Assets			
Cash		\$ 1,790,829	\$ 1,995,991
Restricted deposits	23	435,676	436,069
Loans and advances to customers	24	738,439	1,104,173
Accumulated pass-through costs due to members	25	364,399	481,915
Investments in cooperatives	26	4,010,868	4,010,868
Property and equipment	27	879,366	1,013,128
Intangible assets	28	743,924	983,472
Deffered tax asset	22	-	37,557
Other assets	29	1,113,420	1,118,861
Total assets		\$ 10,076,921	\$ 11,182,034
Liabilities and Equity			
Liabilities:			
Trade payables		\$ 1,764,450	\$ 1,423,688
Accumulated pass-through costs due to members	25	420,566	764,179
Deferred revenue	30	330,372	779,642
Supplemental pension plan	32	435,676	416,511
Other liabilities	31	1,581,418	1,392,711
Total liabilities		4,532,482	4,776,731
Equity:			
Shared capital	33	4,451,746	5,330,734
Retained earnings		1,092,693	1,074,569
Total equity		5,544,439	6,405,303
Total liabilities and equity		\$ 10,076,921	\$ 11,182,034

On behalf of the Board:



Dan Burns

Board Chair and Audit
Committee Chair



Keith Nixon

Board Chair and Audit
Committee Chair

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2015, with comparative information for 2014

	NOTE	2015	2014
Interest income:			
Securities	8 \$	311,262 \$	311,262
Deposits	9	1,183	6,338
		312,445	317,600
Loan interest		218	2,445
Net interest income		312,227	315,155
Course and related items	10	4,183,114	3,866,680
Management services	11	900,065	939,000
Marketing sales	12	394,458	542,938
Conference revenue	13	929,893	1,254,767
Assessments to members	34	9,652,600	9,677,620
Other revenue	14	256,804	222,467
		16,316,934	16,503,472
Net financial and other income		16,629,161	16,818,627
Operating expenses:			
Salaries and benefits	15	8,419,600	7,388,992
Professional services	16	1,118,099	1,705,667
Trade memberships and subscriptions	17	1,092,867	1,095,340
Premises and equipment	18	1,125,096	1,140,618
Depreciation and amortization		676,307	648,976
Program development		213,697	279,338
Course and related items		1,282,734	1,070,354
Marketing	19	824,638	1,035,342
Conference	20	739,290	1,121,203
Technology, administration and other	21	1,112,046	1,272,871
		16,604,374	16,758,701
Income before income taxes		24,787	59,926
Income tax expense	22	6,663	22,852
Total comprehensive income		\$ 18,124 \$	37,074

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2015, with comparative information for 2014

2015	Share capital	Retained earnings	Total
Balance, beginning of year	\$ 5,330,734	\$ 1,074,569	\$ 6,405,303
Total comprehensive income	-	18,124	18,124
Distributions to members:			
Shares redeemed	(878,988)	-	(878,988)
Balance, end of year	\$ 4,451,746	\$ 1,092,693	\$ 5,544,439

2014	Share capital	Retained earnings	Total
Balance, beginning of year	\$ 5,331,734	\$ 1,037,495	\$ 6,369,229
Total comprehensive income	-	37,074	37,074
Distributions to members:			
Shares redeemed	(1,000)	-	(1,000)
Balance, end of year	\$5,330,734	\$ 1,074,569	\$ 6,405,303

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash flows provided by (used in):		
Operating activities:		
Net income	\$ 18,124	\$ 37,074
Depreciation and amortization	676,307	648,976
Net interest income from investment securities	6,663	22,852
Deposits from members	-	-
Restricted deposits	393	13,546
Loans and advances to members	-	-
Loans and advances to customers	365,734	305,673
Accumulated pass-through costs due from members	117,516	29,942
Accumulated pass-through costs due to members	(343,613)	(584,077)
Trade payables	340,762	395,471
Supplemental pension plan	19,165	(11,552)
Other assets	5,441	(347,409)
Other liabilities	188,707	(568,713)
Deferred tax liabilities	-	-
Deferred tax assets	-	-
Interest received	1,183	6,337
Decrease in deferred revenue	(449,270)	(187,646)
Dividends received	311,262	311,262
Income tax recovered (paid)	30,892	(36,743)
Interest paid	(218)	(2,444)
	976,821	(282,606)
Financial activities:		
Redemption of shares	(878,988)	(1,000)
Investing activities:		
Proceeds from disposition of investments in cooperatives	-	10
Acquisition of property and equipment	(13,001)	(97,590)
Development of intangible assets	(289,994)	(276,110)
	(302,995)	(373,690)
Decrease in cash	(205,162)	(657,296)
Cash, beginning of year	1,995,991	2,653,287
Cash, end of year	\$ 1,790,829	\$ 1,995,991

CANADA'S CREDIT UNIONS: PUTTING PEOPLE FIRST

Credit unions have had a solid year, despite challenging market conditions, regulatory changes, shrinking margins, increased competition from disruptive technologies, and growing compliance requirements. This success can be attributed to a continued focus on providing excellent member service, investments in technology, and on community support, which have always set them apart from their competitors.

In terms of 2015, the fourth quarter results for the Canadian credit union/caisse populaire system, shows that credit unions ended the year financially strong and that the industry is continuing to grow.

In the charts on the next page, you can see that reported assets are \$188.34 billion, representing a 10.2 per cent increase over Q4 2014. An estimated 2.8 per cent of this growth is attributed to the caisses joining the affiliated system¹. Deposits have also increased by 8.5 per cent to \$163.1 billion. Approximately one-third of the growth is a result of the new affiliates.

In addition, the year-end results show that system reported loans are \$157.73 billion, representing an 8.3 per cent increase over 2014 – of which thirty per cent is attributable to new affiliates.

Finally, earnings for 2015 (after dividends/taxes) were \$672.54 million; comparable, but slightly down from the \$673.24 million reported a year ago, principally caused by the ongoing low interest rate environment and competitive pressures which continue to compress financial margins, although the overall national results conceal regional differences in profit growth.

Consolidation continues in the credit union system. In 2015, the numbers of credit unions increased to 315 from 313 a year earlier, due to the increase in affiliates joining the system – as did the number of locations and members (1,747 locations in 2014, to 1,819; and over 5.3 million members to over 5.5 million at year-end 2015).

Credit unions are driven to serve their members and community in a socially-responsible manner. They provide services in locations where banks won't go, support businesses that others won't, offer more competitive rates, partner for public policy solutions, and give back to their community.

Credit unions also remain committed to strengthening the Canadian economy, by keeping money in the pockets of Canadians, and helping Main Street and rural communities prosper.

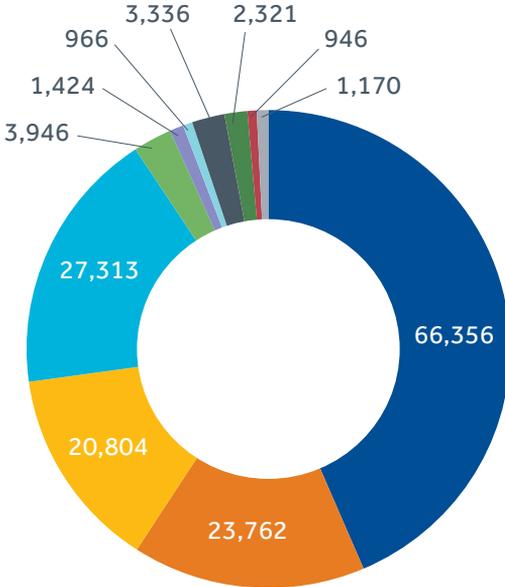
1 New affiliates refer to: two New Brunswick caisses populaires affiliated with Federation Des Caisses Populaires Acadiennes, and Caisse Financial Group in Manitoba

FOURTH QUARTER 2015 CREDIT UNION/CAISSE POPULAIRE SYSTEM RESULTS

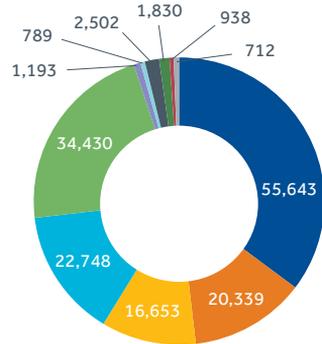
TOTAL MEMBERSHIP:

5,576,075

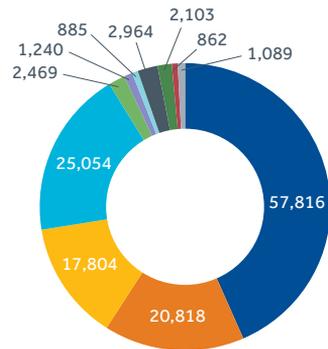
TOTAL ASSETS (\$ MILLIONS):



TOTAL LOANS (\$ MILLIONS):



TOTAL SAVINGS/DEPOSITS (\$ MILLIONS):



TOTAL CREDIT UNIONS & CAISSES POPULAIRES

- 42** British Columbia
- 28** Alberta
- 49** Saskatchewan
- 35** Manitoba
- 80** Ontario
- 12** Ontario CPs
- 10** New Brunswick
- 15** New Brunswick CPs
- 28** Nova Scotia
- 7** Prince Edward Island
- 9** Newfoundland

TOTAL: **315**

TOTAL LOCATIONS

- 374** British Columbia
- 203** Alberta
- 267** Saskatchewan
- 220** Manitoba
- 525** Ontario
- 26** Ontario CPs
- 26** New Brunswick
- 55** New Brunswick CPs
- 72** Nova Scotia
- 14** Prince Edward Island
- 37** Newfoundland

TOTAL: **1,819**

TOTAL MEMBERSHIPS

- 1,920,195** British Columbia
- 618,335** Alberta
- 472,702** Saskatchewan
- 643,134** Manitoba
- 1,384,109** Ontario
- 58,730** Ontario CPs
- 67,878** New Brunswick
- 155,562** New Brunswick CPs
- 149,602** Nova Scotia
- 51,444** Prince Edward Island
- 54,384** Newfoundland

TOTAL: **5,576,075**



**Credit Union
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