

2009

ANNUAL
REPORT

РІЧНИЙ ЗВІТ

Cover: "Haidamaky" courtesy Harold Bareng



"Tom.Lamb" courtesy Stan Mitosevic

LEO MOL

(1915 – 2009)

Courtesy Brian Petrynko



World-renowned bronze sculptor and artist Leo Mol surveys the garden named for him at Assiniboine Park during a visit back in 2006. He donated more than 300 of his works to the people of Winnipeg which were first unveiled at the three acre Leo Mol Sculpture Garden in 1992 (his collection has been expanded at least twice since then).

Born Leonid Molodozhanyin in Polonne, Ukraine in 1915, he began studying sculpture in Vienna at the age of 15. He spent much of World War II in Berlin until the Soviet Union began their occupation in 1945. He and his wife, Margareth, relocated to Holland where he continued his studies at The Hague Academy before the couple moved to Canada in 1949 (Prince Albert, Saskatchewan first, then Winnipeg).

His sculptures, ceramic figurines, stained glass windows and paintings are displayed throughout the world in Moscow, Warsaw, Vienna, The Vatican, Buenos Aries, Philadelphia, Washington, D.C., Ottawa, as well as Winnipeg.

Leo—a longstanding member of Carpathia Credit Union—was appointed to the Order of Manitoba (2000) and installed as an Officer of the Order of Canada (1989).

In honour of his prolific artistic legacy and extraordinary contributions to Manitoba and the world - we dedicate this publication to the memory of Leo Mol.

MISSION STATEMENT

СТВЕРДЖЕННЯ МІСІЇ

The mission of Carpathia Credit Union, as a Ukrainian Canadian financial institution, is:

“To achieve excellence in providing quality financial and related services in anticipation of/or in response to the changing needs of our members in a manner that is beneficial to the membership as a whole.”

Метою Ощадно-Кредитової Спілки “Карпатія”, як українсько-канадської фінансової установи, є:

“Досягнення найвищого рівня надання високо-якісних фінансових і подібних послуг, передбачаючи та реагуючи на змінливі потреби наших членів шляхом забезпечення цілісності і на користь наших членів.”

VISION STATEMENT

ВІЗІЯ НА МАЙБУТНЄ

The financial institution of choice for Manitoba's Ukrainian community.

Бути фінансовим закладом який вибирає українська громада Манітоби.

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Leo Mol Sculpture Garden courtesy of Stan Milosevic



PRESIDENT'S REPORT

This past year, to say the least, has been a most interesting and challenging one. The financial markets were sent into a whirlwind crisis which froze the credit markets. Central banks took aggressive action to ease the burden. The U.S. and other major players, including Canada, implemented stimulation measures to foster a global recovery. In essence, during the past year, we were in a recession. And now, by all accounts, we appear to be easing out of it. However, this recovery still has some downside risks so the next twelve months will be interesting for all financial institutions.

Having experienced these financial uncertainties during the past twelve months, I can proudly state that Carpathia Credit Union was able to perform quite well and produce some impressive results.

This ability to weather this financial crisis and continue to show strength in our market can be attributed to a number of factors, but of significant importance is the dedicated efforts of our senior management and staff and the loyalty of our members and associates who continued to conduct business with us despite an uncertain economy.

During the year ended September 30th, 2009, Carpathia's total assets increased almost eleven percent (10.95% or approximately \$26 million), primarily through growth in deposits. Carpathia Credit Union used these funds to grow our loan portfolio by more than twelve and a half percent (12.57% or \$26 million). Our Gross Operating Income was nearly two million dollars (\$1.929 million).

Due to these favourable financial results, the Board of Directors has approved a patronage pay-out allocation consisting of \$44,000 in dividends. An additional \$400,000 will also be paid out to members in the form of new surplus shares.

This year we celebrated our credit union's 70th anniversary. As Western Canada's largest Ukrainian credit union, we hosted a party that included song, dance, food and fond reflections of our long and glorious history. How many of the people that created Carpathia back in 1939 envisioned that we would grow, flourish and become the cornerstone of our Ukrainian community in Manitoba, funding hundreds of functions, activities and projects? In 2009, we were ranked by Manitoba Business Magazine as one of the top 75 companies in Manitoba.

A credit union just doesn't become successful because of its bricks and mortar. It needs the commitment of the people who work at Carpathia Credit Union who strive to ensure that you, the member, receive the best service possible. On behalf of the Board of Directors, I thank our management and our entire team of people for their dedication and the excellent customer service they provide in our on-going efforts to meet the evolving financial needs of our members.

I have enjoyed serving on this Board and thank the membership for electing me to represent your interests during these past nine years. It has been an honour and a pleasure. My term has now expired and it is time for me to step down. I am indebted to the Board of Directors for their commitment to our credit union and what it stands for. I am grateful for the effort and time they put in to their role and responsibilities as board members. It has made my job as President that much easier.

Serving on a board is time consuming so I must thank my wife Olya for her patience and understanding during these past 9 years.

Lastly, on behalf of the Board of Directors, I thank all of our members and associate members for their business, loyalty and support which has contributed to the ongoing success and growth of our credit union.



Roman Zubach.

Roman Zubach,
Board President

Минулий рік, хоча і супроводжувався труднощами був надзвичайно цікавий. Фінансові ринки перебували в стані кризи, що заморозило кредитні ринки. Центральні банки розпочали агресивні дії, щоб полегшити тягар. США та інші учасники, включаючи Канаду запровадили стимулятивні заходи задля сприяння покращенню економіки. Практично, протягом минулого року ми перебували в стані рецесії. Зараз, ми полегшили цей стан. Але стан цього одуження має певні ризики і наступні дванадцять місяців будуть цікавим періодом для фінансових установ.

Перейшовши цей досвід фінансової невпевненості за останні дванадцять місяців, я можу з гордістю зазначити, що Ощадно-Кредитова Спілка Карпатія працювала досить добре і спромоглася досягти добрих результатів.

Ця спроможність полегшувати фінансову кризу і продовжувати показувати міць на ринку можна пояснити багатьма факторами, але надзвичайно важливо відзначити відданість керівництва і персоналу та наших членів, які продовжували свої ділові стосунки з нами незважаючи на невпевненість в економіці.

Протягом року, який закінчився 30 вересня 2009, загальні активи Карпатії збільшилися майже на 11 % (\$ 26 мільйонів), переважно завдяки росту депозитів. Карпатія використала ці кошти для збільшення портфелю позик більш ніж на 12,5 % (\$ 26 мільйонів). Загальний оперативний прибуток склав приблизно 2 мільйони доларів (\$ 1 млн 929 тис.).

Завдяки цим сприятливим фінансовим результатам Правління схвалило повернення дивідентів членам на суму 44 000 \$. Додаткові 400 000 \$ також будуть сплачені членам у формі додаткових акцій.

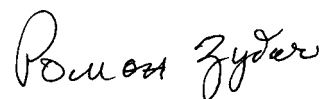
У цьому році ми відзначали 70-ту річницю нашої кредитової спілки. Як найбільша кредитівка у західній Канаді, ми святкували з піснями, танцями, перекусками і перш за все, роздумами про нашу довгу і цікаву історію. Скільки людей, які започаткували Карпатію у 1939 році могли передбачити такий ріст та процвітання, і що Карпатія стане оплотом української громади в Манітобі, фінансуючи сотні заходів і проєктів. У 2009 році Манітобський Журнал Бізнесу порівняв нас з 75 найкращими компаніями в Манітобі.

Кредитова спілка не може бути успішною виключно завдяки своїм цеглинам надбудови. Вона потребує відданості людей, які там працюють і намагаються найкращими чином задовільнити потреби клієнтів. Від імені Правління я дякую керівництву Карпатії і цілій команді за їхню відданість та відмінну роботу з клієнтам та зусилля в задовільненні фінансових потреб наших членів.

Мені було дуже приємно працювати в Правлінні Карпатії і я дякую членам за обрання і можливість представляти їхні інтереси протягом останніх дев'яти років. Мій термін наближається до кінця і прийшов час скласти повноваження. Я в боргу перед Правлінням Карпатії за відданість і зусилля на користь кредитової спілки. Я вдячний за час і зусилля членів Правління, які вони доклали у виконанні своїх повноважень. Вони допомогли мені краще виконувати свої обов'язки.

Я також дякую своїй дружині Олі за її терпіння і розуміння протягом цих останніх 9 років.

Наприкінці, від імення Правління, я дякую всім нашим членам і асоційованим членам за ведення справ з нами, їхню відданість і підтримку, які зробили дієвий внесок в наш довго-тривалий успіх і зростання Карпатії.



Роман Зубач
Президент Правління

CHIEF EXECUTIVE OFFICER'S REPORT

With the completion of Carpathia Credit Union's 70th year of operations, it is my honour and privilege to have the opportunity to report to our members for the year ending September 30, 2009.

The credit union's assets increased by \$25.0 million, ending the year at \$261.9 million. This was the second consecutive year in which the credit union achieved a growth rate of nearly 11% and is comparable to the average asset growth rate of other credit unions in Manitoba. Given the uncertain economic conditions over the last twelve months, achieving this kind of growth cannot be taken for granted.

Loan growth during the 2009 year reached \$26.0 million or 12.5%. This was slightly below the growth achieved last year. The main reason for the decline in loan growth is related to consumer confidence in the economy. For the year, the credit union's total commercial loans grew by 23% while the credit union's total consumer loans grew by 7%. This year, a high number of members accelerated their loan payments to ensure that their financial situation was not negatively affected by the economic conditions. A by-product of these conditions resulted in the credit union experiencing an unusually higher number of loan losses due to personal bankruptcies and consumer proposals. Even though these loan losses were greater this year than in the past several years, the credit union's reserves were well maintained and are considered appropriate for the total amount of loans outstanding. On a positive note, the growth experienced in commercial loans was the strongest in the credit union's history. This commercial loan growth helped to offset the slow down in consumer loans and is expected to further contribute to loan growth in 2010.

Deposit growth for 2009 remained strong, resulting in an increase of 11.4% or \$25.3 million. This level of deposit growth surpassed last year's 11.2%, which was, until this year, the highest in the history of the credit union. In 2009 the credit union continued to provide members with competitive deposit rates along with the added benefits that their deposits were safe and secure.

Carpathia welcomed nearly 370 new members and 70 associates in 2009. In terms of the associate status, which was introduced in 2003, Carpathia Credit Union had a total of 399 associates as at September 30, 2009. Associate loans outstanding as at September 30, 2009 comprised 9.8% of total loans outstanding (9.0% in 2008), while associate deposits were 3.0% of total deposits payable (1.6% in 2008). Income earned from associates of the credit union was equal to 9.5% of total income earned by the credit union in 2009 (compared

to 7.1% of total income earned in 2008).

Operating income for 2009 increased by 2% over the previous year as a result of reductions in the credit union's operating expenses. The low interest rates that were present throughout the year reduced the credit union's income from loans and investments by \$550,000 while interest paid on members' deposits decreased by \$600,000. In order to maintain its competitiveness the credit union managed to reduce total operating expenses by 3% with savings attained in Personnel expenses. Other income for the year was reduced by nearly \$200,000 due to lower loan insurance commissions. Based on the 2009 financial results, the Board of Directors declared a \$444,000 patronage award comprising of a cash dividend of \$44,000 along with \$400,000 in new surplus shares. Carpathia Credit Union's Member Equity Plan has distributed to the membership over \$8.0 million in patronage awards since its inception. With this year's rate of surplus share redemption at 55%, the total cash payments to qualifying members will total \$684,000.

Next year's general economic outlook is encouraging. Recent signs indicate that positive economic growth will return to Canada in 2010. For 2009, Manitoba's economic outlook is projected to be flat while positive growth is expected in 2010. Interest rates for both deposits and loans will remain at their current levels for the next several months, but are expected to increase in the latter part of 2010. This, of course, presents opportunities and, as members of Carpathia, you can be assured that whatever your future needs may be, we are here to serve you.

In closing I would like to personally thank our members for their support and loyalty to our credit union over the last 70 years. Thanks as well to our Board of Directors for their support and guidance throughout the year, and to our staff for their commitment and dedication in serving our members.



A handwritten signature in black ink, appearing to read 'W. Dlugosh'.

Walter J. Dlugosh, CMA
Chief Executive Officer

СЛОВО ГОЛОВНОГО ЕКЗЕКУТИВНОГО УПРАВИТЕЛЯ

З завершенням 70-річної діяльності Ощадно-Кредитової Спілки Карпатія я маю привілей і честь мати нагоду представити свою доповідь про рік, який завершився 30 вересня 2009 року.

Активи кредитової спілки зросли на \$25,0 мільйонів, завершивши рік на рівні \$261,9 мільйонів. Другий рік підряд кредитова спілка досягає показників росту на 11% і прирівнюється до інших кредитових спілок Манітоби. Враховуючи нестабільні економічні умови останніх дванадцяти місяців, такого зростання було нелегко досягти.

Зростання позик у 2009 році досягло 26,0 \$ або 12,5%. Цей показник трохи нижчий у порівнянні з минулим роком. Основною причиною нижчого показника є невпевненість споживачів в економіці. Протягом року комерційні позики зросли на 23% в той час, як позики для споживачів зросли на 7%. Цього року багато членів прискорили виплату позик щоб забезпечити своє фінансове положення в період негативних економічних обставин. Як наслідок, ці обставини призвели до втрати кредитовою спілкою великого відсотку позик з причини банкрутств і споживацьких пропозицій. Незважаючи на те, що ці втрати по позикам були вищими ніж у минулі роки, резерви кредитової спілки були в доброму стані і сбалансовані у відношенні з загальною кількістю послуг. На позитивній ноті, зростання комерційних позик було найміцнішим в історії кредитової спілки. Ріст комерційних позик допоміг сбалансувати гальмування в сфері споживацьких позик та очікується їхній внесок в подальше зростання позик у 2010 році.

Зростання депозитів у 2009 році залишилося на доброму рівні, відображаючи підвишку на 11,4% або \$25,3 мільйони. Цей рівень зростання депозитів вищий ніж у минулому році на 11,2%, який в свою чергу був найвищим за всю історію Карпатії. У 2009 році кредитова спілка продовжувала надавати своїм членам конкурентноспроможні відсотки по депозитах та впевненість в їх захищеності.

Карпатія привітала 370 нових членів і 70 товариств у 2009 році. У 2003 році Карпатія запровадила асоційоване членство і на 30 вересня 2009 року кредитова спілка мала 399 асоційованих членів. Позики асоційованих членів на 30 вересня 2009 року становили 9,8% всіх позик, а депозити становили 3,0% всіх депозитів (1,6% у 2008 році). Зароблений дохід

від асоційованих членів становить 9,5% загального доходу отриманого кредитовою спілкою у 2009 році (у порівнянні з 7,1% загального доходу отриманого у 2008).

Оперативний дохід у 2009 році підвищився на 2% в порівнянні з минулим роком, як результат скорочення оперативних видатків кредитової спілки. Низькі відсотки протягом року вплинули на зниження доходу кредитівки від позик й інвестицій на 550 000 \$, в той час як відсотки по депозитах членів знизилися на 600 000 \$. Для того, щоб зберегти конкурентноспроможність кредитової спілки було знижено оперативні видатки на 3% за допомогою заощаджень на особистих рахунках. Інші доходи кредитівки впали приблизно на 200 000 \$ з причини низького рівня комісійних на страхування.

Грунтуючись на фінансових результатах 2009 року оголошених у розмірі 444 000 \$ патронажного звороту, який включає готівкові дивіденти у розмірі 44 000 \$ в 400 000 \$ нових акціях. План розподілення майна ощадно-кредитової спілки Карпатія розподілив серед членів понад \$8 млн патронажного звороту з самого початку існування кредитівки. З рівнем цього річного акціонерного повернення в 55%, кваліфіковані члени отримують загально 684 000 \$.

Економічна ситуація виглядає сприятливою на наступний рік. Нещодавні ознаки вказують на те, що економічне зростання повернеться до Канади у 2010 році. Ситуація у 2009 році виглядає рівною, а позитивне зростання спостерігатиметься вже в 2010 році. Така ситуація представить нові можливості і як члени Карпатії ви можете бути впевнені, що незважаючи на ваші обставини, ми завжди готові служити вам.

На завершення я хочу особисто подякувати нашим членам за їхню підтримку і відданість нашій кредитівці протягом останніх 70 років. Я також дякую нашому Правлінню за їхню підтримку і керівництво протягом року та нашому персоналу за їхню відданість і зобов'язання надавати якісні послуги нашим членам.



Володимир Дугош
Головний Екзекутивний Управитель

COMMUNITY INVOLVEMENT

Each year, Carpathia provides thousands of dollars in financial support (more than \$50,000 in 2009 alone) to charitable and community organizations, youth camps, conferences, museums, exhibits and special events. Corporate sponsorships, financial donations, scholarships, and prizes have been given away at various fundraising activities. But at Carpathia, it's more than just the money. At the heart of our credit union is a common desire to preserve, promote and enrich Ukrainian culture and heritage here in Manitoba. Carpathia is proud of its network of members, community groups, staff members and the thousands of volunteers who've worked hard to help each other over the past seven decades to make a real difference throughout the province.

It's because of this cooperative atmosphere that many of Manitoba's most prominent Ukrainian organizations are celebrating milestones of their own. While Carpathia celebrates its 70th Anniversary, others are marking special anniversaries, too, including:

- Romanetz Ukrainian Dance Ensemble (30 years)
- Folklorama's Kyiv Pavilion (40 years)
- Progress Ukrainian Catholic News (50 years)
- Plast Winnipeg (60 years)
- CYM (60 years)
- Ukrainian Cultural and Educational Centre Oseredok (65 years)
- Ukrainian Voice (100 years)

Carpathia has also helped to launch what has now become a recurring musical production – Strike! The Musical. Set in Winnipeg during the 1919 General Strike, the story centres around the history of Ukrainian immigrant Mike Sokolowski. The musical has captured local and national attention and will be staged each year at The Forks.

Other cultural endeavours include the wide variety of traditional Ukrainian dance including Orlan, Romanetz, Rozmai, Rusalka, Troyanda and Veselka. There's also Canada's National Ukrainian Festival which is held each year in Dauphin, Manitoba. And Carpathia supports the English-Ukrainian bilingual programs for students in Manitoba's elementary and middle schools.

Carpathia's 70th Anniversary this year illustrates the strength and longevity of Ukrainian culture and the desire of Manitobans to keep Ukrainian heritage alive and thriving into the 21st century.



Gold account (60+) members and guests lined up early. They were greeted by Carpathia staff members Tanya Sucharyna and Galyna Andriyeshyn.



The annual luncheon gives everyone a chance to reconnect and catch up with friends and neighbours.



Our thanks to Deacon Victor Humniski who pulled a few strings and managed to arrange for an early visit from St. Nicholas.

70TH ANNIVERSARY CELEBRATIONS



Orlan Ukrainian Folk Ensemble



O. Koshetz Choir



Rusalka Ukrainian Dance Ensemble

AUDITOR'S REPORT



BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
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Auditors' Report

To the Members of CARPATHIA CREDIT UNION LTD.

We have audited the balance sheet of **CARPATHIA CREDIT UNION LTD.** as at September 30, 2009 and the statements of income, retained surplus 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
October 19, 2009

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Звіт аудиторів

Членам ОЩАДНО-КРЕДИТОВОЇ СПІЛКИ КАРПАТІЯ

Ми провели аудит балансу Ощадно-Кредитової Спілки Карпатія станом на 30 вересня 2009 року та переглянули дохід, збережений надлишок та готівковий потік. Дані фінансові звіти є відповідальністю керівництва кредитової спілки. Нашим зобов'язанням є висловлення поглядів щодо фінансових звітів, які ґрунтуються на нашому аудиті.

Ми провели аудит згідно канадських загальноприйнятих стандартів. Ці стандарти вимагають планування і проведення аудиту з метою отримання інформації щодо надійності та правильності фінансових звітів. Аудит включає огляд та перевірку на основі тестування свідчень, які пояснюють фінансові звіти. Аудит також включає оцінювання застосованих облікових принципів, рішення прийняті керівництвом та загалом представлений фінансовий стан.

На нашу думку, представлені фінансові звіти є у всіх відношеннях відкритими, фінансове положення Ощадно-Кредитової Спілки Карпатія на 30 вересня 2009 року з огляду на роботу ощадно-кредитової спілки та її готівковий потік на кінець року відповідає канадським загальноприйнятим принципам ведення бухгалтерського обліку.

BDO Dunwoody LLP

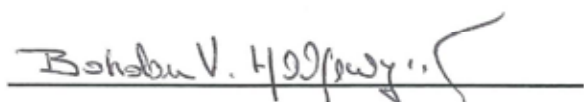
Зареєстровані бухгалтери

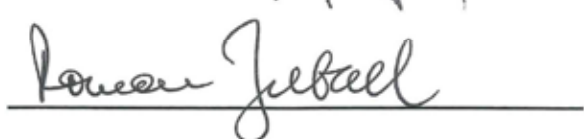
Вінніпег, Манітоба
19 жовтня 2009 року

BALANCE SHEET

September 30	2009	2008
Assets		
Funds on deposit	\$ 7,992,370	\$ 3,431,543
Investments (Note 2)	19,846,132	24,375,059
Loans receivable (Note 3)	232,557,156	206,583,971
Property, plant and equipment (Note 4)	1,111,165	1,283,572
Other assets (Note 5)	395,482	389,794
	\$ 261,902,305	\$ 236,063,939
Liabilities and Members' Capital		
Deposits payable (Note 6)	\$ 246,602,406	\$ 221,270,755
Accounts payable and other liabilities (Note 8)	836,962	1,019,677
	247,439,368	222,290,432
Commitments and contingencies (Notes 13 and 14)		
Members' Capital		
Members' shares (Note 9)	1,227,040	1,467,496
Provision for issue of surplus shares (Note 10)	339,508	464,000
Retained surplus (Note 11)	12,896,389	11,842,011
	14,462,937	13,773,507
	\$ 261,902,305	\$ 236,063,939

Approved on behalf of the Board:


 _____ Director


 _____ Director

STATEMENT OF INCOME

For the year ended September 30	2009	2008
Income		
Interest from loans	\$ 11,140,882	\$ 11,034,050
Investment income		
Liquidity deposits	524,382	1,201,660
CUCM Shares	106,202	89,346
	11,771,466	12,325,056
Cost of funds	6,397,830	6,998,453
Gross financial margin	5,373,636	5,326,603
Operating Expenses		
Administrative	1,159,914	1,028,757
Members' security	233,109	280,304
Occupancy	721,893	726,312
Organizational	220,899	191,034
Personnel	2,221,474	2,502,085
Gross operating expenses	4,557,289	4,728,492
Less other income	1,112,842	1,289,117
	3,444,447	3,439,375
Gross operating income	1,929,189	1,887,228
Provision for doubtful loans	250,000	200,000
Income before patronage refund	1,679,189	1,687,228
Patronage refund (Note 10)	400,000	464,000
Income before income taxes	1,279,189	1,223,228
Provision for income taxes (Note 12)	186,501	184,539
Net income for the year	\$ 1,092,688	\$ 1,038,689

STATEMENT OF RETAINED SURPLUS

For the year ended September 30	2009	2008
Retained surplus, beginning of year	\$ 11,842,011	\$ 10,863,662
Net income for the year	1,092,688	1,038,689
Dividend on surplus shares (net of tax recoveries) (Note 10)	(38,310)	(60,340)
Retained surplus, end of year	\$ 12,896,389	\$ 11,842,011

STATEMENT OF CASH FLOWS

For the year ended September 30	2009	2008
Cash Flows from Operating Activities		
Net income for the year	\$ 1,092,688	\$ 1,038,689
Adjustments for		
Amortization	229,499	246,731
Patronage refund	339,508	464,000
Dividend on surplus shares (net)	(38,310)	(60,340)
Provision for doubtful loans	250,000	200,000
Accrued interest receivable	334,098	263,680
Accrued interest payable	232,981	391,492
Income taxes (recovery)	16,827	9,346
Other items, net	(205,232)	355,074
	<u>2,252,059</u>	<u>2,908,672</u>
Cash Flows from Financing Activities		
Deposits payable, net of withdrawals	25,098,670	21,870,931
Issue of common shares, net of redemptions	175	640
Net redemption of surplus shares	(704,631)	(781,201)
	<u>24,394,214</u>	<u>21,090,370</u>
Cash Flows from Investing Activities		
Loans receivable, net of repayments	(26,307,436)	(24,061,122)
Net (increase) decrease in investments	4,279,081	(436,839)
Purchases of property, plant and equipment (net)	(57,091)	(54,317)
	<u>(22,085,446)</u>	<u>(24,552,278)</u>
Net increase (decrease) in cash and cash equivalents	4,560,827	(553,236)
Cash and cash equivalents, beginning of year	3,431,543	3,984,779
Cash and cash equivalents, end of year	\$ 7,992,370	\$ 3,431,543
Supplementary Information		
Interest paid	\$ 6,630,811	\$ 7,389,945
Interest received	12,105,564	12,588,736
Income taxes paid	155,984	164,553

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended September 30, 2009

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Financial Instruments

The Credit Union recognizes and measures financial assets and financial liabilities on the Balance Sheet when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a settlement date basis. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of each financial instrument. Held-for-trading items are carried at fair value, with changes in their fair value recognized in the statement of income. Available-for-sale items are carried at fair value, with changes in their fair value recognized as other comprehensive income. Loans and receivables and other financial liabilities are carried at amortized cost, using the effective interest method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the Credit Union has immediate access.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discounted rates. In determining those assumptions, external readily observable market inputs including interest rate yield curves, currency rates and price and rate volatilities are considered, as applicable.

The Credit Union has followed the guidance of the Credit Union Deposit Guarantee Corporation of Manitoba, which directed that liquidity deposits with Credit Union Central of Manitoba and Loans and Mortgages be classified as "Loans and receivables" and that Deposits Payable be classified as "Other financial liabilities" and therefore that all be accounted for using the amortized cost method. See note 16 for details on classification of all the Credit Union's financial instruments.

Transaction costs for financial instruments are capitalized and then amortized over the term of the instrument using the effective interest rate method.

Derivative financial instruments, including embedded derivatives which are required to be accounted for separately, are recorded on the balance sheet at fair value. Changes in the value of derivative instruments (solely embedded derivatives) are recognized directly in income for the period under "Interest from loans".

ЗВІТ ПОЛІТИКИ БУХГАЛТЕРСЬКОГО ОБЛІКУ

For the year ended September 30, 2009

Financial Instruments

(continued)

Other comprehensive income includes, in particular, unrealized gains and losses on available-for-sale financial assets and the change in the effective portion of a cash flow hedge transaction. The Credit Union had no comprehensive income for the year.

Impairment of Financial Assets A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar risk characteristics. All impairment losses are recognized in the income statement.

Loans Receivable

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the Credit Union's portfolio. The allowance is increased by an annual provision for doubtful loans which is charged against income. Loans are considered uncollectible when the Credit Union has exhausted all means of collection. These loans are written-off against the associated provision.

The Credit Union maintains specific allowances for doubtful loans that reduce the carrying value of loans identified as impaired to their estimated realizable amounts.

- Loans classified as impaired include loans for which interest or principal payments are 90 days past due, unless the loan is both well secured and in the process of collection, in which case, they are only classified as impaired if payments are 180 days past due. Loans are also considered impaired if, in management's view, there is no longer reasonable assurance of timely collection of the full amount of principal and interest in accordance with the terms of the loan agreement.
- Estimated realizable amounts are determined by discounting the expected cash flows at the effective interest rate inherent in the loan. If cash flows cannot be reasonably estimated, the fair value of any underlying security, net of expected realization costs, or an estimate of market price for the loan, is used.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended September 30, 2009

Impairment of Financial Assets
(continued)

When the terms of loans that would otherwise be past due or impaired have been renegotiated, a review of the borrower's credit history and the collateral securing the loan is conducted to minimize the risk of loss to the Credit Union.

In addition to specific allowances against identified impaired loans, the Credit Union maintains a non-specific allowance to cover impairment which is inherent in the loan portfolio and is estimated based upon historical loss experience and prevailing economic conditions.

Revenue Recognition

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

Interest on investments is recorded using the effective interest method, except as it relates to adjustments in the rates received from Credit Union Central, these are recorded when payment is received.

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

Other income is recorded as income as it becomes receivable, or as the Credit Union becomes aware of the income to be recorded.

Property, Plant and Equipment Property, plant and equipment acquired during the fiscal year ended September 30, 2009 have been reflected in the accounts at actual cost. Amortization of \$229,499 (2008 - \$246,731) charged to the 2009 operations of the Credit Union has been calculated on a straight-line basis using the following rates:

Building	3½%
Furniture and equipment	25%
Computer equipment	25% - 33%
Paved Lot	8%

Leasehold improvements are amortized over the term of the lease.

ЗВІТ ПОЛІТИКИ БУХГАЛТЕРСЬКОГО ОБЛІКУ

For the year ended September 30, 2009

Income Taxes

The Credit Union follows the liability method of accounting for income taxes. Future income tax assets and liabilities are computed based on differences between the carrying amount of the assets or liabilities on the balance sheet and their corresponding tax values using the enacted income tax rates at each balance sheet date. Future income tax assets also result from the carry forward of unused tax losses and other deductions. A future income tax asset is only recognized if it more likely than not that the future income tax asset will be realized.

The valuation of future income tax assets is reviewed annually and adjusted, if necessary, to reflect the estimated realizable amount.

Net future income tax assets or liabilities are reflected in other assets or other liabilities, as appropriate.

Translation of Foreign Currencies

Cash resources and deposits denominated in foreign currencies are translated into Canadian dollars at the rates prevailing on the balance sheet date. Realized gains and losses are recorded at the rates prevailing at the time of the transaction. Unrealized gains and losses are recorded at the rates prevailing on the balance sheet date.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Credit Union, are as follows:

International financial reporting standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Credit Union's financial statements has yet to be determined.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2009

1. Nature of Operations

The Credit Union was formed pursuant to the Credit Unions and Caisses Populaires Act of the Province of Manitoba (the "Act") and operates three credit union branches in the City of Winnipeg.

2. Investments

	<u>2009</u>	<u>2008</u>
Shares - at cost		
Credit Union Central of Manitoba	\$ 2,820,373	\$ 2,099,454
Concentra Financial Services Association	8,504	8,504
Kalyna Co-op Ltd.	1,099	1,099
Deposits - at cost		
Credit Union Central of Manitoba	<u>17,000,000</u>	<u>22,000,000</u>
	19,829,976	24,109,057
Accrued interest	<u>16,156</u>	<u>266,002</u>
	\$ 19,846,132	\$ 24,375,059

As the shares held in the Credit Union Central of Manitoba, Concentra Financial and Kalyna Co-op Ltd. have been classified as available for sale, they are valued at cost as quoted market prices do not exist. The contract and daily interest deposits in the Credit Union Central of Manitoba are deposits for liquidity purposes and are classified as loans and receivables and recorded at amortized cost.

ПРИМІТКИ ДО ФІНАНСОВИХ ЗВІТІВ

For the year ended September 30, 2009

3. Loans Receivable

Loans receivable are presented net of allowances for doubtful loans totalling \$690,559, consisting of \$18,282 for specific loans considered impaired and \$672,277 as non-specific.

	<u>2009</u>	<u>2008</u>
Consumer		
Term loans	\$ 15,974,861	\$ 17,899,809
Real estate	117,123,490	108,339,803
Lines of credit	8,745,419	6,568,644
Commercial		
Term loans	4,936,101	4,700,319
Real estate	79,579,107	62,496,622
Lines of credit	6,454,188	6,753,854
	<u>232,813,166</u>	206,759,051
Accrued interest receivable	434,549	518,800
	<u>233,247,715</u>	207,277,851
Allowance for doubtful loans	690,559	693,880
	<u>\$232,557,156</u>	<u>\$206,583,971</u>

During the current year, the Credit Union held \$48,509,614 in outstanding commercial loans relating to the real estate, rental, and leasing industry and \$26,471,389 in outstanding commercial loans to the accommodation and food services industry.

The following schedule provides the loan allowance related to each loan category, together with the gross amount of loans, including accrued interest, in each major loan category.

	<u>2009</u>		<u>2008</u>	
	Gross Loan Balances	Total Allowance	Gross Loan Balances	Total Allowance
Loans receivable				
Impaired				
Consumer				
Term loans	\$ 10,107	\$ 9,536	\$ 71,514	\$ 57,061
Real estate	-	-	75,593	-
Lines of credit	-	-	9,928	3,796
Commercial				
Term loans	-	-	105,221	-
Lines of credit	8,746	8,746	8,746	8,746
	<u>18,853</u>	<u>18,282</u>	271,002	69,603
Performing	<u>233,228,862</u>	<u>672,277</u>	207,006,849	624,277
	<u>\$ 233,247,715</u>	<u>\$ 690,559</u>	\$ 207,277,851	\$ 693,880
		<u>\$ 232,557,156</u>		<u>\$ 206,583,971</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2009

3. Loans Receivable (continued)

The principal collateral and other credit enhancements we hold as security for loans include (i) insurance, mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to the commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities.

During the year ended September 30, 2009, the Credit Union acquired \$48,351 of assets in respect of problem loans. The related reduction in allowance for doubtful loans was \$40,400.

A loan is considered past due when a counterparty has not made a payment by the contractual date due. The following table presents the carrying value of loans that are past due but not classified as impaired because they are either (i) less than 90 days past due, or (ii) fully secured and collection efforts are reasonably expected to result in repayment.

	2009			
	1-30 days	31-90 days	Greater than 90 days	Total
Consumer	\$ 3,377,703	\$ 33,592	\$ 7,677	\$ 3,418,972
Commercial	718,442	188,523	-	906,965
	\$ 4,096,145	\$ 222,115	\$ 7,677	\$ 4,325,937
	2008			
	1-30 days	31-90 days	Greater than 90 days	Total
Consumer	\$ 2,836,638	\$ 540,588	-	\$ 3,377,226
Commercial	1,473,997	-	-	1,473,997
	\$ 4,310,635	\$ 540,588	\$ -	\$ 4,851,223

The following schedule provides the activity through the allowance for doubtful loans during the year:

	2009	2008
Balance, beginning of year	\$ 693,880	\$ 672,878
Provision for doubtful loans	250,000	200,000
Loans written-off	(253,321)	(178,998)
Balance, end of year	\$ 690,559	\$ 693,880

During the year, the Credit Union recovered \$3,597 of loans previously written-off (2008 - \$31,535) which is included as part of other income in the Statement of Income.

ПРИМІТКИ ДО ФІНАНСОВИХ ЗВІТІВ

For the year ended September 30, 2009

4. Property, Plant and Equipment

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 376,762	\$ -	\$ 376,762	\$ -
Building	2,036,535	1,414,833	2,036,535	1,343,555
Furniture and equipment	1,356,326	1,335,313	1,346,948	1,316,674
Computer equipment	860,176	833,061	822,575	748,796
Paved lot	75,313	70,042	75,313	67,406
Leasehold improvements	494,701	435,399	484,589	382,719
	\$ 5,199,813	\$ 4,088,648	\$ 5,142,722	\$ 3,859,150
Cost less accumulated amortization		\$ 1,111,165		\$ 1,283,572

5. Other Assets

	2009	2008
Accounts receivable	\$ 19,610	\$ 37,638
Prepaid expenses	266,655	218,112
Current income taxes receivable	17,217	34,044
Future income tax asset	92,000	100,000
	\$ 395,482	\$ 389,794

6. Deposits Payable

	2009	2008
Savings	\$ 62,004,788	\$ 66,780,086
Term deposits	98,585,099	79,068,499
RRSP and RRIF	53,441,908	47,392,433
Chequing	29,287,564	24,979,671
Unclaimed accounts	115,389	115,389
	243,434,748	218,336,078
Accrued interest payable	3,167,658	2,934,677
	\$246,602,406	\$221,270,755

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2009

7. Credit Union Central of Manitoba

The Credit Union has approved lines of credit with Credit Union Central of Manitoba in the amount of 10% of its deposits payable. For the current year, this amounts to approximately \$24.7 million dollars. The line of credit bears interest at a floating rate and is secured by an assignment of shares and deposits in Credit Union Central of Manitoba and a general assignment of loans receivable.

At September 30, 2009, the line of credit was unutilized.

8. Accounts Payable and Other Liabilities

	<u>2009</u>	<u>2008</u>
Accrued expenses and trade accounts	\$ 534,977	\$ 902,160
Credit Union Deposit Guarantee Corporation assessment	56,906	65,022
Outstanding certified cheques and money orders	75,605	6,455
Deferred revenues	169,474	46,040
	<u>\$ 836,962</u>	<u>\$ 1,019,677</u>

9. Members' Shares

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

Authorized shares

Common shares

Authorized common share capital consists of an unlimited number of common shares, with an issue price per share to be not less than \$5 and redeemable in the amount of consideration received for the share. The total amount of common shares purchased or redeemed by the Credit Union shall not reduce the Credit Union's equity below 5% of assets.

Surplus shares

Authorized surplus share capital consists of an unlimited number of surplus shares, with an issue price per share of \$1 and redeemable at the option of the Credit Union at \$1 per share. The total amount of surplus shares purchased or redeemed by the Credit Union in a fiscal year shall not reduce the Credit Union's equity below 5% of assets.

Issued shares

	<u>2009</u>			<u>2008</u>
	<u>Common Shares</u>	<u>Surplus Shares</u>	<u>Total Members' Shares</u>	<u>Total Members' Shares</u>
Balance, beginning of year	\$ 61,870	\$ 1,405,626	\$ 1,467,496	\$ 1,758,057
Shares issued	45,757	611,954	657,711	590,938
Shares redeemed	(45,582)	(852,585)	(898,167)	(881,499)
Balance, end of year	<u>\$ 62,045</u>	<u>\$ 1,164,995</u>	<u>\$ 1,227,040</u>	<u>\$ 1,467,496</u>

For the year ended September 30, 2009

10. Provision for Issue of Surplus Shares

The Board of Directors has approved that the payment of a patronage refund of approximately \$400,000 (2008 - \$464,000) be allocated to the members from the net income for 2009. In addition, a dividend of \$44,000 (2008 - \$70,000) has been approved for distribution and is included in accounts payable.

This patronage refund has been reflected in these financial statements as an expense in the current year. Also, the current year's provision for income taxes has been calculated, which has resulted in a reduction in the income tax provision of approximately \$51,600 (2008 - \$64,000). The dividend has been presented through equity net of tax recoveries of \$5,690 (2008 - \$9,660) resulting in a net charge of \$38,310 (2008 - \$60,340).

When paid, this refund will be distributed to members on the basis of interest paid or received with respect to loans and deposits. The patronage refund is intended to be used for the purchase of additional surplus shares, and has been reflected in the Members' Capital on the balance sheet as "Provision for issue of member shares".

11. Capital Requirement

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

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

The Credit Union considers its capital to be comprised of common and surplus shares, provision for issue of surplus shares and retained surplus. There have been no changes in what the Credit Union considers to be capital since the previous period.

The Credit Union establishes the risk-weighted value of its assets in accordance with the Regulations of Act which establishes the applicable percentage for each class of assets. The Credit Union's risk-weighted value of its assets as at September 30, 2009 was \$153,421,903.

As at September 30, 2009, the Credit Union met the capital requirements of the Act with a calculated members' capital ratio of 5.52% (2008 - 5.83%), a retained surplus ratio of 4.92% (2008 - 5.02%) and a risk-weighted asset ratio of 9.81% (2008 - 10.63%).

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2009

12. Income Taxes

	<u>2009</u>	<u>2008</u>
Components of provision for income taxes		
Current income tax expense	\$ 178,501	\$ 183,539
Future income tax expense	8,000	1,000
	<u>\$ 186,501</u>	<u>\$ 184,539</u>

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

	<u>2009</u>	<u>2008</u>
	%	%
Combined federal and provincial statutory income tax rates	31.9	33.9
Credit Union rate reduction	(19.6)	(20.1)
Other	2.3	1.3
	<u>14.6</u>	<u>15.1</u>

The tax effects of temporary differences which give rise to the net future income tax assets reported in other assets is related to the allowance for doubtful loans.

13. Commitments

Loans Receivable

The Credit Union had made commitments to members and associates for loans that had not been disbursed by the September 30, 2009 year end in the approximate amount of \$13,801,417. In addition, the unutilized portions of lines of credit extended to members and associates as at September 30, 2009 were \$18,059,274. The Credit Union also has made commitments to members and associates for unexpired letters of credit in the amount of \$1,231,584 as at September 30, 2009. These commitments are due on demand.

Lease Commitments

The Credit Union operates its branches (with the exception of Head Office and the Main Street Branch) under leased premises. Contractual obligations in respect of leases for premises require the following aggregate minimum payments:

2010	\$ 176,348
2011	140,307
2012	93,138
2013	86,044
2014	38,625

For the year ended September 30, 2009

14. Contingencies

The Credit Union, in the course of its operations, is subject to lawsuits. As a policy, the Credit Union will accrue for losses in instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated. At present, the Credit Union has no reason to believe that there are any lawsuits which will have a significant impact on the Credit Union's financial position.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2009

15. Related Party Transactions

The Credit Union Deposit Guarantee Corporation

The Credit Union Deposit Guarantee Corporation was created under the Act for the purposes of guaranteeing deposits in Manitoba credit unions, and promoting sound business practices in credit unions.

The payments made to the Corporation during the year ended September 30, 2009 represent the net statutory annual assessment in the amount of \$155,478 (2008 - \$213,036).

Credit Union Central of Manitoba

The Credit Union is a member of Credit Union Central of Manitoba, which provides banking and other services to Credit Unions in Manitoba.

Details of investments in Credit Union Central of Manitoba are shown in Note 2. Interest earned on investments during the year amounted to \$524,382 (2008 - \$1,201,660).

Payments made to Credit Union Central of Manitoba during the year ended September 30, 2009 for affiliation dues and cheque clearing fees totalled \$271,167 (2008 - \$237,082).

Celero Solutions

The Credit Union currently utilizes the services of Celero Solutions to provide the delivery of some banking system services and the maintenance of the infrastructure needed to ensure uninterrupted delivery of such services. Celero Solutions is a company formed as a joint venture by the Credit Union Centrals of Alberta, Saskatchewan and Manitoba along with Concentra Trust Ltd. and Credit Union Electronic Transaction Services. Payments made to Celero Solutions during the year ended September 30, 2009 for these services totalled \$74,714 (2008 - \$59,986).

Directors and Officers

During the year, the Credit Union made the following payments to (or on behalf of) the directors and officers of the Credit Union for expenses associated with the performance of their duties:

	<u>2009</u>	<u>2008</u>
Honouraria and per diems	\$ 33,880	\$ 22,295
Meeting, training and conference costs	29,469	42,210
	<u>\$ 63,349</u>	<u>\$ 64,505</u>

During the year, all loans, deposits and fees that were made to, received from, or charged to directors or persons in whom any of them has a material interest, conform to the Credit Union's normal practices for members who are not directors.

As at September 30, 2009, outstanding loans to directors and committee members totalled 0.52%, in aggregate, of the assets of the Credit Union.

ПРИМІТКИ ДО ФІНАНСОВИХ ЗВІТІВ

For the year ended September 30, 2009

16. Financial Instrument Risk Exposure and Management

This note describes the Credit Union's objectives, policies and processes for managing risks arising from financial instruments and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The following table presents the principal financial instruments used by the Credit Union from which financial instrument risk arises:

Class of Financial Instrument	<u>Categories of Financial Assets and Financial Liabilities</u>			
	Held for Trading	Loans & Receivables	Available for Sale	Other Financial Liabilities
Funds on deposit	\$ 7,992,370	\$ -	\$ -	\$ -
Investments				
liquidity deposits	-	17,016,156	-	-
shares	-	-	2,829,976	-
Loans receivable	-	232,557,155	-	-
Accounts receivable	-	19,610	-	-
Deposits payable	-	-	-	246,602,406
Accounts payable	-	-	-	667,488

There have been no substantive changes in the Credit Union's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or methods used to measure them from previous periods unless otherwise stated in this note.

General objectives, policies and processes

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

Credit Risk

Credit risk is the risk of loss to the Credit Union if a counterparty to a financial instrument fails to meet its contractual obligations. The Credit Union is mainly exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2009

16. Financial Instrument Risk Exposure and Management (continued)

Risk Measurement

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

Objectives, Policies and Processes

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

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

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

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

Maximum Exposure to Credit Risk

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

	Carrying value	2009 Maximum exposure	2008 Maximum exposure
Credit Union Central of Manitoba deposits	\$ 17,000,000	\$ 17,000,000	\$ 22,000,000
Loans receivable	232,557,156	232,557,156	206,583,971
Undisbursed loans	-	13,801,417	9,144,585
Unutilized lines of credit	-	18,059,274	16,863,923
Unexpired letters of credit	-	1,231,584	503,760
	\$249,557,156	\$282,649,431	\$255,096,239

For the year ended September 30, 2009

16. Financial Instrument Risk Exposure and Management (continued)

Details regarding concentration of credit risk, collateral and other credit enhancements held and loans past due but not impaired are disclosed in Note 3.

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

Liquidity Risk

Liquidity and funding risk is the risk that the Credit Union may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

Risk Measurement

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

Objectives, Policies and Processes

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

Provisions of the Act require the Credit Union to maintain a certain amount of liquid assets in order to meet member withdrawals.

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

As at September 30, 2009, the position of the Credit Union is as follows:

Qualifying liquid assets on hand	\$ 25,981,726
Total liquidity requirement	<u>19,734,241</u>
Excess of liquidity requirement	<u>\$ 6,247,485</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2009

16. Financial Instrument Risk Exposure and Management (continued)

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

September 30, 2009

	Carrying Amount	Gross Nominal Cash Outflow	Less than 1 Month	1 - 3 Months	3 - 12 Months	Greater than 1 year
(in thousands of dollars)						
Deposits	\$ 246,602	\$ (258,929)	\$ (105,245)	\$ (12,240)	\$ (58,169)	\$ (83,275)
Payables	667	(667)	(667)	-	-	-
	<u>\$ 247,269</u>	<u>\$ (259,596)</u>	<u>\$ (105,912)</u>	<u>\$ (12,240)</u>	<u>\$ (58,169)</u>	<u>\$ (83,275)</u>

September 30, 2008

	Carrying Amount	Gross Nominal Cash Outflow	Less than 1 Month	1 - 3 Months	3 - 12 Months	Greater than 1 year
(in thousands of dollars)						
Deposits	\$ 221,271	\$ (230,805)	\$ (113,078)	\$ (10,273)	\$ (52,360)	\$ (55,094)
Payables	974	(974)	(974)	-	-	-
	<u>\$ 222,245</u>	<u>\$ (231,779)</u>	<u>\$ (114,052)</u>	<u>\$ (10,273)</u>	<u>\$ (52,360)</u>	<u>\$ (55,094)</u>

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, equity or commodity prices, and credit spreads. The Credit Union is exposed to market risk in its asset/liability management activities. The level of market risk to which the Credit Union is exposed varies depending on market conditions and expectations of future price and yield movements.

Interest Rate Risk

Traditional banking activities, such as deposit taking and lending, expose the Credit Union to market risk, of which interest rate risk is the largest component. The Credit Union's goal is to manage the interest rate risk of the balance sheet to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

Risk Measurement

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

ПРИМІТКИ ДО ФІНАНСОВИХ ЗВІТІВ

For the year ended September 30, 2009

16. Financial Instrument Risk Exposure and Management (continued)

Objectives, Policies and Procedures

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

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Credit Union Deposit Guarantee Corporation in accordance with the Credit Union's matching policy. This policy has been approved by the board of directors as required by Regulations of the Act. For the year ended September 30, 2009, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within six months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

Expected repricing or maturity date	Financial Statement Amounts			Net Asset/Liability Mis-match
	Assets	Liabilities and Member's Equity		
Variable	\$ 85,120,769	\$ 95,756,810	\$	(10,636,041)
0 to 6 months	26,899,577	43,750,690		(16,851,113)
6 to 12 months	8,057,146	32,937,019		(24,879,873)
1 to 2 years	23,227,210	21,707,919		1,519,291
2 to 3 years	29,765,732	25,167,143		4,598,589
3 to 4 years	28,411,376	12,866,376		15,545,000
4 to 5 years	55,247,799	11,248,792		43,999,007
over 5 years	761,485	-		761,485
Not interest sensitive	4,411,211	18,467,556		(14,056,345)
	<u>\$ 261,902,305</u>	<u>\$ 261,902,305</u>	<u>\$</u>	<u>-</u>

As at September 30, 2009, the weighted average rate for interest-bearing assets is 4.36% and for interest-bearing liabilities is 2.41%.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2009

16. Financial Instrument Risk Exposure and Management (continued)

The Credit Union's risk due to changes in interest rates is illustrated in the sensitivity analysis below. The expected change was calculated using financial modeling software based on the Credit Union's interest sensitive assets and liabilities as at September 30, 2009.

	Expected Increase (decrease) in Net Income
Increase in interest rates of 1%	\$ (325,000)
Decrease in interest rates of 1%	(76,000)

Foreign Exchange Risk

Another risk component of traditional banking activities is foreign exchange risk. The Credit Union's goal is to manage the foreign exchange risk of the balance sheet to a target level. The Credit Union continually monitors the effectiveness of its foreign exchange mitigation activities.

Risk Measurement

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

Objectives, Policies and Procedures

The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to \$1,000,000 in U.S. funds.

The Credit Union's risk due to changes in foreign currency rates is illustrated in the sensitivity analysis below:

	Change in Exchange Rate	
	-10.1%	+10.1%
Maximum unhedged US \$ exposure of \$1,000,000	\$ (101,000)	\$ 101,000

17. Fair Value of Financial Assets and Liabilities

The following table presents the fair values of all financial assets and liabilities of the Credit Union as at September 30, 2009. Differences between book value and fair value are caused by differences between the interest rate obtained at the time of the original investment, loan or deposit and the current rate for the same product. Investments, loans and deposits that are priced with variable rates have a fair value equal to book value, as they are priced at current interest rates.

ПРИМІТКИ ДО ФІНАНСОВИХ ЗВІТІВ

For the year ended September 30, 2009

17. Fair Value of Financial Assets and Liabilities (continued)

While fair value amounts are designed to represent estimates of the amounts at which assets and liabilities could be exchanged in current transactions between willing parties, the Credit Union normally holds all of its fixed term investments and deposits to their maturity date. Consequently, the fair values presented are estimates derived by taking into account changes in the market interest rates, and may not be indicative of net realizable value.

	2009			2008		
	Book Value	Fair Value	Fair Value Over (Under) Book Value	Book Value	Fair Value	Fair Value Over (Under) Book Value
(in thousands)						
Assets						
Funds on deposit	\$ 7,992	\$ 7,992	\$ -	\$ 3,432	\$ 3,432	\$ -
Investments	19,846	19,846	-	24,375	24,375	-
Loans receivable	232,557	238,595	6,038	206,584	206,442	(142)
Other	20	20	-	38	38	-
	\$ 260,415	\$ 266,453	\$ 6,038	\$ 234,429	\$ 234,287	\$ (142)
Liabilities						
Deposits payable	\$ 246,602	\$ 249,527	\$ 2,925	\$ 221,271	\$ 222,424	\$ 1,153
Accounts payable	667	667	-	974	974	-
	\$ 247,269	\$ 250,194	\$ 2,925	\$ 222,245	\$ 223,398	\$ 1,153

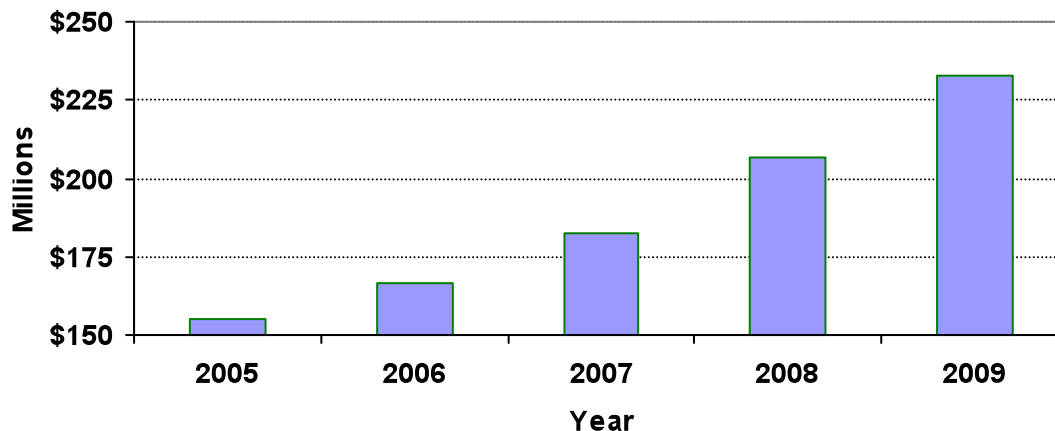
18. Pension Plan

The Credit Union has a defined contribution pension plan for full-time employees. The contributions are held in trust by CUMIS and are not recorded in these financial statements. The Credit Union matches employee contributions at a rate of 6% of the employee salary. The expense and payment for the year ended 2009 was \$94,828 (2008 - \$102,784). As a defined contribution pension plan, the Credit Union has no further liability or obligation for future contributions to fund the future benefits to plan members beyond matching employee contributions.

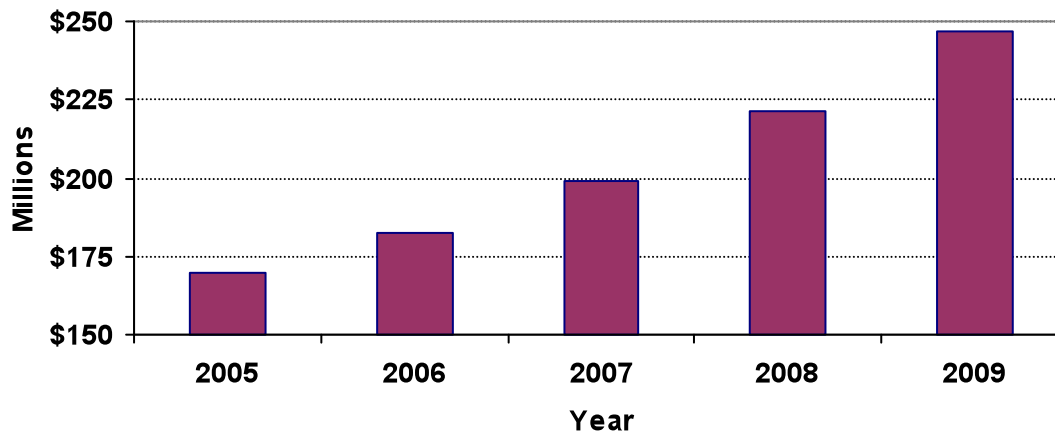
PERFORMANCE HIGHLIGHTS

The following summarizes Carpathia Credit Union's continuing growth of key balance sheet items over the last five years:

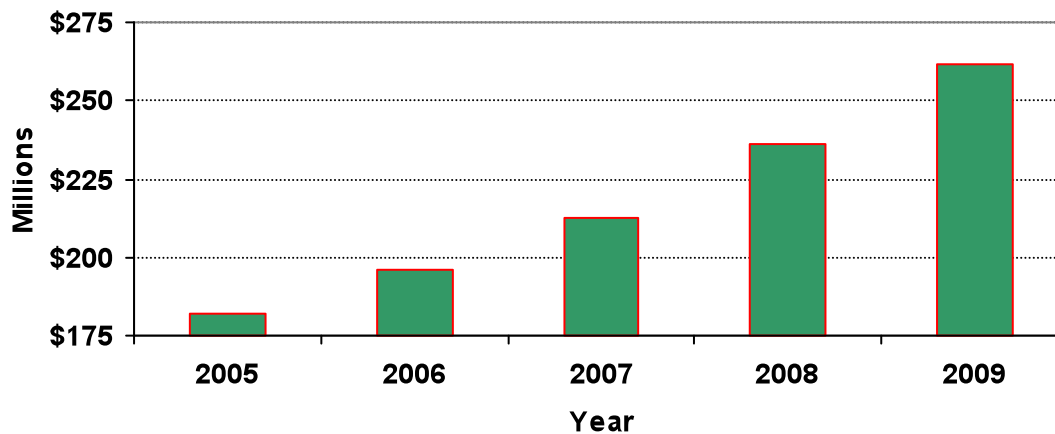
Loans Receivable



Deposits Payable



Total Assets



FINANCIAL ФІНАНСОВА

To ensure the integrity of the organization through sound financial management.

Забезпечити цілісність за допомогою вмілого фінансового господарювання.

SERVICES ПОСЛУГИ

To offer membership a broad range of highly innovative services which, when compared to available alternatives, benefit members by either pricing or level of service, or both.

Пропонувати членству широкий загал різноманітних послуг, які в порівнянні зі щоденними альтернативами приносять користь членам своєю ціною, рівнем обслуговування або поєднанням переваг.

GROWTH AND DEVELOPMENT РІСТ І РОЗВИТОК

To pursue the growth of the credit union. To research, develop and maintain services and service delivery systems that will meet the changing needs of current and potential Members and Associates and ensure a competitive position in the market place.

Йти шляхом зростання Ощадно-Кредитової Спілки. Досліджувати, розвивати і дбати про послуги і надання послуг з метою задоволення змінливих потреб членів і потенційних членів, забезпечуючи конкурентну позицію на фінансовому ринку.

MEMBER PARTICIPATION УЧАСТЬ ЧЛЕНСТВА

To encourage effective membership involvement with the Credit Union by initiating and maintaining excellent communication with members.

Сприяти ефективному залученню членів до діяльності Ощадно-Кредитової Спілки, дотримуючись виключного спілкування з членами.

STAFF ПЕРСОНАЛ

To attract and retain a highly motivated and skilled staff by creating good working conditions and employment with training opportunities which will enable them to develop with the credit union.

Залучати та втримувати відданий праці і висококваліфікований персонал, створюючи добрі умови праці і можливості навчання і зростання разом з Ощадно-Кредитовою Спілкою "Карпатія".

MEMBER EDUCATION НАВЧАННЯ ЧЛЕНСТВА

To provide our members with the opportunity to enhance their financial well-being by encouraging financial responsibility and by providing financial information and counselling.

Надавати нагоду нашим членам піднести їх фінансовий добробут, заохочуючи фінансову відповідальність та через постачання фінансової інформації та порад.

IMAGE ЗОБРАЖЕННЯ

To achieve prominence in the Ukrainian community and the credit union movement as a friendly, professional and highly ethical organization.

Досягнення визначної ролі в українській громаді і русі Ощадно-Кредитових Спілок, як сприятливої, професійної і високоетичної організації.

OUR BOARD & MANAGEMENT

BOARD OF DIRECTORS



Roman Zubach
President



Dr. Taras Babick
Vice-President



Donna Korban
Secretary



Walter Kulyk
Director



Ken Bielak
Director



Demyan Hyworon
Director



Bohdan Halkewycz
Director



Noella Pylypowich
Director



Dr. George Chuchman
Director

MANAGEMENT

Walter Dlugosh
Chief Executive Officer

Brian Petrynko
Vice President Sales & Service

Stefan Duplak
Manager Of Finance

Lyndie Bourcier
Director, Administrative Services

Robert McGregor
Marketing & Communications Manager

Carolyn Wiebe
Manager, Commercial Business

Jaroslawa Middleton
Branch Manager, Main Street

Garry Kolisnyk
Branch Manager, McPhillips Street

Shelly Maslechko
Branch Manager, Henderson Highway

MAIN STREET BRANCH

Jaroslawa Middleton

- Branch Manager

Julia Demko

- Financial Services Representative

Irina Lisowski

- Senior Member Services Representative

Maryna Chaykovska

- Member Services Representative

Iryna Gumenyuk

- Member Services Representative

Volodymyr Shkliar

- Member Services Representative

Ekaterina Romanyuk

- Member Services Representative

Tetyana Dryhaylo

- Member Services Representative

Patricia Trojnar

- Member Services Representative

MCPHILLIPS STREET BRANCH

Garry Kolisnyk

- Branch Manager

Andrea Watkinson

- Financial Services Representative

Brandeis Orr

- Senior Member Services Representative

Helen Alves

- Member Services Representative

Yana Yamborko

- Member Services Representative

Yana Sergeyeva

- Member Services Representative

Janice Goodman

- Member Services Representative

Tenille Black

- Member Services Representative

Nola Wedlake

- Member Services Representative

HENDERSON HIGHWAY BRANCH

Shelly Maslechko

- Branch Manager

Lesia Gojan-Klein

- Financial Services Representative

Vitaliy Lebezun

- Financial Services Representative

Karen Dubesky

- Senior Member Services Representative

Marjorie Rospad

- Member Services Representative

Nicole Sawchuk

- Member Services Representative

Anne Bryden

- Member Services Representative

Katrusia Chabluk

- Member Services Representative

Anna Myszcuk

- Member Services Representative

Oleksandr Lebezun

- Member Services Representative

CREDENTIAL SECURITIES INC. & CREDENTIAL ASSET MANAGEMENT INC.

Craig Harrison

- Investment Advisor

CORPORATE OFFICE

Walter Dlugosh

- C.E.O.

Marion Wiebe

- Executive Assistant

Tanya Sucharyna

- Receptionist

David Todoruk

- Commercial Account Manager

Tj Gross

- Commercial Account Manager

Laura Sala

- Commercial Credit Administration Officer

Julia Baryluk

- Commercial Credit Administration Officer

Tracy Vandemosselaer

- Credit Administration Officer

Myrosia Chimuk

- Credit Administration Officer

Galyna Andriyeshyn

- Credit Administration Officer

Helen Krawczuk-Suchy

- Accountant

Sylvia Arseny

- Document Processor

Darka Perrella

- Document Processor

Marika Melnyk

- Filing

Iryna Kozak

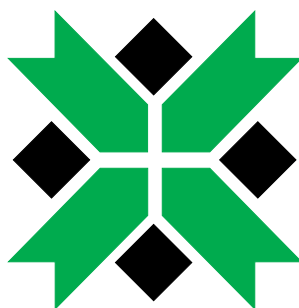
- Filing

Mary Mclean

- Filing

Doris Pidlubny

- Filing



КАРПАТІЯ
CARPATHIA
CREDIT UNION

OUR SERVICES

DEPOSITS

- Tax Free Savings Accounts
- Investment Savings Accounts
- Performance Plus Plan Chequing Accounts
- Performance Plan Chequing Accounts
- e@ccess Accounts
- Daily Interest & Regular Savings Accounts
- Campus Chequing & Savings Accounts (for members 18 to 25 inclusive)
- Moving Up Chequing & Savings Accounts (for members 13 to 17 inclusive)
- Fat Cat Savings Accounts (for members 12 and under)
- Term Deposits
- U.S. Dollar Accounts & Term Deposits
- Gold Chequing & Savings Accounts (for members 60 and better)
- Trust, Estate and Organization Accounts
- Standard Chequing Accounts

MORTGAGES, LOANS & CREDIT

- Personal Loans
- Lines of Credit
- Mortgages
- MasterCard
- Commercial Loans

FINANCIAL PLANNING & WEALTH MANAGEMENT

- RSPs, RIFs, LIRAs, LIFs, RESPs
- Ethical Mutual Funds
- Index-Linked GICs & RSPs
- Personal Financial Planning

COMMERCIAL ACCOUNTS

- Chequing & Savings
- Canadian & U.S. Funds

INSURANCE SERVICES

- Credit Life Insurance
- Credit Disability
- AD&D Protection
- Group Mortgage Protection
- Travel

ELECTRONIC SERVICES

- Interac Direct Payment debit cards
- 24-hour access to your accounts
- Worldwide ATM Access
- Electronic Fund Transfers
- On-line Banking
bank.carpathiacu.mb.ca
- Carpathia By-Phone 989-7711
- Pay bills by phone or on-line
- Telpay ePayment Services
- Web site: www.carpathiacu.mb.ca
- Email: info@carpathiacu.mb.ca

CREDENTIAL SECURITIES INC.

Credential Securities is a full-service brokerage providing access to a full range of investment options beyond Carpathia's strong line of traditional investment products. Our full-service Investment Advisor, Craig Harrison, provides comprehensive planning and a wide range of options for you including:

- Over 4,000 mutual funds
- Labour Sponsored Funds
- Bonds
- Treasury Bills
- Equities/Stocks
- Bonds/Strip Coupons
- Self-Directed RSPs and RIFs
- Locked-In Retirement Plans

QTRADE INVESTOR INC.

Qtrade Investor is a nationally registered brokerage, accessible either on-line or by telephone through its Investment Representative staffed call centre. Members using the service will receive leading-edge investment research, on-line account applications, electronic funds transfer and straight-to-market order execution at competitive rates. Carpathia Credit Union members can access Qtrade Investor directly through our credit union Web site at www.carpathiacu.mb.ca.

MEMBER EQUITY PROGRAM

A financial reward program that pays a portion of Carpathia's net earnings back to its members based on patronage of services including interest paid to you (savings) and interest paid by you (loans/mortgages).

"Blind Bandurist" courtesy of Stan Milosevic





Corporate Office

3rd Floor – 952 Main Street
Fax. 589-2529

North End

950 Main Street
just south of Selkirk Avenue

Garden City

Unit 80, 2200 McPhillips Street
across from Sears® Garden City

East Kildonan

1341-A Henderson Highway
at Springfield behind Pizza Hut®