

Success In the now Community minded Not Just A Number
 National Community Economic Development Award
 Future Community Oriented Community Well rounded Community minded
Best Places to Work Honest Responsible
 Giving Back Well rounded Responsible Integrity In the now
 1938 Community Oriented Integrity
 Youth Success Friendly Commitment
Ambitious Unique Friendly Local
 Friendly Competitive Transparent Member Owned Youth
 Always there Transparent Honest Giving Back Integrity
 Gould House Commitment Miramichi Reassuring
Beaubear Credit Union
 Understanding Member Owned Integrity Community
Community Community minded Future
 Ambitious Focused On Me Like A Family Helpful
 In the now Building Relationships Always there
 Future Adviser Unique 1938
 Transparent Reassuring Integrity Understanding
Reassuring Coady Award Helpful Youth
 1938 Competitive Adviser Miramichi Community Oriented Adviser
 Always there Local Understanding Unique
 Member Owned Ambitious Miramichi Giving Back Future
Youth Integrity Competitive Success
 Commitment Honesty Transparent Well rounded



CREDIT UNION

BEAUBEAR

2014 Annual Report

BEAUBEAR CREDIT UNION

ANNUAL MEETING

April 16, 2015

AGENDA

1. Call to order:

- a. Approval of Agenda**
- b. Moment of silence**
- c. Establish a quorum present**
- d. Introductions**

2. Reading and approval of the minutes of the last meeting

3. Reports:

- a. President and Chief Executive Officer's Message**
- b. Credit Committee**
- c. Audit Committee**
- d. Auditor**

4. Recommendations of the Board of Directors:

- a. Appointment of Auditor**
- b. Board of Director Reimbursement of Expenses**
- c. Board of Director Remuneration**
- d. Bylaw Changes**

5. Election of Board of Directors

6. Adjournment

MINUTES OF THE 75TH ANNUAL MEETING OF BEAUBEAR CREDIT UNION LTD.

The seventy-fifth annual meeting of Beaubear Credit Union Ltd. was held on April 15, 2014 at the Newcastle Kin Centre, Miramichi West.

President Terry Williston as Chair, called the meeting to order at 7:00pm. With 48 members present, a quorum was declared.

Patrick Clancy was appointed Parliamentarian for the meeting. Maura McCluskey made a motion to accept the appointment and Lynn Estey seconded the motion.

Motion to accept the agenda was made by Joe Kenny and SECONDED by Baz McGean. MOTION CARRIED.

A moment of silence was observed for deceased members of the Credit Union.

BOARD OF DIRECTORS PRESENT AND INTRODUCED:

Glenford Copp, Baz McGean, Gerard Regan, Stella English, Brent Tozer, Wanda Urquhart, Joe Kenny and Pat Clancy.

Mr. Williston introduced Gary Morrison of Thornton VanTassel.

READING AND APPROVAL OF MINUTES OF LAST MEETING

Wanda Urquhart read the minutes of the 2013 Annual General Meeting. A motion to accept the minutes was made by Tony Daley and SECONDED by Mary Daley. MOTION CARRIED

BUSINESS ARISING FROM THE MINUTES

There was no business arising from the minutes.

REPORTS

PRESIDENT'S MESSAGE

Beaubear Credit Union has successfully completed its 75th year of operations. Mr. Williston spoke of challenges and changes over the past year. Mr. Williston thanked Pat Clancy, Gerard Regan and Baz McGean for their dedication to the Board of Directors on the completion of their terms.

The Board of Directors and Committees have been busy with ongoing work on Governance to review and update policies for the Credit Union. They have developed a Strategic Plan to move forward.

Mr. Williston thanked Management and Staff for their hard work and due diligence.

Terry Williston MOVED the adoption of his report. The motion was SECONDED by Wanda Urquhart. MOTION CARRIED.

MINUTES CONTINUED

CREDIT COMMITTEE REPORT

Baz McGean presented the report from the Credit Committee. The authority and responsibilities of this Committee are outlined in its charters and by laws. The committee met monthly to review and monitor the progress of the credit department, approve loans outside branch limits, review policy and procedures, monitor delinquency, and to review loans to staff and directors. A breakdown of loans approved and declined was presented.

There was an external audit performed by Risk Management Agency and the Credit Union once again received a very favorable inspection.

Delinquency was managed closely during the year with a rate well below the industry average being maintained. Mr. McGean commended the staff and noted that the loan growth and favorable delinquency are a reflection of the quality of the Credit Union Staff.

Baz McGean MOVED the acceptance of his report. The motion was SECONDED by Stella English. MOTION CARRIED.

AUDIT COMMITTEE REPORT

Gerard Regan presented the report from the Audit Committee. The Audit Committee is established as a requirement of the Credit Unions Act. Mr. Regan stated that the Audit Committee has the authority to authorize investigations, retain outside independent council as it determines necessary, to seek information, and to meet with the Executive, Auditors, Risk Management Agency and regulators. He stated that their principle role is to ensure the appropriate level of due diligence has been directed towards ensuring an effective risk management and control framework has been implemented by management. The committee met monthly with the CEO to review the financial progress of the Credit Union.

Gerard Regan MOVED for the adoption of his report. The motion was SECONDED by Pat Clancy. MOTION CARRIED.

AUDITORS REPORT

Gary Morrison presented the Auditors Report on behalf of GP Morrison, CA. He reported that Thornton Van Tassel merged with Grant Thornton as of March 31, 2014 and he is currently operating his own accounting firm. Mr. Morrison is hired on the member's behalf to express an opinion on the financial statements and this years' audit did result in a clean opinion.

Mr. Morrison commented that Beabear Credit Union has, as always, had good inspection reports from RMA and as a result, a clean opinion. He stated that the first thing to look at when reviewing the financial reports was the Statement of Earnings. Beabear Credit Union has always been profitable and did have a profit this year in the amount of \$71,588.00. The Financial Margin was down from \$1,970,527 last year to \$1,860,794 for 2013. Mr. Morrison stated that Beabear Credit Union is experiencing growth in the balance sheet, good growth in loans receivable and is in one of the best equity positions in the province. Mr. Morrison stated that the audit went without any problems and commented on what a pleasure it is working with the staff at Beabear Credit Union.

MINUTES CONTINUED

Ralph Shanahan MOVED for the acceptance of the Auditors report. The motion was SECONDED by Brent Tozer. MOTION CARRIED.

RECOMMENDATIONS

There was a recommendation to reimburse expenses incurred by a board member(s) as a result of conducting credit union business on behalf of Beaubear Credit Union. Beth Gillis moved for the acceptance of the recommendation and Kevin Dunn seconded the recommendation. Recommendation carried.

There was also a recommendation that the Board of Directors should be reimbursed for any loss in wages for conducting any credit union business on behalf of Beaubear Credit Union, Beaubear Credit Union will reimburse such Board member to a maximum of \$200 per day. Judy Breau moved for the acceptance of the recommendation and Royce Clark seconded the recommendation. Recommendation carried.

APPOINTMENT OF AUDITORS

Terry Williston, on behalf of the Board, requested that the Board of Directors be given the authority to appoint GP Morrison, CA for the financial period ending December 31, 2014. The motion was MOVED by Wanda Urquhart and SECONDED by Baz McGean. MOTION CARRIED.

ELECTION OF BOARD OF DIRECTORS

The Board of Directors received three nominations for the positions opened on the Board - Lynn Estey, Judy Breau and Mary Clark. Pat Clancy called for nominations from the floor. There being no further nominations from the floor Pat Clancy MOVED that these three nominees be accepted to the Board; SECONDED by Stella English. MOTION CARRIED.

ADJOURNMENT

The meeting adjourned at 7:35. Motion for adjournment was MOVED BY Wanda Urquhart and SECONDED by Judy Breau.

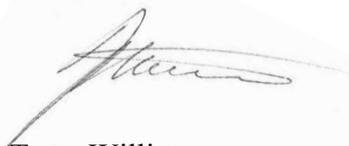
CEO AND PRESIDENT'S JOINT MESSAGE

2014 has provided us with new challenges as markets become more competitive, delivery channels change with new technology and new market entrants appear in Canada. It's important to strategically plan for changes and as a proactive organization we need to make the necessary changes to continue strong and prosperous into the future. We also need to reflect on our experiences and focus on our strengths as we move into 2015. There are lessons to learn and apply as we move forward. As a Management Team and Board we are constantly planning to meet the challenges and goals of the coming years. With courage and confidence we are able to bring focused intention to our strengths that will allow Beaubear to overcoming competitive and market obstacles that bring continued success to our community and credit union.

The Board, Management and Staff of Beaubear Credit Union wish to thank you for choosing us as your Financial Institution and wish you all the best in 2015. We look forward to partnering with you by providing the guidance and advice you need in making the best financial decisions for your unique circumstances.



Andy Richardson
Chief Executive Officer
Baubear Credit Union



Terry Williston
President
Baubear Credit Union Board of Directors

CREDIT COMMITTEE REPORT FOR 2014

The Credit Committee has certain authority and responsibilities, which are outlined in its charter and by-laws.

The committee met monthly (12 times; as per Beaubear Credit Union's By-Laws) to review and monitor the progress of the credit department, approve loans outside branch limits, review policy and procedures, monitor delinquency, and review loans to staff and directors. A monthly report on the proceedings was supplied to the Board of Directors.

Monthly meetings included the Branch Managers, Commercial Account Manager and occasionally the CEO. During the past year, your Credit Union approved 373 loans, mortgages and commercial requests totalling \$14,293,900. There were also 68 lines of credit limits (personal & commercial) for \$3,214,770. The table below is a detailed breakdown of the loans processed and declined/cancelled for the past year.

There was an external audit/inspection performed by RMA (Risk Management Agency), and we are pleased to report that the Credit Union one again received a favorable inspection.

Although granting of loans and mortgages was a main focus of the credit department, delinquency continued to be managed closely during the past year and is well within acceptable industry limits.

We commend our Management and Staff and thank them for their hard work and due diligence throughout the year. We look forward to the opportunities and success during fiscal 2015, while continuing to protect the investments of our Owners.

LOANS PROCESSED AND DECLINED/CANCELLED					
APPROVED	Number	Dollar Amount	DECLINED / CANCELLED	Number	Dollar Amount
PERSONAL LOANS	239	\$2,352,438	PERSONAL LOANS	102	\$1,339,170
PERSONAL MORTGAGE	38	\$3,084,675	PERSONAL MORTGAGE	19	\$1,567,519
COMMERCIAL LOANS	11	\$525,426	COMMERCIAL LOANS	NIL	NIL
COMMERCIAL MORTGAGE	17	\$8,331,361	COMMERCIAL MORTGAGE	5	\$1,688,600
LINE of CREDIT <i>Personal & Commercial</i>	68	\$3,214,770	LINE of CREDIT <i>Personal & Commercial</i>	16	\$284,700
TOTAL	373	\$17,508,670	TOTAL	142	\$4,879,989

Respectfully submitted,

Judy Breau, Chair
 Baz McGean
 Joe Kenny
 Mary Clark

AUDIT COMMITTEE REPORT FOR 2014

It is a requirement of the Credit Union Act (the Act) Section 94 and the Regulations Section 13.1 that each Credit Union shall establish an audit committee, which shall have the following authority:

- To conduct or authorize investigations within its scope of responsibility;
- To retain outside independent counsel, accountants, auditors, or others as it determines necessary to carry out its duties;
- To seek any information it requires from employees and external parties and meet as necessary;
- To meet with any executive; the Risk Management Agency (RMA), the external auditors and/or the regulators without management being included if the committee so desires or at the request of any of these parties; and
- To set and pay the compensation for any advisors employed by the Audit Committee.

The Audit Committee's principal role is to ensure that the appropriate level of due diligence has been directed towards ensuring an effective risk management and control framework has been implemented by management. **This framework provides reasonable assurance that:**

- The financial, operational and regulatory objectives of the Credit Union are achieved;
- That the governance and accountability of board and management are met and
- That there is oversight of risk management, internal control, financial reporting and compliance with regulatory matters.

The Committee met monthly with the CEO to review the financial progress of the Credit Union.

Respectfully submitted,

Brent Tozer, Chair
Glenford Copp
Stella English
Lynn Estey
Nick Lynch

**RECOMMENDATIONS OF THE BOARD OF DIRECTORS
FOR CONSIDERATION AT THE 2014 ANNUAL MEETING**

A) APPOINTMENT OF AUDITORS

It is the recommendation that the Board of Directors be given the authority to appoint an audit firm for the next financial period ending December 31, 2015, subject to the registrar to Credit Unions approval of the appointment.

B) BOARD OF DIRECTOR REIMBURSEMENT OF EXPENSES

The Board of Directors of Beabear Credit Union recommends the reimbursement of expenses incurred by a board member(s) as a result of conducting credit union business on behalf of Beabear Credit Union.

C) BOARD OF DIRECTOR REMUNERATION

The Board of Directors of Beabear Credit Union recommends that if a board member(s) incur a loss in wages for conducting any credit union business on behalf of Beabear Credit Union, Beabear Credit Union will reimburse such member for loss of wages to a maximum of \$200.00 per day.

D) BY-LAW CHANGE

WHEREAS the By-Laws of Beabear Credit Union Limited provide for the purchase of 40 membership shares for borrowing and 10 membership shares for non-borrowing members.

AND WHEREAS the Beabear Credit Union Limited has determined that it is in its best interests to change the amounts to remain competitive.

BE IT RESOLVED as a Special Resolution of the Shareholders of Beabear Credit Union Limited that Article 9, 1(a)(i) of the By-Laws be hereby amended as follows:

Each member is required by the Credit Union to purchase and hold a minimum of One (1) fully paid membership share, with such purchase being made by full payment in money in amount of five dollars.

CREDIT UNIONS IN NEW BRUNSWICK PROTECTION OF MEMBER'S DEPOSITS

\$250,000 Deposit Insurance Coverage

What is covered?

NBCUDIC insures eligible deposits under the following circumstances:

- accounts held in one name;
- accounts held in trust for someone else;
- deposits held jointly in two or more names;
- eligible deposits that are held in a Tax Free Savings Account (TFSA).

What is an eligible deposit?

NBCUDIC insures eligible deposits held in each member credit union up to a maximum of \$250,000 (principle and interest combined) per depositor, for each of the following deposits:

- a combination of savings, chequing accounts, term deposits and guaranteed investment certificates (GICs) with an original term to maturity of five years or less, money orders, and certified cheques;
- registered in RRSPs (Registered Retirement Savings Plans);
- registered in RRIFs (Registered Retirement Income Funds); and
- TFSA deposits.

Deposits must be payable in Canada, in Canadian currency.

What is not covered?

NBCUDIC does not insure all accounts and financial products. The following are not covered:

- deposits made or payable by a member which are not repayable in Canadian dollars (e.g. accounts in U.S. dollars);
- term deposits and guaranteed investment certificates (GICs) with an original term to maturity of more than five years;
- bonds and debentures issued by governments and corporations;
- membership shares and other types of shares issued by credit unions;
- treasury bills; and
- investments in mutual funds and stocks.

*See in Branch for further details

2014 RECIPIENTS OF THE BEAUBEAR CREDIT UNION FOUNDERS SCHOLARSHIP

The staff, management and Board of Directors would like to extend congratulations to the 2014 recipients of the Beaubear Credit Union Founders Scholarship: Caitlin Hebert and Abigail Sullivan. We wish you success in all your future endeavours!



Caitlin Hebert
2014 James M Hill Graduate



Abigail Sullivan
2014 James M Hill Graduate

Baubear Credit Union Founders Scholarships were established in memory of the founding members of Beaubear Credit Union. The purpose of these scholarships is to provide financial assistance to any high school graduate who is a member of Beaubear Credit Union or is a child of a member who is pursuing post secondary education.

Two scholarships are awarded annually in the amount of one thousand dollars (\$1000.00) each. Each scholarship is non-renewable, is payable upon the receipt of a record of successful academic progress, in the first term of the program. Active members are eligible to apply who have received confirmation of enrollment in post secondary institution (college or university) for the upcoming year. The member will need to demonstrate volunteerism and community involvement. The member will have to demonstrate financial need.

Application forms are available at high schools in the community, at both the Water Street branch and the Pleasant Street Branch of Beaubear Credit Union and on our website. Applicants are to provide a letter to the selection committee outlining their contribution to the community and/or school and evidence of financial need.

IN MEMORIAM

This past year we sadly said farewell to three individuals who made significant contributions to Beaubear Credit Union through leadership and dedicated service.

Vince McCarthy (January 21, 1919 - December 21, 2014) Vince was instrumental in the co-operative movement, a former Beaubear Credit Union Director and a member of the Supervisory Committee. *“Some of his proudest achievements were being a founding member of the Beaubear Co-op, the Beaubear Credit Union, the Northumberland Co-op and the Friendly Neighbors Seniors Citizens Club.” - source Obituary*

Blanche Walsh (July 18, 2014 - 84yrs) Former long time Beaubear Credit Union employee of the Nelson branch.

Betty (Holland) Foley (October 14, 2014 - 60yrs) Former Beaubear Credit Union Branch Manager, retired from Beaubear in 2008 (started in 1989).

SERVICE AWARDS

One day; one year ago, ten years ago, twenty years ago and twenty-five years ago each of these people made the decision to join Beaubear Credit Union and to that we are Thankful! Congratulations to each of you for reaching this milestone in your career.

Sylvia Donovan - One Year

Lorie Ann Richard - 10 Years

Erin Hambrook - 10 Years

Natalie Savoie - 10Years

Dawn Hannah - 20 Years

Toby LeBlanc - 20 Years

Marilyn Daley - 25 Years

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The management of Beaubear Credit Union is responsible for the integrity, objectivity and consistency of the financial information presented in this annual report. This responsibility includes selecting appropriate accounting policies which are in accordance with Canadian generally accepted accounting principles and ensuring that the financial information is based on informed judgments and estimates with appropriate consideration as to materiality. The Board of Directors has approved the consolidated financial statements for issuance to the members.

Management maintains the necessary system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors oversees the management's responsibility for financial statements through the Audit Committee. The Audit Committee conducts a detailed review of the consolidated statements with management and the independent auditors before recommending their approval to the Board of Directors.

The auditors have full and complete access to, and meets periodically with the Audit Committee to discuss the audit and matters arising there from.

GP Morrison CA , the independent auditors appointed by the members, have examined our consolidated financial statements and issued their report, which follows.

The auditors have full and complete access to, and meets periodically with the Audit Committee discuss the audit and matters arising there from.



Andy Richardson
Chief Executive Officer
Beaubear Credit Union

CONTENTS

	Page
AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Members' Equity	3
Statement of Earnings	4
Statement of Cash Flows	5
Notes to Financial Statements	6-16

BEAUBEAR CREDIT UNION LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Members of:
BEAUBEAR CREDIT UNION LTD.

I have audited the accompanying financial statements of **Beaubear Credit Union Ltd.**, which comprise the balance sheet as at **December 31, 2014** and the statement of earnings, members' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with *Canadian Generally Accepted Auditing Standards*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of **Beaubear Credit Union Ltd.** as at **December 31, 2014** and its financial performance and its cash flows for the year then ended in accordance with *International Financial Reporting Standards*.



CHARTERED PROFESSIONAL ACCOUNTANT

Fredericton, NB
February 12, 2015

BEAUBEAR CREDIT UNION LTD. BALANCE SHEET

DECEMBER 31, 2014

	2014	2013
ASSETS		
Cash	\$ 3,984,747	\$ 4,768,348
Investments (Note 4)	4,571,470	4,318,545
Loans receivable (Note 7)	41,630,252	38,432,020
Accrued interest receivable	80,925	79,469
Recoverable income taxes	5,733	21,660
Other receivable	21,613	19,660
Prepaid expenses	45,844	59,934
Deferred income taxes	2,716	4,446
Foreclosed assets	5,358	46,364
Property and equipment (Note 8)	974,970	1,078,189
	\$ 51,323,628	\$ 48,828,635
LIABILITIES AND MEMBERS' EQUITY		
Liabilities to Members		
Member deposits (Note 9)	\$ 46,979,001	\$ 44,574,207
Accrued interest on deposits	197,394	167,805
	47,176,395	44,742,012
Other Liabilities		
Accounts payable	257,636	199,202
Members' Equity		
	3,889,597	3,887,421
	\$ 51,323,628	\$ 48,828,635

Commitment (Note 14)

APPROVED BY THE BOARD:



Director



Director

See accompanying notes to financial statements.

**BEAUBEAR CREDIT UNION LTD.
STATEMENT OF MEMBERS' EQUITY**

FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Membership Shares (Note 11)		
Balance at beginning of year	\$ 355,107	\$ 362,210
Net change during the year	(7,562)	(7,103)
Balance at end of year	\$ 347,545	\$ 355,107
Retained Earnings		
Balance at beginning of year	\$ 3,354,314	\$ 3,287,269
Net earnings for the year	9,738	67,045
Balance at end of year	\$ 3,364,052	\$ 3,354,314
Special Reserve (Note 15)		
Balance at end of year	\$ 178,000	\$ 178,000
	\$ 3,889,597	\$ 3,887,421

See accompanying notes to financial statements.

BEAUBEAR CREDIT UNION LTD. STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Interest income		
Interest on loans	\$ 2,209,820	\$ 2,330,395
Interest on investments	56,579	55,916
	2,266,399	2,386,311
Interest expense		
Interest on member deposits	498,371	459,260
Other interest	764	7,302
	499,135	466,562
Net interest income	1,767,264	1,919,749
Provision for credit losses (Note 7)	97,814	58,955
Financial Margin	1,669,450	1,860,794
Other income (Note 12)	634,834	623,983
	2,304,284	2,484,777
Non-interest expenses		
Personnel	1,105,198	1,188,126
Occupancy	153,060	154,190
Organization	74,303	71,863
Member security	142,546	122,672
General business	709,410	749,394
Depreciation	108,032	126,944
	2,292,549	2,413,189
Earnings before provision for income tax	11,735	71,588
Provision for income tax (Note 10)	1,997	4,543
NET EARNINGS	\$ 9,738	\$ 67,045

See accompanying notes to financial statements.

BEAUBEAR CREDIT UNION LTD. STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net earnings	\$ 9,738	\$ 67,044
Add items not affecting cash		
Depreciation	108,032	126,944
Deferred income taxes	1,730	(8,110)
Provision for doubtful loans	97,814	58,955
Gain (loss) on sale of assets	-	-
	217,314	244,833
Net change in non-cash working capital items (Note 13)	155,635	(323,133)
	372,949	(78,300)
FINANCING		
Increase in deposits	2,404,794	(609,680)
Decrease in membership shares	(7,562)	(7,103)
	2,397,232	(616,783)
INVESTING		
Additions to property and equipment	(4,813)	(68,165)
(Increase) decrease in loans receivable	(3,296,046)	4,176,162
(Increase) decrease in investments	(252,926)	123,946
	(3,553,785)	4,231,943
NET INFLOW (OUTFLOW) OF CASH	(783,604)	3,536,860
CASH RESOURCES, beginning of year	4,768,351	1,231,490
CASH RESOURCES, end of year	\$ 3,984,747	\$ 4,768,351

See accompanying notes to financial statements.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

GENERAL

The Credit Union is incorporated under the Credit Unions Act of New Brunswick and its principal activity is providing financial services to its members. For financial reporting and regulatory matters, the Credit Union is under the authority of the Superintendent of Credit Unions and Caisse Populaires, Province of New Brunswick.

1. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Credit Union's functional and presentation currency is the Canadian dollar.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Credit Unions Act

Regulations to the Act specify that certain items are required to be presented to members at the annual meeting of members. This information has been integrated with the basic financial statements and notes and it is management's opinion that the disclosures in these financial statements comply in all material respects, with the requirements of the legislation. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

2.2 Investments

Investments are recorded at cost which approximates market value.

2.3 Property and equipment

Property and equipment are recorded at cost. Depreciation is provided annually at rates calculated to write the assets off over their estimated useful lives as follows:

Building	25 years straight line
Safekeeping equipment	20 years straight line
ATM	5 years straight line
Office equipment	10 years straight line
Computer hardware	5 years straight line
Computer software	2 years straight line
Leasehold improvements	Remaining life of the lease term

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Loans

Loans are carried at the unpaid principal less allowances for credit losses. Loans considered uncollectable are written off.

2.5 Allowance for credit losses

The Credit Union maintains an allowance for credit losses which it considers the best possible estimate of probable credit-related losses existing in the Credit Union loan portfolio in light of current conditions. These allowances reduce the carrying value of loans identified as impaired to their estimated realizable amounts. Estimated realizable amounts are determined by estimating the fair value of security underlying the loans and deducting the costs of realization.

2.6 Foreclosed assets

Foreclosed assets held for sale, if any, are carried at the lower of the carrying value of the loan foreclosed, adjusted for revenues received and costs incurred subsequent to foreclosure, and the estimated net proceeds from sale of the assets.

2.7 Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates are required in recording the provision for loan loss. Actual results could differ from those estimates.

2.8 Revenue recognition

Interest accrued on loans is recognized in income except where a loan is classified as impaired. Loans are classified as impaired generally at the earlier of when, in the opinion of management, there is reasonable doubt as to the collectibility of principal or interest, or when interest is 90 days past due. Interest received on an impaired loan is recognized in income only if there is no longer any doubt as to the collectibility of the carrying value of the loan, otherwise, the interest received is credited to the principal.

2.9 Foreign currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Income taxes

The Credit Union uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in the period that includes the date of enactment or substantive enactment.

2.11 Financial instruments

On acquisition, all financial assets must be classified as held-to-maturity, loans and receivables, held-for-trading or available-for-sale and at inception. All financial liabilities must be classified as held-for-trading or other. The Credit Union has classified cash and cash equivalents as held-for-trading; loans and account receivable is classified as loans and receivables; accounts payable and member deposits have been classified as other liabilities. Investments have been classified as indicated in note 4 of the financial statements.

Investments in securities that are classified as held-to-maturity or as loans and receivables are valued at cost or amortized cost, adjusted to recognize other than a temporary impairment in the underlying value.

Investments in securities that are classified as available-for-sale are initially recognized at acquisition cost and subsequently re-measured at fair value at each reporting date. Beaubear Credit Union Ltd. utilizes the settlement date accounting for all purchases and sales of financial assets in its investment portfolio. The fair value of publicly traded securities is based on their quoted market prices. All other securities' fair value is determined by discounting the expected future cash flows at current market rates.

Investments in securities that are classified as held-for-trading are recorded at fair value.

Baubear Credit Union Ltd. recognizes interest income as earned and investment gains and losses when realized. Unrealized gains and losses on available-for-sale securities are recorded in other comprehensive income and recognized in income when realized. For investments held-for-trading, realized and unrealized gains and losses are recorded in income.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

3. RISK MANAGEMENT

- a) The types of risk inherent in the Credit Union environment include credit, liquidity and interest rate risk.
- i) **Credit risk** is the risk that the Credit Union will incur a loss because a member fails to meet an obligation. Risk management policies are implemented by management and the Board. These include the evaluation of the member's ability to repay the loan when it is originally granted and subsequently renewed and the regular monitoring of member information such as delinquent and over-limit amounts.

In addition, the Credit Unions Act requires the Credit Union to maintain at all times a prescribed capital base. The required level of capital, consisting of share capital and retained earnings, is 5% of the total assets. The actual capital base at December 31, 2014 is detailed in note 11 of the notes to the financial statements.

- ii) **Liquidity risk** is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members. To mitigate this risk, the Credit Union is required under the Credit Unions Act of New Brunswick to maintain, at all times, liquid assets that are adequate in relation to the business carried on. The level of liquidity is based on a prescribed percentage of total liabilities. At December 31, 2014, the prescribed liquidity requirement was 10% of total liabilities of which 8% is to be in liquid deposits with Atlantic Central. The actual liquidity was 11.8% of total liabilities, and 8.3% was in liquidity deposits with Atlantic Central.
- iii) **Interest rate risk** refers to the potential impact on the Credit Union's earnings and net asset values due to changes in interest rates. Interest rate risk results primarily from differences in the maturity or repricing dates of assets and liabilities. The Credit Union manages the impact of interest rate changes with self-imposed limits, thus minimizing fluctuations of income during periods of changing interest rates. The Credit Union's major source of income is the financial margin between the income earned on investments and loans to members, and the interest paid to members on their deposits and interest on temporary borrowings.

Interest-sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity, nor would a perfect match be desirable. One of the roles of a Credit Union is to intermediate between the expectations of borrowers and depositors.

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.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

3. RISK MANAGEMENT (CONTINUED)

Expected repricing or maturity dates	Financial statement amounts		
	Assets	Liabilities and members' equity	Net asset/ liability mismatch
0-6 months	\$ 22,519,500	\$ 18,201,230	\$ 4,318,270
6-12 months	5,847,310	11,119,380	(5,272,070)
1-2 years	6,369,530	1,403,950	4,965,580
2-3 years	3,504,040	628,760	2,875,280
3-5 years	8,859,600	3,729,410	5,130,190
Not interest sensitive	4,249,460	16,266,710	(12,017,250)
	\$ 51,349,440	\$ 51,349,440	\$ -

(b) Fair value of financial instruments

The amounts are designed to approximate the fair values of the Credit Union's financial instruments using the valuation methods and assumptions described below. The estimated fair values disclosed do not reflect the value of items that are not considered financial instruments, such as capital assets. Since many of the Credit Union's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The carrying value of the Credit Union's financial instruments is not adjusted to reflect changes in interest rates, as it is the Credit Union's intention to hold the instruments to maturity.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

3. RISK MANAGEMENT (CONTINUED)

Estimated fair values of financial instruments are summarized as follows:

	2014			2013		
	Fair Value	Book Value	Fair Value Over Book Value	Fair Value	Book Value	Fair Value Over Book Value
Assets:						
Cash	3,984,747	3,984,747	-	4,768,348	4,768,348	-
Investments	4,571,471	4,571,471	-	4,318,545	4,318,545	-
Member loans	41,630,251	41,630,251	-	38,432,020	38,432,020	-
Other assets	113,629	113,629	-	167,153	167,153	-
Liabilities:						
Member deposits	46,979,000	46,979,000	-	44,574,206	44,574,206	-
Other liabilities	455,030	455,030	-	367,007	367,007	-
Shares	347,545	347,545	-	355,107	355,107	-

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

- a) The fair values of cash, investments, other assets and other liabilities are assumed to approximate book values, due to their short term nature.
- b) The estimated fair value of floating rate member loans and member deposits are assumed to equal book value as the interest rates automatically reprice to market. The fair value of fixed rate member deposits approximates their fair market value. In management's opinion, any difference between fair values and book values of these financial instruments would not be significant or material to these financial statements.
- c) The estimated fair value of fixed rate member loans has not been calculated as it is not practicable within constraints of timeliness or cost to determine the amounts with sufficient reliability. In determining fair market value of the loan portfolio, one must factor in price, credit, liquidity, and cashflow risk. In order to properly determine credit risk, one would have to review each loan individually and determine the risks associated with that particular loan file at the year end date. The credit risk is then calculated by the difference between the current interest rate on that loan and the going market rate of a loan with similar characteristics. In management's opinion, the difference between fair values and book values of the loan portfolio would not be significant or material to these financial statements.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

4. INVESTMENTS

	2014	2013
Available-for-sale		
Atlantic Central - liquidity	\$ 3,888,551	\$ 3,612,595
Atlantic Central - shares	616,720	639,750
Atlantic Co-op - shares	100	100
League Data - shares	34,850	34,850
LSM - shares	31,250	31,250
	\$ 4,571,471	\$ 4,318,545

As required by the Credit Union's Act of New Brunswick, the Credit Union maintains investments in Atlantic Central to satisfy the legislated liquidity level. These investments are classified as available-for-sale and measured at fair value, which approximates cost, and does not result in adjustments to other comprehensive income.

Shares in Atlantic Central are required by the Credit Union Act to be held and are a condition of membership in Central. As required by the Credit Union Act, the Credit Union also maintains investments in Central to satisfy the legislated liquidity level. However all equities with no specified maturity date are classified as available-for-sale. As there is no market for the shares in Central, the fair value of the shares is at cost.

5. RELATED PARTY TRANSACTIONS

Included in loans to members are loans to senior officers, directors and staff.

At December 31, 2014 loans to these parties amounted to \$ 3,540,755 (December 2013 - \$ 2,120,997). These loans have been advanced on approximately the same terms and conditions as have been accorded to all members of the Credit Union. Other than an amount of \$1776 paid to the president, there was no remuneration paid to directors or elected committee members during the year other than reimbursement for out-of-pocket expenses.

6. LINE OF CREDIT

The Credit Union maintains an authorized line of credit, which was not utilized at year end, with Atlantic Central in the amount of \$1,250,000 with an interest rate of 3%. The line is secured by investments with Atlantic Central and a general assignment of book debts.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

7. LOANS RECEIVABLE

	2014	2013
Personal	\$ 10,449,215	\$ 11,003,298
Line of credit	1,659,842	1,717,736
Mortgages	17,663,249	16,104,947
Commercial	11,884,960	9,802,616
	41,657,266	38,628,597
 Less : Allowance for credit losses		
Balance at beginning of year	196,577	254,937
Recovery of loans previously written off	3,954	9,699
Provision for the year	97,246	58,955
Loans written off	(270,764)	(127,014)
	27,014	196,577
	\$ 41,630,252	\$ 38,432,020

Allowance for impaired loans

	Impaired loans	Allowance	Amounts recoverable
December 2014			
Personal	\$ 15,602	\$ 10,347	\$ 5,255
Mortgage	-	-	-
Line of Credit	10,081	9,881	200
Commercial	-	-	-
Collective allowance	-	6,786	-
	\$ 25,683	\$ 27,014	\$ 5,455
 December 2013			
Personal	\$ 41,873	\$ 33,924	\$ 7,949
Mortgage	-	-	-
Line of Credit	51,148	50,748	400
Commercial	66,506	36,106	30,400
Collective allowance	-	75,799	-
	\$ 159,527	\$ 196,577	\$ 38,749

**BEAUBEAR CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2014

8. PROPERTY AND EQUIPMENT

	2014		2013	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 146,115	\$ -	\$ 146,115	\$ 146,115
Building	849,804	320,279	529,525	563,517
ATM	176,361	173,101	3,260	27,525
Office equipment	313,026	168,704	144,322	171,067
Computer equipment	135,626	93,374	42,252	52,632
Safekeeping equipment	156,736	47,240	109,496	117,333
	\$ 1,777,668	\$ 802,698	\$ 974,970	\$ 1,078,189

9. DEPOSITS

	2014	2013
Term	\$ 16,892,870	\$ 16,802,844
Demand	2,261,072	2,166,024
Member Savings	4,785,155	4,360,334
Chequing	12,550,332	10,735,272
Plan 24	5,282,862	5,191,884
RRSP	5,206,710	5,317,849
	\$ 46,979,001	\$ 44,574,207

10. PROVISION FOR INCOME TAX

	2014	2013
Current	\$ 267	\$ 12,653
Deferred	1,730	8,110
	\$ 1,997	\$ 4,543

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

11. REGULATORY EQUITY

	2014	2013
A. Membership Shares	\$ 347,545	\$ 355,107
<p>Section 30-1 of the Credit Union Act describes shares as the capital of the Credit Union. Pursuant to Beaubear's by-laws, the value of each membership share is \$5 and as a condition of membership each adult member must hold 10 shares. These shares have specific restrictions on withdrawal and are not covered by Credit Union Deposit Insurance.</p>		
B. Retained Earnings	\$ 3,364,052	\$ 3,354,314
C. Special Reserve	\$ 178,000	\$ 178,000
TOTAL REGULATORY EQUITY	\$ 3,889,597	\$ 3,887,421

D. Credit Union Legislation

Credit Union legislation also requires that each Credit Union maintain a minimum level of equity in the Credit Union to provide protection against potential financial losses. The requirement calls for equity to meet or exceed 5% of total assets. The following table indicates the equity level for Beaubear.

	2014	2013
Membership shares	.7	.7
Retained earnings and special reserve	6.9	7.2
	7.6	7.9

12. OTHER INCOME

	2014	2013
Service charges	\$ 342,837	\$ 344,047
Commissions	186,364	153,733
Miscellaneous	105,633	126,203
	\$ 634,834	\$ 623,983

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

13. NET CHANGE IN NON-CASH BALANCES

	2014	2013
Increase (decrease) in:		
Accrued interest on deposits	\$ 29,589	\$ 7,711
Other receivables	(1,953)	(15,882)
Accounts payable and accrued liabilities	58,433	(291,846)
Income taxes (net)	15,927	(54,725)
Decrease (increase) in:		
Accrued interest receivable	(1,457)	11,978
Prepaid expenses	14,090	(21,450)
Foreclosed assets	41,006	41,081
	\$ 155,635	\$ (323,133)

14. COMMITMENT

One of Beaubear's two branches operates from leased premises. The Newcastle branch lease expires on December 21, 2023 with a minimum annual rent of \$ 60,000 plus HST.

15. ATLANTIC CENTRAL TRANSACTION AND CREDIT UNION CENTRAL NEW BRUNSWICK WIND UP

The Credit Union received \$ 178,000 as a gain on sale of shares on September 30, 2011, as a result of rebalancing of cash and shares from Credit Union Central New Brunswick into the new Atlantic Central. This income, which is included in a special reserve, is not to be distributed in any form and is frozen for an indefinite period subject to Risk Management Agency's review at that time.

16. COMPARATIVE FIGURES

Certain 2013 figures have been reclassified to conform with the current year's financial statement presentation.



**CREDIT
UNION**

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