



2017
Annual Report

April 24, 2018

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

4. Recommendations of the Board of Directors:
 - a. Appointment of Auditor
 - b. Board of Director Reimbursement of Expenses
 - c. Board of Director Remuneration

5. Election of Board of Directors

6. Adjournment

Table of Contents

| | |
|--|---------|
| Agenda | 1 |
| Table of Contents | 2 |
| Minutes of the 2017 AGM | 3 - 5 |
| CEO and President's Joint Message..... | 6 - 7 |
| Audit Committee Report for 2017 | 8 - 9 |
| Governance Committee Report | 10 |
| Recommendations of the Board of Directors | 11 |
| NBCUDIC Deposit Protection information page | 12 |
| 2017 Beaubear Credit Union Founders Scholarship Recipients | 13 |
| Highlights of 2017 | 14 |
| Managements Responsibility for Financial information | 15 |
| Baubear Credit Union Financial Statements | 16 - 40 |

Minutes of the 2016 Annual Meeting of Beaubear Credit Union Ltd.

The seventy-eighth annual meeting of Beaubear Credit Union, Limited was held on April 25, 2017 at the Beaverbrook Kin Centre, Miramichi West.

President Pat Clancy, as Chair called the meeting to order at 6:05 PM. With 54 members present, a quorum was declared.

Nick Lynch was appointed Parliamentarian for the meeting.

Pat advised that there would be one item added to the agenda as item e) Governance Report.

Motion to accept the Agenda, with addition, was made by Clyde Hamilton and seconded by Kevin Dunn. MOTION CARRIED.

A minute of silence was observed for deceased members of the Credit Union. Pat made special note of Glenford Copp and Baz McGean, two former board members, who died this past year and acknowledged their dedication and contributions to Beaubear.

Board of Directors Present and Introduced

Pat introduced the Board members in attendance: Joe Kenny, Brent Tozer, Fred Holmes, Lynn Estey, Judy Breau, Mary Clark, John Strong, and Nick Lynch.

Pat also introduced the CEO; Tosha Hamilton.

Reading and the Approval of the Minutes of the Last Meeting

Mary Clark read the minutes of the 2015 Annual General Meeting and moved that the minutes be accepted as read, seconded by Nick Lynch. MOTION CARRIED.

Business Arising from the Minutes

There was no business arising from the minutes.

At the request of the Auditor, item d) Auditor's Report was moved to the top of the list of agenda items.

Auditor's Report

Alvin Bell, CA of Allen, Paquet & Arseneau LLP presented the Auditor's Report. It was moved by Beth Gillis, seconded by Debbie Lynch that the Auditors Report be accepted as presented. MOTION CARRIED.

President and Chief Executive Officer's Message

Tosha gave the report and reviewed some of the initiatives carried out this year to keep members informed of what is offered to them by the Credit Union and to advise the membership of some of the many community efforts that the Credit Union has been involved with during this past year. She also stated on behalf of the Board, Staff and Management that she wanted to thank all the members for choosing us as their Financial Institution.

It was moved by Lorie Ann Richard, seconded by Clyde Hamilton that the President/CEO's Report be accepted. MOTION CARRIED.

Pat recognized the staff and thanked them for their hard work and dedication to Beaubear. He asked staff present to raise their hands to be acknowledged.

Credit Committee Report

Mary Clark gave the report for the Credit Committee. Mary Clark moved the acceptance of her report, seconded by Joe Kenny. MOTION CARRIED.

Audit Committee Report

Lynn Estey gave the report from the Audit Committee. Lynn Estey moved the adoption of her report, seconded by Nick Lynch. MOTION CARRIED.

Governance Committee Report

John Strong gave the report from the Governance Committee. John Strong moved the adoption of the report: seconded by Toby LeBlanc. MOTION CARRIED

Recommendations of the Board of Directors

Appointment of Auditors

It was moved by Clyde Hamilton, seconded by Gerard Regan to approve the recommended appointment of Allen, Paquet & Arseneau LLP as auditor for the coming year. MOTION CARRIED.

Board of Director Reimbursement of Expenses

It was moved by Maureen LeBlanc and seconded by Mary Clark that board members be reimbursed for expenses incurred as a result of conducting credit union business on behalf of Beaubear Credit Union. MOTION CARRIED.

Board of Director Remuneration

It was moved by Marilyn Daley, seconded by Nick Lynch that Board members who incur a loss in wages for conducting any credit union business on behalf of Beaubear Credit Union be reimbursed for that loss of wages to a maximum of \$200.00 per day. MOTION CARRIED.

By-Law Amendments

John Strong did a presentation outlining the proposed by-law changes. He identified differences and explained the reason for each change. The proposed by-law amendments were reviewed by the office of the Superintendent but will only become effective after approval of the membership and final approval is received from the Superintendent.

It was moved by John Strong, seconded by Toby LeBlanc that the by-law changes be accepted as presented. MOTION CARRIED.

Election of Board of Directors

Pat Clancy gave the report of the Nominating Committee. He advised that there were four board members whose terms were up but had agreed to return to the board for another three (3) year term: Judy Breau, Mary Clark, Nick Lynch; Lynn Estey is offering for a one (1) year term. With one (1) remaining vacancy on the Board (due to Darren Walker's resignation) the committee put forth nominee; Terry Williston.

Pat Clancy called for nominations from the floor. There being no further nominations, Terry Williston was declared elected. It was moved by Maureen LeBlanc, seconded by Alex Martin that the five (5) individuals be accepted to the board. MOTION CARRIED.

Adjournment

The meeting adjourned at 7:00 PM

CEO and President's Joint Message

Once more the financial industry has been faced with greater challenges during 2017. September 2017, The Bank of Canada increased benchmark overnight interest rate by 25 basis points to 1.0%, the second rate increase this year. The Canadian banks responded by increasing their prime lending rates from 2.95% to 3.20%, with Atlantic Central and League Savings and Mortgages following suit thereafter. The Canadian Market Housing Corporation (CMHC) has stated that the Department of Finance announced changes regarding the requirement to stress test mortgage by applying the greater of the mortgage contract or the Bank of Canada's conventional 5 year posted rate in 2016. New for 2017, Canadian Market Housing Corporation (CMHC) is no longer approving any refinancing with certificate insurance, only with new mortgages.

Throughout this year, we launched our Lock N Block which is now available to our members to control debit cards that they may have misplaced. We also held one (1) Demo Day demonstration to inform our members about mobile banking, e-transfers, security features and deposit capture. Beaubear took part in the Atlantic Central Mortgage Campaign as well as launching a new campaign called Greener Home Campaign.

In 2017, collectively, as a system with Atlantic Central, Credit Unions and Canadian Credit Union Association, we spent a lot of time and effort on the banking terminology issue and we expect to see a successful conclusion to this matter early in the first quarter of 2018. The House of Commons Finance Committee and the Senate Banking Committee have recently both recommended in their reports that a change be made in the legislation, and with a recent All-Party Credit Union Caucus' letter to Minister Morneau, we are increasingly confident this issue will be behind us following the next budget. This success could not have been achieved without the support of credit unions across Canada, and for that we are grateful.

In October 2017, Beaubear Credit Union was excited to announce that they operated the school credit union at Max Aitken Academy School (MAA) for Kindergarten to Grad 8 students. A representative from the credit union was at the school once a month to take deposits and update passbooks. Beaubear Credit Union **donated the first deposit of \$1 into each of the students account** in addition to a ring pop to those students that bring back the **completed banking information** as we are excited to give back to the students of Max Aitken Academy and teach MAA students about financial literacy!

Over the past 6 years, Beaubear Credit Union has partnered with Leadership Management International, Canada to provide Leadership, Sales and Change Management training to all our full-time staff. This has been a considerable investment that has brought tremendous success. The result; greater creativity, complete transparency, a trusted and respected work

environment, new habits, a positive cultural shift and above average growth in Assets in New Brunswick and Atlantic Canada.

In addition, in keeping with the cooperative principles of community and education, we host all LMI courses delivered in Miramichi. Since 2011, we have had over 100 businesses and community leaders participate in their learning located in our Boardroom at 376 Water Street.

Over the past year, Beaubear has made a local impact as we donated back over \$55,000 to the Miramichi in the form of donations, sponsorships, scholarships and other initiatives. We are more than a Bank and we are very proud and humbled to say that “Your money stays here and works here!”

Our Management Team and Board continue to strategically plan for change and as a proactive organization, we are making the necessary decisions to direct Beaubear Credit Union to continue to be strong and prosperous for the community of Miramichi for generations. Beaubear Credit Union will remain competitive and bring continued success to our community.

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 2018. We look forward to working with our members to provide the guidance and advice you need in making the best financial decisions for your unique circumstances. We also ask that you spread the word to your friends, neighbors and acquaintances of what a great and unique financial institution Beaubear Credit Union is and encourage them to become a member and enjoy the differences that Beaubear Credit Union has to offer to you and your community!

Tosha Hamilton,

Chief Executive Officer, Beaubear Credit Union

Nick Lynch,

President, Beaubear Credit Union Board of Directors

Audit Committee Report – 2017

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. The monthly meetings also included the Branch Operations Manager, Commercial Account Manager, and the Finance Officer.

During the past year, your Credit Union approved 231 loans, mortgages and commercial requests totalling \$8,023,540. There were also 39 lines of credit limits (personal & commercial) for \$2,789,798. 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). They reviewed Capital, Assets, Management, Earnings and Asset/Liability Management.

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 2018, while continuing to protect the investments of our Owners.

LOANS PROCESSED AND DECLINED/CANCELLED

| APPROVED | # | DOLLAR AMOUNT | CANCELLED/DECLINED | # | DOLLAR AMOUNT |
|---|-----|----------------------|--|----|---------------------|
| PERSONAL LOANS | 65 | \$ 1,688,954 | PERSONAL LOANS | 36 | \$ 439,912 |
| PERSONAL Mortgage | 43 | \$ 3,053,025 | PERSONAL Mortgage | 22 | \$ 1,774,068 |
| COMMERCIAL Loans | 10 | \$ 523,695 | COMMERCIAL Loans | 3 | \$ 232,000 |
| COMMERCIAL Mortgage | 10 | \$ 4,828,025 | COMMERCIAL Mortgage | 11 | \$4,642,643 |
| LINE of CREDIT Personal & Commercial | 29 | \$ 2,000,910 | LINE of CREDIT <i>Personal & Commercial</i> | 20 | \$ 161,781 |
| TOTAL | 157 | \$ <u>12,094,609</u> | TOTAL | 92 | \$ <u>7,250,404</u> |

Respectfully submitted,

Audit Committee

Fred Holmes, Chair

Judy Breau

Nick Lynch

Pat Clancy

Mary Clark

Brent Tozer

Joe Kenny

Governance Committee Report

The Governance Committee is comprised of the following John Strong Chairperson, Judy Breau, Pat Clancy, Terry Williston and Joe Kenny. Our President Nick Lynch also attended all meetings, as ex-officio. We met twelve times during 2017.

The Board of Directors has assigned the Governance Committee the following oversight responsibilities:

- the size, composition and structure of the Board and its committees;
- the nomination of directors;
- assessments of the effectiveness and contribution of the Board, its committees and individual directors;
- Beaubear Credit Union's overall approach to its own corporate governance;
- develop and recommend to the Board for approval governance policies, practices and procedures
- orientation and continuing education for directors;
- matters involving actual or potential conflicts of interest; and
- any additional matters delegated to the Committee by the Board.

During the past year the committee compiled the results of the Board's Self-Assessment and reported to the Board items that required further attention. It is the intention of the committee to conduct Board Self Assessments every three years. The committee drafted a new Audit Committee Mandate and the Audit Committee approved for recommendation to the Board for their approval. Work was completed on the Board's Code of Conduct and was approved by the Board. The Committee reviewed various Board policies throughout the year. During the upcoming year we will be working on a new Board of Directors Governance Manual.

The Committee still has a great deal of work to be completed, one being developing, for Board approval, governance policies applicable to Beaubear.

I would also like to thank the committee members for their hard work and dedication and our resource person Marilyn Daley for her dedication and valued input.

Respectfully Submitted

John Strong Chairperson

Recommendations of the Board of Directors for consideration at the 2017 Annual Meeting

A) APPOINTMENT OF AUDITORS

The Board of Directors of Beaubear Credit Union recommends the appointment of Allen, Paquet & Arseneau LLP as Beaubear Credit Union's auditor for the next financial period ending December 31, 2018.

B) BOARD OF DIRECTOR REIMBURSEMENT OF EXPENSES

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

C) BOARD OF DIRECTOR REMUNERATION

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

Credit Unions in New Brunswick Protection of Member's Deposit

\$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*

Beaubear Credit Union Founders Scholarship and Academic Awards



Heidi Amos

Congratulations to Heidi Amos, the recipient of the 2017 Beaubear Credit Union Founders Scholarship. Heidi is a 2017 Graduate of Miramichi Valley High School.



Madison Matchett

Congratulations to Madison Matchett, the recipient of the 2017 Beaubear's Founders Scholarship. Madison is a 2017 Graduate of Miramichi Valley High School.



Cole Lee

Congratulations to Cole Lee the recipient of Most Improved Male Student Award at the 2017 MVHS Graduation presented by Tosha Hamilton.



Dana Augustine

Congratulations to Dana Augustine, the recipient of Most Improved Female Student Award at the 2017 MVHS Graduation presented by Tosha Hamilton.

"Do not follow where the path may lead. Go instead, where there is no path and leave a trail." Ralph Waldo Emerson

Highlights of 2017



On March 23rd, we celebrated Beth Gilliss! Beth joined the Beaubear Credit Union team 25 years ago today. Congratulations Beth and thank you for your dedication and service to Beaubear Credit Union.

celebrating
25 YEARS



2017 was a very busy year. Some highlights include: opening a school credit union at Max Aitken Academy, making our annual donation to the Miramichi Community Food Bank with our fellow co-operatives, celebrating Canada150 by hosting a Community Day and we were honoured to be named #1 Bank/Credit Union on the Miramichi.



Management's Responsibility for Financial Information

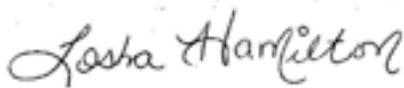
The management of Beaubear Credit Union is responsible for the integrity, objectivity and consistency of the financial information presented in this annual report. This responsibility includes selecting appropriate accounting policies which are in accordance with Canadian generally accepted accounting 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 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 financial statements with management and the independent auditors before recommending their approval to the Board of Directors.

Allen, Paquet & Arseneau LLP, the independent auditors appointed by the members, have examined our financial statements in accordance with generally accepted auditing standards and issued their report below.

The auditors have full and complete access to and meet periodically with the Audit Committee to discuss the audit of the financial statements and matters arising there from.



Tosha Hamilton

*Chief Executive Officer
Beaubear Credit Union*

BEAUBEAR CREDIT UNION LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2017



Allen, Paquet & Arseneau LLP
CHARTERED PROFESSIONAL ACCOUNTANTS • COMPTABLES PROFESSIONNELS AGRÉÉS

BEAUBEAR CREDIT UNION LTD.

Index

To the Financial Statements

For the year ended December 31, 2017

| | <u>Page</u> |
|-----------------------------------|-------------|
| Independent Auditors' Report | 18-19 |
| Balance Sheet | 20 |
| Statement of Earnings | 21 |
| Statement of Members' Equity | 22 |
| Statement of Cash Flows | 23 |
| Notes to the Financial Statements | 24-40 |



Allen, Paquet & Arseneau LLP

Your business partner of choice
Votre partenaire d'affaires par excellence

www.apa-ca.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Beaubear Credit Union Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Beaubear Credit Union Ltd., which comprise the balance sheet as at December 31, 2017, 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.

Auditors' Responsibility

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 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 auditors' 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, we consider internal control relevant to the organization'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 organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

207, rue Roseberry St.
Campbellton, NB
E3N 3G9
506-789-0820

625, av. St. Peter Ave.
Bathurst, NB
E2A 4Z6
506-546-1460

Le groupe  The AC Group
De firmes comptables indépendantes limitées
Of Independent Accounting Firms Limited

202 Pleasant Street
Miramichi, NB
E1V 1Y5
506-778-8065

356, rue Canada Street
St-Quentin, NB
E5A 1H8
506-235-3538

 **CPA** CHARRÉS
PROFESSIONNELS
NEW BRUNSWICK COMPTABLES
PROFESSIONNELS
NOUVEAU-BRUNSWICK

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Beaubear Credit Union Ltd. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Miramichi, NB

April 6, 2018

Allen, Pequet & Amerson LLP

Chartered Professional Accountants

BEAUBEAR CREDIT UNION LTD.**Balance Sheet****As at December 31****2017****2016**

ASSETS

| | | |
|---------------------------------|--------------|--------------|
| Cash | \$ 6,870,972 | \$ 6,837,651 |
| Investments (Note 3) | 4,972,731 | 4,968,806 |
| Accounts receivable - other | 65,281 | 64,222 |
| Accrued interest receivable | 83,685 | 82,247 |
| Prepaid expenses | 35,722 | 33,206 |
| Loans receivable (Note 6) | 44,646,965 | 44,146,030 |
| Income taxes receivable | 1,731 | - |
| Future income taxes | 4,500 | 2,200 |
| Foreclosed assets | 61,209 | 5,000 |
| Property and equipment (Note 4) | 849,539 | 913,953 |

\$ 57,592,335 **\$ 57,053,315**

LIABILITIES

| | | |
|--|---------------|---------------|
| Member deposits (Note 8) | \$ 52,958,153 | \$ 52,570,155 |
| Accrued interest on deposits | 175,911 | 186,052 |
| Accounts payable and accrued liabilities | 352,565 | 262,754 |
| Income taxes payable | - | 18,074 |

53,486,629 **53,037,035**

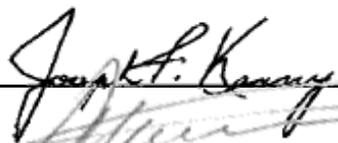
MEMBERS' EQUITY

| | | |
|----------------------------|-----------|-----------|
| Membership shares (Note 9) | 290,605 | 307,037 |
| Special reserve (Note 11) | 178,000 | 178,000 |
| Surplus - Page 5 | 3,637,101 | 3,531,243 |

4,105,706 **4,016,280**

\$ 57,592,335 **\$ 57,053,315**

Approved by the board

_____
Director_____
Director

| BEAUBEAR CREDIT UNION LTD. | | |
|--|-------------------|------------------|
| Statement of Earnings | | |
| For the year ended December 31 | 2017 | 2016 |
| INTEREST INCOME | | |
| Interest on loans | \$ 2,100,720 | \$ 2,213,882 |
| Interest on investments | 64,453 | 46,822 |
| | 2,165,173 | 2,260,704 |
| INTEREST EXPENSE AND CREDIT LOSSES | | |
| Interest on member deposits | 445,711 | 474,009 |
| Other interest | - | 984 |
| Provision for credit losses (Note 7) | 102,000 | 160,964 |
| | 547,711 | 635,957 |
| | 1,617,462 | 1,624,747 |
| FINANCIAL MARGIN | | |
| NON-INTEREST EXPENSES | | |
| Amortization | 94,759 | 96,504 |
| General business | 746,587 | 759,229 |
| Member security | 86,351 | 83,030 |
| Occupancy | 164,188 | 181,183 |
| Organization | 71,085 | 87,641 |
| Personnel | 949,313 | 963,652 |
| | 2,112,283 | 2,171,239 |
| OTHER INCOME | | |
| Commissions | 140,702 | 157,588 |
| Service charges | 414,165 | 401,610 |
| Miscellaneous | 61,101 | 98,099 |
| | 615,968 | 657,297 |
| | 121,147 | 110,805 |
| NET EARNINGS BEFORE INCOME TAXES | | |
| INCOME TAXES | | |
| Current | 17,589 | 18,074 |
| Future (recoverable) | (2,300) | (1,400) |
| | 15,289 | 16,674 |
| NET EARNINGS FOR THE YEAR - to Page 5 | \$ 105,858 | \$ 94,131 |

| BEAUBEAR CREDIT UNION LTD. | | |
|--|---------------------|---------------------|
| Statement of Members' Equity | | |
| For the year ended December 31 | 2017 | 2016 |
| BALANCE, beginning of year | \$ 3,531,243 | \$ 3,437,112 |
| Excess of Earnings for the year - Page 4 | 105,858 | 94,131 |
| BALANCE, end of year | \$ 3,637,101 | \$ 3,531,243 |

| BEAUBEAR CREDIT UNION LTD. | | |
|--|---------------------|---------------------|
| Statement of Cash Flows | | |
| For the year ended December 31 | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Earnings | \$ 105,858 | \$ 94,131 |
| Adjustments for | | |
| Amortization | 94,759 | 96,504 |
| Future income taxes | (2,300) | (1,400) |
| | 198,317 | 189,235 |
| Change in non-cash working capital items: | | |
| Increase in accounts receivable - other | (1,059) | (28,389) |
| Increase in accrued interest receivable | (1,438) | (1,087) |
| Decrease (increase) in prepaid expenses | (2,516) | 3,907 |
| Increase in income taxes receivable | (1,731) | - |
| Decrease (increase) in foreclosed assets | (56,209) | 31,110 |
| Increase (decrease) in accrued interest on deposits | (10,141) | 2,915 |
| Increase in accounts payable and accrued liabilities | 89,811 | 70,966 |
| Increase (decrease) in income taxes payable | (18,074) | 4,694 |
| | 196,960 | 273,351 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Member deposits | 387,998 | 3,613,252 |
| Issuance (redemption) of members' shares | (16,432) | (19,286) |
| | 371,566 | 3,593,966 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investments | (3,925) | (266,939) |
| Increase in loans receivable | (500,935) | 87,937 |
| Purchase of property and equipment | (30,345) | (11,322) |
| | (535,205) | (190,324) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 33,321 | 3,676,993 |
| CASH AND CASH EQUIVALENTS, beginning of year | 6,837,651 | 3,160,658 |
| CASH AND CASH EQUIVALENTS, end of year (Note 5) | \$ 6,870,972 | \$ 6,837,651 |

1. STATUS AND NATURE OF ACTIVITIES

Beaubear Credit Union Ltd. was incorporated under the Credit Unions Act of New Brunswick (the Credit Unions Act) 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, Province of New Brunswick.

2. SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements have been approved and authorized for issue by the Board of Directors on April 6, 2018.

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 14.

(a) Financial instruments

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the financial instrument.

A financial liability is de-recognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are initially measured at fair value.

Subsequent measurement of financial assets and financial liabilities is as described below.

(b) Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- (i) Loans and receivables
- (ii) Financial assets at fair value through profit or loss
- (iii) Held-to-maturity investments
- (iv) Available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

At least at each reporting date, all financial assets except for those at fair value through profit or loss are subject to a review for impairment. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

BEAUBEAR CREDIT UNION LTD.
Notes to the Financial Statements
December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables. The Credit Union also classifies cash and cash equivalents and loans in this category.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Member loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment (losses).

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans, plus accrued interest. Interest for all loans is accounted for on the accrual basis. If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate. Discounting is omitted where the effect of discounting is immaterial.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Bad debts written off

Bad debts are written-off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written-off against the provision for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write-offs are recognized as expenses in net income.

(e) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables.

Investments are classified as held-to-maturity if the Credit Union has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows.

Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

(f) Fair value through profit and loss

A financial asset or liability is required to be classified as fair value through profit and loss ("FVTPL") if it is acquired principally for the purpose of selling it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

(g) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Credit Union's available-for-sale financial assets include the Credit Union's investments in Atlantic Central.

These investments are measured at cost less any impairment charges, as their fair value cannot currently be estimated reliably. Impairment charges are recognized in profit or loss.

Reversals of impairment losses are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

BEAUBEAR CREDIT UNION LTD.
Notes to the Financial Statements
December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial liabilities

The Credit Union's financial liabilities include member deposits, payables and accruals and member shares.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held-for-trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "interest expense and credit losses".

(i) Property and equipment

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment (losses), with the exception of land which is not amortized. Amortization is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

| | |
|-----------------------|------------------------|
| Buildings | 25 years Straight-line |
| Office equipment | 10 years Straight-line |
| ATM | 5 years Straight-line |
| Safekeeping equipment | 20 years Straight-line |
| Computer equipment | 5 years Straight-line |

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

(j) 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 less costs to sell.

(k) 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Membership shares

Membership shares, including members' shares and surplus shares, are classified as liabilities or as member equity according to their terms. Where shares are redeemable at the option of the member, either on demand or on withdrawal from membership, the shares are classified as liabilities. Where shares are redeemable at the discretion of the Credit Union Board of Directors, the shares are classified as equity, as per IFRIC 2 - Members' Shares in Cooperative Entities and Similar Instruments.

Under the Credit Unions Act of New Brunswick, the Credit Union is not permitted to make distributions on redemption by members if the distributions will cause the Credit Union to fall below legislated capital requirements (Note 12). Membership shares are presented as equity to the extent they are required to meet the legislated capital requirements.

(m) Revenue recognition

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (i) the amount of revenue can be measured reliably;
- (ii) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (iii) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- (iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognised that are recoverable.

Interest income is recognized using the effective interest method.

Dividends are recognized when the Credit Union's right to receive the payment is established.

(n) 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 the Financial Statements
December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(o) Standards, amendments and interpretations not yet effective**

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2018 or later periods that the Credit Union has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Credit Union are:

IFRS 9 Financial Instruments (2014) ("IFRS 9 (2014)")

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

This standard is effective for annual periods beginning on or after January 1, 2018. The Credit Union is currently assessing the impact of adoption of this standard on its financial statements.

IFRS 15 Revenue from contracts with customers ("IFRS 15")

IFRS 15 replaces IAS 11, Construction contracts, IAS 18, Revenue and related interpretations. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 also introduces a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The mandatory effective date of IFRS 15 is January 1, 2018 and is required to be applied retrospectively when initially applied. The Credit Union is currently assessing the impact of the adoption of this standard on its financial statements.

BEAUBEAR CREDIT UNION LTD.
Notes to the Financial Statements
December 31, 2017

3. INVESTMENTS

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Available-for-sale | | |
| Liquidity | \$ 4,241,121 | \$ 4,253,846 |
| Atlantic Central common shares | 519,410 | 502,760 |
| Atlantic Central LSM shares | 31,250 | 31,250 |
| Atlantic Central League Data class B preferred shares | 34,850 | 34,850 |
| Atlantic Central Class NB shares | 146,000 | 146,000 |
| Atlantic Co-op shares | 100 | 100 |
| | \$ 4,972,731 | \$ 4,968,806 |

The Credit Union must maintain a minimum liquidity reserve with Atlantic Central at 8% of total liabilities at December 31 each year. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total assets or upon withdrawal of membership from Atlantic Central.

Atlantic Central shares (common) are subject to an annual re-balancing mechanism and are issued and redeemable at par value. As there is no active market for these shares, fair value is not reliably determinable as future cash flows cannot be adequately predicted with a standard valuation technique. As a result, these shares are carried at cost.

The Credit Union is not intending to dispose of any Atlantic Central shares as the services supplied by Atlantic Central are relevant to the day-to-day activities of the Credit Union.

Other equity investments have no active market and therefore their fair value is not reliably determinable as future cash flows cannot be adequately predicted with a standard valuation technique. As a result, these shares are carried at cost.

BEAUBEAR CREDIT UNION LTD.
Notes to the Financial Statements
December 31, 2017

4. PROPERTY AND EQUIPMENT

| | 2017 | | | | | | | |
|--|-------------------|-------------------|-------------------|------------------------|-------------------|-----------------------|--------------------|---------------------|
| | Land | Buildings | Office equipment | Leasehold improvements | ATM | Safekeeping equipment | Computer equipment | Total |
| Cost | | | | | | | | |
| Balance as at January 1, 2017 | \$ 146,115 | \$ 849,804 | \$ 314,156 | \$ 2,028 | \$ 104,816 | \$ 156,736 | \$ 146,411 | \$ 1,720,066 |
| Additions | - | - | - | - | 23,629 | - | 6,716 | 30,345 |
| Disposals | - | - | - | - | - | - | - | - |
| Balance as at December 31, 2017 | \$ 146,115 | \$ 849,804 | \$ 314,156 | \$ 2,028 | \$ 128,445 | \$ 156,736 | \$ 153,127 | \$ 1,750,411 |
| Accumulated amortization | | | | | | | | |
| Balance as at January 1, 2017 | \$ - | \$ 387,026 | \$ 206,783 | \$ 169 | \$ 24,457 | \$ 63,049 | \$ 124,629 | \$ 806,113 |
| Amortization expense | - | 33,992 | 18,708 | 338 | 22,144 | 7,837 | 11,740 | 94,759 |
| Balance as at December 31, 2017 | \$ - | \$ 421,018 | \$ 225,491 | \$ 507 | \$ 46,601 | \$ 70,886 | \$ 136,369 | \$ 900,872 |
| Net book value | | | | | | | | |
| December 31, 2017 | \$ 146,115 | \$ 428,786 | \$ 88,665 | \$ 1,521 | \$ 81,844 | \$ 85,850 | \$ 16,758 | \$ 849,539 |
| December 31, 2016 | \$ 146,115 | \$ 462,778 | \$ 107,373 | \$ 1,859 | \$ 80,359 | \$ 93,687 | \$ 21,782 | \$ 913,953 |

BEAUBEAR CREDIT UNION LTD.
Notes to the Financial Statements
December 31, 2017

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and current accounts held with Atlantic Central. The Credit Union maintains an authorized line of credit, which was not utilized at year end, with Atlantic Central in the amount of \$1,425,000 with an interest rate of 2.70%. The line is secured by investments with Atlantic Central and a general assignment of book debts.

| | 2017 | 2016 |
|--------------------------------|---------------------|--------------|
| Cash on hand and bank balances | \$ 6,870,972 | \$ 6,837,651 |

6. LOANS RECEIVABLE

| | 2017 | 2016 |
|----------------------------------|------------------------|-------------------------|
| Personal loans: | | |
| Mortgages | \$ 18,042,021 | \$ 16,569,873 |
| Other (LOC, term, student, etc.) | 8,857,387 | 9,583,514 |
| Commercial loans: | | |
| Mortgages | 15,771,786 | 14,241,239 |
| Business loans | 2,064,038 | 3,941,156 |
| Allowance for impaired loans | 44,735,232 (88,267) | 44,335,782 (189,752) |
| Net loans to members | \$ 44,646,965 | \$ 44,146,030 |

Terms and conditions

Personal loans have a fixed rate of interest with a maturity date of up to twenty years depending on the economic life of the security pledged and the relative policy section for each loan type. Student line of credits have a variable rate of interest with a maturity date of up to ten years. Mortgages have a variable or fixed rate of interest with a maturity date of up to twenty five years.

The interest rate offered on fixed rate loans being advanced at December 31, 2017 is 2.59% to 15.50%.

Variable rate student loans are based on a prime rate formula of prime plus 1.00% to 2.00%. The Credit Union's prime rate at December 31, 2017 was 3.50%.

Residential mortgages are loans secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Personal loans-other consist of term loans, overdraft protection and lines of credit that are non-real estate secured and have various repayment terms. Some of the personal loans are secured by personal property or investments.

Commercial loans consist of term loans, operating lines of credit and mortgages to individuals, partnerships and corporations, and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, and charges on specific equipment, investments, and personal guarantees.

BEAUBEAR CREDIT UNION LTD.
Notes to the Financial Statements
December 31, 2017

6. LOANS RECEIVABLE (continued)

Fair value

The fair value of member loans at December 31, 2017 was \$44,735,232 (2016 - \$44,335,783).

The estimated fair value of the variable rate loans is assumed to be equal to book value as the interest rates on these loans re-price to market on a periodic basis. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

7. ALLOWANCE FOR IMPAIRED LOANS

| | 2017 | 2016 |
|-------------------------------|------------------|-------------------|
| Collective provision | \$ 49,727 | \$ 74,452 |
| Individual specific provision | 38,540 | 115,300 |
| Total provision | \$ 88,267 | \$ 189,752 |

Change in individual specific provision and collective provision for impairment:

| | Beginning balance | Provision/ recoveries | Write-offs | 2017 | 2016 |
|-------------------------|------------------------------|----------------------------------|---------------------|------------------|-------------------|
| <u>Personal loans</u> | | | | | |
| Mortgages | \$ 27,825 | \$ 25,594 | \$ (1,208) | \$ 52,211 | \$ 27,825 |
| Other | 85,726 | 61,482 | - | 147,208 | 85,726 |
| <u>Commercial loans</u> | | | | | |
| Mortgages | 62,315 | 22,373 | (212,654) | (127,966) | 62,315 |
| Business loans | 13,886 | 2,928 | - | 16,814 | 13,886 |
| | \$ 189,752 | \$ 112,377 | \$ (213,862) | \$ 88,267 | \$ 189,752 |

As a percentage of total loans **0.20 %** 0.43 %

Loans and related allowances:

| | Loan balance | Specific allowance | Collective allowance | 2017 | 2016 |
|-------------------------|----------------------|-------------------------------|---------------------------------|----------------------|----------------------|
| <u>Personal loans</u> | | | | | |
| Mortgages | \$ 18,042,021 | \$ - | \$ (20,055) | \$ 18,021,966 | \$ 16,542,048 |
| Other | 8,857,387 | (38,540) | (9,846) | 8,809,001 | 9,497,788 |
| <u>Commercial loans</u> | | | | | |
| Mortgages | 15,771,786 | - | (17,532) | 15,754,254 | 14,178,924 |
| Business loans | 2,064,038 | - | (2,294) | 2,061,744 | 3,927,270 |
| | \$ 44,735,232 | \$ (38,540) | \$ (49,727) | \$ 44,646,965 | \$ 44,146,030 |

BEAUBEAR CREDIT UNION LTD.
Notes to the Financial Statements
December 31, 2017

7. ALLOWANCE FOR IMPAIRED LOANS (continued)

A collective provision is established to cover estimated loan losses which have not yet been specifically identified as impaired. In determining the allowance for impaired loans, management considers factors such as the composition and credit quality of the portfolio, current economic conditions and trends and historical loss experience

For purposes of the collective provision, loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

Impaired loans with specific allowances:

| | Impaired loans | Security value | 2017 | 2016 |
|------------------|---------------------------|-----------------------|------------------|-------------------|
| Personal loans | \$ 39,350 | \$ (810) | \$ 38,540 | \$ 69,633 |
| Commercial loans | - | - | - | 45,667 |
| | \$ 39,350 | \$ (810) | \$ 38,540 | \$ 115,300 |

Loans past due but not impaired as at December 31 are as follows:

| | < 30 days | 31 - 60 days | 61 - 90 days | 90 + days | 2017 |
|------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| Personal loans | \$ 397,815 | \$ 207,851 | \$ 24,995 | \$ 272,634 | \$ 903,295 |
| Commercial loans | 53,566 | 8,135 | - | 29,553 | 91,254 |
| | \$ 451,381 | \$ 215,986 | \$ 24,995 | \$ 302,187 | \$ 994,549 |

| | < 30 days | 31 - 60 days | 61 - 90 days | 90 + days | 2016 |
|------------------|---------------------|---------------------|---------------------|------------------|-------------------|
| Personal loans | \$ 167,335 | \$ 42,983 | \$ - | \$ 17,206 | \$ 227,524 |
| Commercial loans | 60,900 | - | - | - | 60,900 |
| | \$ 228,235 | \$ 42,983 | \$ - | \$ 17,206 | \$ 288,424 |

BEAUBEAR CREDIT UNION LTD.**Notes to the Financial Statements****December 31, 2017****8. MEMBER DEPOSITS**

| | 2017 | 2016 |
|--|----------------------|----------------------|
| Chequing | \$ 16,851,042 | \$ 15,199,231 |
| Demand | 15,581,623 | 15,351,640 |
| Term | 13,391,186 | 14,810,933 |
| Registered retirement savings plans | 3,665,377 | 3,866,395 |
| Registered retirement investment funds | 1,049,098 | 1,111,888 |
| Tax free savings accounts | 2,374,625 | 2,165,189 |
| | \$ 52,912,951 | \$ 52,505,276 |

Terms and conditions

Chequing deposits are due on demand and bear interest at a variable rate up to 1.25% at December 31, 2017 depending on the balance in the account.

Demand deposits are due on demand and bear interest at a variable rate up to 1.00% at December 31, 2017 depending on the balance in the account. Interest is calculated daily and paid on the accounts monthly.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest rates offered on term deposits issued on December 31, 2017 range from 0.85% to 3.00%.

The registered retirement savings plans (RRSP) accounts can be fixed or variable rate. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described above. The variable rate RRSPs bear interest at rates up to 0.75% at December 31, 2017.

Registered retirement income funds (RRIFs) consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above. Members may make withdrawals from an RRIF account on a monthly, semi-annual, or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

The tax-free savings accounts can be fixed or variable rate with terms and conditions similar to those of the RRSPs described above.

Concentration of risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments.

No individual or related groups of member deposits exceed 10% of member deposits.

Substantially all member deposits are with members located in and around Miramichi, New Brunswick.

Fair value

The fair value of member deposits at December 31, 2017 was \$52,912,951 (2016 - \$52,505,276).

The estimated fair value of the variable rate deposits is assumed to be equal to book value as the interest rates on these deposits re-price to market on a periodic basis. The estimated fair value of fixed rate deposits is determined by discounting the expected future cash flows at current market rates for products with similar terms.

BEAUBEAR CREDIT UNION LTD.
Notes to the Financial Statements
December 31, 2017

9. MEMBER SHARES

| | 2017 | 2016 |
|-------------------|-------------|-------------|
| Membership shares | \$ 290,605 | \$ 307,037 |

Membership shares are a requirement for membership in the Credit Union and are redeemable on withdrawal from membership. Pursuant to the Credit Unions' by-laws, the value of each membership share is \$5 and as a condition of membership each adult member must hold a minimum of ten shares, except students and not-for-profit organizations, who need only own one share. The authorized share capital is not covered by Credit Union deposit insurance and the shares have various restrictions on withdrawal. The number of membership shares issued and outstanding at December 31, 2017 is 58,121 (2016 - 61,408).

10. RELATED PARTY TRANSACTIONS

The Credit Union's related parties include key management, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The Credit Union entered into the following transactions with management and personnel, which are defined by IAS 24 - Related Party Disclosures.

| | 2017 | 2016 |
|---|-------------|-------------|
| Board expenses (including annual meeting) | \$ 10,293 | \$ 14,840 |
| Aggregate value of loans advanced | 1,748,599 | 1,873,661 |
| Aggregate value of lines of credit advanced | 9,640 | 5,385 |

The Credit Union's policy for lending to management and personnel is that all such loans and leases were granted in accordance with normal lending terms.

The Credit Union's policy for receiving deposits from management and personnel is that all transactions are approved and deposits accepted in accordance with the same conditions which apply to members for each type of deposit.

BEAUBEAR CREDIT UNION LTD.
Notes to the Financial Statements
December 31, 2017

11. 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 the Risk Management Agency's review at that time.

12. CAPITAL MANAGEMENT

The Credit Union requires capital to fund existing and future operations and to meet regulatory capital requirements.

Decisions relating to strategic objectives that impact the risk weighting of the Credit Union's assets are analyzed by management to determine their effect on the Credit Union's capital adequacy ratio.

New Brunswick Credit Union Legislation

Regulatory capital:

The *New Brunswick Credit Union Legislation* 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 represents the equity level for the Credit Union at December 31.

| | 2017 | 2016 |
|-----------------------------------|--------|--------|
| Membership shares | 0.50 % | 0.54 % |
| Retained earnings/special reserve | 6.62 % | 6.50 % |
| | 7.12 % | 7.04 % |

13. RISK MANAGEMENT

The types of risk inherent in the Credit Union environment include credit, liquidity and interest rate risk.

(a) Credit Risk

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 total assets. The actual capital base at December 31, 2017 is detailed in Note 12 to the financial statements.

BEAUBEAR CREDIT UNION LTD.
Notes to the Financial Statements
December 31, 2017

13. RISK MANAGEMENT (continued)

(b) Liquidity Risk

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 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, 2017, 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 21% of total liabilities, and 8% was in liquidity deposits with Atlantic Central.

(c) Interest rate risk

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 income earned on investments and loans to members, and 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.

| | Assets | Liabilities and members' equity | Net asset/liability mismatch |
|------------------------|----------------------|--|---|
| 0-6 months | \$ 15,987,130 | \$ 22,697,660 | \$ (6,710,530) |
| 6-12 months | 5,409,190 | 9,854,350 | (4,445,160) |
| 1-2 years | 7,150,680 | 2,104,890 | 5,045,790 |
| 2-3 years | 4,916,050 | 1,154,970 | 3,761,080 |
| 3-5 years | 18,228,630 | 1,163,420 | 17,065,210 |
| Non interest sensitive | 5,900,655 | 20,617,045 | (14,716,390) |
| | \$ 57,592,335 | \$ 57,592,335 | \$ - |

BEAUBEAR CREDIT UNION LTD.**Notes to the Financial Statements****December 31, 2017****13. RISK MANAGEMENT (continued)****(d) Fair value of financial instruments**

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 are not adjusted to reflect changes in interest rates, as it is the Credit Union's intention to hold the instruments to maturity.

Estimated fair values of financial assets and financial liabilities are summarized as follows:

| Assets | 2017 | 2016 |
|---|---------------|---------------|
| Cash (loans and receivables) | \$ 6,870,972 | \$ 6,837,651 |
| Investments (available for sale) | 4,972,731 | 4,968,806 |
| Member loans (loans and receivables) | 44,646,965 | 44,146,030 |
| Other assets (loans and receivables) | 184,688 | 179,675 |
| Liabilities | 2017 | 2016 |
| Member deposits (financial liabilities) | \$ 52,958,153 | \$ 52,570,155 |
| Other liabilities (financial liabilities) | 528,476 | 448,806 |
| Shares (financial liabilities) | 290,605 | 307,037 |

(e) Currency risk

Currency risk is the risk to the organization's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization does not use derivative instruments to reduce its exposure to foreign currency risk.

14. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The effect of a change in an accounting estimate is recognized prospectively by including it in income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

14. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY (continued)

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Member loan loss provision

In determining whether an impairment loss should be recorded in the statement of operations and other comprehensive income the Credit Union makes judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

In determining the collective loan loss provision management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. Further details on the estimates used to determine the allowance for impaired loans collective provision are provided in Note 7.

15. COMMITMENT

One of the Credit Union's two branches operates from a leased premises. The Newcastle branch lease expires December 31, 2023 with a renewable option for a further 10 years. The minimum annual rent is \$60,000 plus HST.

16. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

Water Street Branch

376 Water Street
PO Box 764
Miramichi NB
E1V 3V4
Phone: 506 622-4532
Fax: 506 622-5008

Pleasant Street Branch

202 Pleasant Street
PO Box 764
Miramichi NB
E1V 3V4
Phone: 506 622-7709
Fax: 506 622-5832

beabear.ca