



Moving Forward

Annual **REPORT**




2011

Beaubear Credit Union 2011 Annual Report

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Beaubear Credit Union Annual Meeting November 15,2011

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 Page 4,5

3) Reports:	A. President 's Message	Page 6
	B. Credit Committee	Page 8
	C. Audit Committee	Page 9
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4) Recommendations of the Board of Directors:

A. Appointment of Auditors	Page 10
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5) Election of Board of Directors

6) Adjournment

OUR MISSION, OUR VISION AND OUR VALUES

Beaubear Credit Union Mission Statement

To provide our owners with financial advice, service and products, while enriching their lives through community support.

Beaubear Credit Union Vision Statement

Beaubear Credit Union will be recognized as the financial institution of choice by providing our owners with knowledgeable customer service in a professional environment while being a leader in the community

Beaubear Credit Union ~ Values~

- Committed to providing service excellence
- Accountable to our owners for the decisions we make and the results they produce.
- Dedicated to the support and best interest of owners, partners and the community.



Minutes of the 2010 Annual General Meeting

The seventy-second annual meeting of Beaubear Credit Union Ltd. was held on November 9, 2010 at the Newcastle Kin Centre, Miramichi West.

President Terry Williston as Chair, called the meeting to order at 7:35 pm. With 65 members present, a quorum was declared.

Motion to accept the agenda was made by Lorie Ann Richard and seconded by Colleen Daley. MOTION CARRIED.

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

BOARD OF DIRECTORS PRESENT AND INTRODUCED:

Judy Breau, Pat Clancy, Glenford Copp, Ann Doyle, Lynn Estey, Joe Kenny, Baz McGean, Gerard Regan, Wanda Urquhart
Terry Williston

MANAGEMENT PRESENT AND INTRODUCED

The Chair introduced the Acting CEO, John Strong and called upon him to introduce the staff. John recognized the employees for years of service and noted that they have 250 years experience within the group.

Joint Message From CEO and Board President

Terry Williston presented a joint message from the CEO and Board President.

Terry spoke about the difficult economic times in our community and reported that Beaubear Credit Union has once again defied the odds and recorded another banner year for profits and loan growth. Tight financial controls have been developed and implemented to ensure we stay on track.

Everyone from the owners to the overall community benefits from the success of the Credit Union. Over the last twelve months, loans have grown by \$1,000,000, assets by \$745,000, and profits of \$240,000 were generated.

There is not much anticipated difference in the financial performance of the credit union over the next year. There is still uncertainty with the economy. The credit union's use of sound financial management practices will position them to face any challenges that may be encountered.

Terry, on behalf of the Board, extended well wishes to the former CEO George Greenwood.

Terry MOVED the adoption of his report. The motion was SECONDED by Bob Hillier. MOTION CARRIED.

READING AND APPROVAL OF MINUTES OF LAST MEETING

Lynn Estey read the minutes of the 2009 Annual General Meeting and MOVED the minutes be adopted as read. The motion was SECONDED by Glen Carroll. MOTION CARRIED.

BUSINESS ARISING FROM THE MINUTES

There was no business arising from the minutes.

REPORTS

CREDIT COMMITTEE REPORT

Baz McGean presented the report from the Credit Committee. The committee met monthly as per the by-laws of Beaubear Credit Union 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. Monthly meetings included the Branch Managers, Commercial Account Manager and occasionally the CEO. A breakdown of loans approved and declined was presented.

Delinquency was managed closely during the year with a rate well below the industry average being maintained. This was attributed to the quality of credit granting and collection policies as well as the staff making the decisions. A very favorable review was received from the Risk Management Agency.

Baz MOVED the acceptance of his report. The motion was SECONDED by Raymond Blaquiére. MOTION CARRIED.

AUDIT COMMITTEE REPORT

Ann Doyle presented the report from the Audit Committee. The Audit Committee is established as a requirement of the Credit Unions Act. Ann outlined the authority of the Audit Committee and 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.

Ann MOVED for the adoption of her report. The motion was SECONDED by Maura McClusky. MOTION CARRIED.

AUDITORS REPORT

Gary Morrison presented the Auditors Report on behalf of Thornton VanTassel. Gary began by thanking members who had received and returned confirmations. He reported that Thornton VanTassel is hired on the member's behalf to express an opinion on the financial statements and this year's audit did result in a clean opinion. The audit went very well. There are a lot of controls at Beaubear and Gary is surprised at how well the Credit Union is doing in light of what has been happening in the community. He pointed out the important line items on the financial statements. The first is the bottom line which shows very little difference from the prior year. The second item is the provision for credit losses. The amount added to the provision this year is only \$856 even though loans have grown by \$1 million. The allowance now stands at \$167,681 which is sufficient to protect against any loan losses. The loan portfolio is solid. Equity is another very important number. Beaubear's is at 6.9% of total assets, which is well above the required number of 5%. The regulators like to see 50% of equity coming from retained earnings. Beaubear is well above this target with 85% of total equity coming from retained earnings. Colleen Daley asked Gary to explain an impaired loan. Gary responded that this is one of the more difficult risk areas for an auditor to audit. There are various definitions and could include loans where the payments are 90 days in arrears or where the customer has not been cooperating. John Strong added that this does not mean that we will not get paid. He has seen impaired loans that have been paid and has seen some that do go bad. The impaired loan report for this Credit Union is very small compared to others, which is an indication that the loan granting policies are working.

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

RECOMMENDATIONS

Appointment of Auditors

Terry Williston, on behalf of the Board, requested that Thornton VanTassel be appointed auditors for the 2010/11 year. The motion was MOVED by Bob Hillier and SECONDED by Glen Carroll. MOTION CARRIED.

Selection of Representatives to Credit Union Central of New Brunswick

The Board of Directors of Beaubear Credit Union Ltd. requested approval to appoint representatives to the Credit Union Central. This was MOVED by Toby LeBlanc and SECONDED by Lorie Ann Richard. MOTION CARRIED.

ELECTION OF BOARD OF DIRECTORS

Judy Breau reported on behalf of the nominating committee. She advised that Baz McGean and Gerard Regan had reoffered for another three-year term. She also presented Nick Lynch as a new nomination. Judy called for nominations from the floor. There being none Judy declared the three nominees elected to the Board. It was MOVED by Wanda Urquhart and seconded by Lorie Ann Richard that Baz McGean, Gerard Regan and Nick Lynch be accepted to the Board.

Judy MOVED the adoption of her report; SECONDED by Mike Morrison. MOTION CARRIED.

OTHER

A video of George Greenwood's speech accepting, on behalf of Beaubear Credit Union, the 2010 Economic Development Award was shown. George and Terry Williston accepted this award in Winnipeg. The video shows the Credit Union from 1938 to the present and highlights the part we played in bringing the municipal transit system to the Miramichi.

Terry announced that staff was selling tickets on a draw for a \$500 gift card with proceeds going to the food bank.

Terry on behalf of the Board and staff expressed well wishes to George Greenwood. He has moved on to Advanced Credit Union in Moncton which has 7 branches and is 2 ½ times larger than ours. We have hired a recruitment firm to search for a new CEO. Terry also thanked John Strong for doing a great job as acting CEO.

Terry then called upon Joe Kenny to receive a token of appreciation for his service on the Board for 9 years, 3 of which he served as President.

Colleen Daley asked for an update on the Atlantic Central. Terry Williston responded that there would be a Zone meeting soon and that it was almost set to go. NB must still pass legislation but he does not foresee any problems.

Paul Murphy reported that he has been a long term member of the Credit Union and has learned that seniors do not pay service fees. He would have saved had he known about this program. He recognizes that it is on the website but believes it should be better communicated. He has sent a letter and asked what has been done about this situation since. John Strong responded that members are now automatically set up for this once they reach the age of 59 and will make sure that this is put in a future newsletter.

ADJOURNMENT

The meeting adjourned at 8:45. Motion for adjournment was MOVED by Glen Carroll and SECONDED by Mike Morrison. MOTION CARRIED.

President's Message



Fellow Members,

Beaubear Credit Union has successfully completed its 73rd year of operations. There have been many challenges and changes over the past year.

We are now a part of a Regional Federation, Atlantic Central, where the goal is to serve all Atlantic Province Owner Credit Union's by providing more efficient and effective support services that will allow Credit Unions to improve services while reducing operating costs and operating efficiencies.

Throughout most of 2011, Beaubear Credit Union was led by Mr. John Strong with a great team of Management and Staff.

John has previously held the role of CEO in another New Brunswick Credit Union and is active in the community of Miramichi representing Beaubear Credit Union. John served as acting CEO while conducting his regular duties of Chief Operations Officer. With John's extensive experience and the support of a strong Management Team and outgoing Staff, Beaubear Credit Union has produced another strong financial year in 2011. Thanks to all for your hard work over the past year.

Your Executive Committee spent extensive time and resources during a 10 month period to hire a new Chief Executive Officer. We are very pleased to have hired Mr. Andy Richardson as Chief Executive Officer for Beaubear Credit Union. Andy brings 25 years of experience in Financial Services, Accounting and Operations.

The Board of Directors and Committees have also been busy this past year with ongoing work in the Governance Committee by means of reviewing and updating policies for the Credit Union and developing a Strategic Plan as we move forward into the future. We commend, both Management and Staff, and thank them for their hard work and due diligence throughout the past year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Terry Williston', written on a white rectangular piece of paper.

Terry Williston
Board President

Board of Directors 2010-2011



(back row, left to right) Terry Williston (President), Pat Clancy, Joe Kenny (Past President, retired), Gerard Regan, Nick Lynch, Glenford Copp (Vice President), Baz McGean
(front row, left to right) Wanda Urquhart, Judy Breau, Ann Doyle, Lynn Estey (Secretary)

Beaubear Credit Union's Board of Directors is elected by and is accountable to the membership. It provides oversight and sets the strategic direction of the credit union. All directors are independent from management. Any member in good standing may run for election and Directors are elected by members annually for a three-year term and can serve a maximum of three terms.

*"Coming together is a beginning.
Keeping together is progress.
Working together is success."*

~ Henry Ford



Credit Committee Report 2010-2011

Beaubear's Credit Committee is made up of the following members Baz McGean (Chairperson), Ann Doyle, Nick Lynch and Wanda Urquhart.

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 540 loan, mortgage and commercial requests totaling \$16,068,297 Million. There were also 20 lines of credit approved with credit limits of \$179,648 thousand. Due to this activity, the total loan portfolio experienced a healthy increase of \$3,783,680 million (10.63% growth). The table below is a detailed breakdown of the loans processed and declined for the past year.

There was an external audit/inspection performed by RMA (Risk Management Agency), and we are pleased to report that your credit union once again received a very 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. The efforts of staff resulted in a delinquency rate well below the industry standard being maintained for the year.

The encouraging loan growth and the favourable delinquency are a direct reflection on the quality of your Credit Union's credit granting and collection policies and the people behind the decisions. We commend, both Management and Staff, and thank them for their hard work and due diligence throughout the year. We look forward to the opportunities and successes during fiscal 2010-2011, while continuing to protect the investments of our Owners.

LOANS PROCESSED AND DECLINED

APPROVED	Number	Dollar Amount	DECLINED	Number	Dollar Amount
PERSONAL	410	\$5,582,379	PERSONAL	70	\$2,236,604
MORTGAGE	65	\$5,705,505	MORTGAGE	12	\$899,433
COMMERCIAL	65	\$4,780,413	COMMERCIAL	7	\$1,676,241
LINE of CREDIT	20	\$179,648	LINE of CREDIT	10	\$68,600
TOTAL	560	\$16,247,945	TOTAL	99	\$4,880,878

Respectfully submitted

Baz McGean Chair
Ann Doyle
Nick Lynch
Wanda Urquhart

Audit Committee Report

It is a requirement of the Credit Unions 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,

Audit Committee
Pat Clancy, Chair
Judy Breau
Glenford Copp
Lynn Estey
Nick Lynch
Gerard Regan



Recommendations of the Board of Directors For consideration at the 2011 Annual General 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, 2011 (a four month stub year end) AND the next fiscal period ending December 31, 2012, subject to the registrar to Credit Unions approval of the appointment.

Staff Recognition

Beaubear Credit Union is pleased to recognise the following individuals for their dedication and service to the credit union. Congratulations to each of you on reaching this milestone in your career.

Five Year Service Award

Kelley Amos

Stephanie Gremley-Wiseman

Welcome to the new staff that joined the Beaubear Credit Union team:

Elizabeth McEvoy

Stella Flieger

Lisa MacDonald

Ashley Gillespie

In addition to the many daily tasks and **Member Service Responsibilities**, the staff of Beaubear Credit Union is active in supporting many credit union initiatives. Once a month a MSR travelled to Nelson Rural School to operate the school credit union. Staff wore "I Am Miramichi" ball jerseys to make you aware that Beaubear Credit Union was the major sponsor of the 2011 Senior Men's National Baseball Championships. They handed out treats for Halloween, decorated for Christmas, made preparations for International Credit Union Day and do their best to keep you, our members, informed. Behind the scenes many also donate their time.

Along with participating in credit union activities, the staff committed to each make a weekly donation to participate in Casual Friday. This allowed them the opportunity to enjoy dressing down on Fridays while supporting a charity or organization of their choice. In September they generously donated \$1330.00 to the Miramichi SPCA with the money that they raised from Casual Friday.



*"The achievements of an organization
are the combined effort of each individual."*

~ Vince Lombardi



Business Banking Report



It has been three (3) years since I've joined Beaubear Credit Union Ltd. as Account Manager – Business Banking. I am extremely pleased to report that, we have been very busy once again, in our commercial banking department. We grew our commercial loan portfolio from \$6.68 Million to \$8.42 Million in 2011. This commercial portfolio does not include our commercial lines of credit.

As we work through the economic times, we continue to invest into our collective future and lay the groundwork for an ever developing Beaubear Credit Union. We continue to add and upgrade our current on-line technology with mobile banking, email money transfers and enhanced business on-line banking with regards to paying your CRA remittance on-line. We don't lose sight of what is most important – our dedication to our members.

Specifically, I want to thank our members for entrusting Beaubear Credit Union with their financial needs. I am so pleased that for the seventh consecutive year, Canadians ranked credit unions first in overall *Customer Service Excellence*, among all financial institutions, and we also took sole honours in two other categories: *Values My Business* and *Branch Service Excellence*. Personally, I believe our commercial loan growth can attest to those honours.

Your time is very important, that is why as your Account Manager, I can accommodate your busy schedule rather than you taking time away from what is extremely important; managing your business. Feel free to call me at 622-9326 or send me an e-mail thamilton@beaubear.ca so I can discuss many of the financial opportunities that Beaubear can offer you and your business.

Sincerely,

A handwritten signature in cursive script that reads "Tosha Hamilton".

Tosha Hamilton



Wealth Management Report

Beaubear Credit Union is now in its sixth year of offering owners and non-owners access to full-time financial planning through Wealth Consultant, R.W. (Bob) Hillier, who has been in the mutual fund industry in excess of 15 years. Bob is a source of advice and analysis on financial issues. He advocates an “open door” policy and is available to meet and discuss financial issues at the individual’s convenience.

During fiscal 2011 we conducted interviews and held meeting with 491 owners and non-owners. Our Mutual Fund Assets under Management increased from \$ 10,755,850 to \$ 11,746,358 (an increase of \$ 990,508 or 9.2%) and the number of accounts increased from 1055 to 1166 (an increase of 111 accounts or 10.5%). While these numbers indicate positive growth, we were disappointed that we did not reach the \$ 12,000,000 plateau by fiscal year end 2011. However, this is a direct result of the current, worldwide economic crisis, which has caused markets and our portfolio to decrease in excess of 20%.



Beaubear’s Wealth Management is offered through Credential Asset Management, a mutual fund dealer which was specifically designed to meet the needs and demands of owners by offering investment solutions as part of the Credit Unions’ complete line-up of products and services. Credential Asset Management Inc. is the national wealth management provider founded by the Canadian Credit Union system. Credential offers Credit Unions an integrated, full service range of products and services to meet the financial requirements of owners.

I consider it a privilege to serve owners and non-owners alike. I am available to meet prospective clients at their convenience, at either of our two branches or at their home or office. Together, we can develop a financial plan to attain personal goals and achieve financial success while maintaining a comfortable lifestyle. I may be contacted at either 622-9390 or 625-2360 or by e-mail at rhillier@beaubear.ca

A handwritten signature in black ink, appearing to read "R.W. Hillier".



CEO's Message



To the Membership of Beaubear Credit Union,

Beaubear Credit Union has a long and storied history in Miramichi since its humble beginnings and has experienced many economic tides since 1938. Over the past 73 years, Beaubear has grown in size and the service offering to the community of Miramichi.

Today, Beaubear Credit Union is a Full Services Financial Institution. Our Product and Service offering is equal to all our competition in this industry. A sampling of our offering includes: Personal and Commercial Chequing and Saving Accounts, Loans, Lines of Credit and Mortgages, Term Deposits, Tax Free Savings Accounts, Registered Educational Savings Plans, Registered Retirement Savings Plans, Registered Retirement Income Funds and Wealth Management Services. The delivery of our services is provided by a friendly, outgoing and knowledgeable Staff.

We are ready to assist with all your present and future financial needs as well as provide advice and guidance.

Having a locally owned Financial Institution that is involved directly and indirectly, understanding the dynamics of our local community and economy, where decisions are made locally, is a huge asset and harder to find in today's environment. The value of having a locally owned, financially solid and strong, home grown institution is an intangible benefit to the community of Miramichi. Throughout 2010-2011, Beaubear Credit Union has been an avid supporter of many great sponsorship and volunteer activities. We are proud to be involved with the 2011 Senior Baseball Championship, Rock and Roll Festival, Irish Festival, Sports Hall of Fame, Miramichi Transit, Miramichi Minor Hockey, Kidsport and Dragon Boat Festival to name a few. Your staff has also donated their own time in volunteering with many great organizations throughout this fantastic community.

As stated earlier, Beaubear Credit Union has had another successful year. Our loan portfolio grew by 10.63%, Total Assets grew by 1.67% and Members Equity grew by 7.73%. Our reserves of loan allowances are set aside to their maximum allowable limits. We maintained our required reserves in accordance to the Credit Union Act of NB. Also, Beaubear's overall Equity position is at healthy 7.41%. Currently, the act requires only a 5% Equity position, however; by 2019 the requirement will be 10.5% with the adoption of Basel III standards.

As an organization, Management and Staff, we will continue to be prudent in following sound business practices in the decisions we make to protect the members of Beaubear Credit Union while assisting with the growth of Miramichi's economy. I wish to thank all our employees for the wonderful work and commitment this past year. It is an honor to serve the members of Beaubear Credit Union and community of Miramichi.

A handwritten signature in black ink, appearing to be the name of the CEO.

Beaubeare Credit Union sponsors “The Best Championship to date”

Beaubeare Credit Union was the major sponsor of the 2011 Canadian Senior Men’s Baseball Championships which is being hailed as “The Best Championship to Date”. Ten senior men’s baseball teams from across Canada travelled to the Miramichi to battle for the title of 2011 Canadian Senior Baseball Champions August 24th-29th.

Beaubeare Credit Union was also the sponsor of the fan favourite Homerun Derby. The credit union agreed to donate to Kidsport Miramichi \$10 for every home run and \$100 for every home run hit after their ninth out.(players were allowed to hit until their 10th out). \$490 was raised by through home runs and Beaubeare officials decided top it up a grand total of \$2,000 to the charity. *“Kidsport is a great charitable organization to be a part of. There are kids who can’t get into organized sport and this is a great way to get them there,”* Beaubeare Credit Union CEO Andy Richardson. *“We just figured it would be a real nice donation for an event this size.”*

Thousands of spectators attended 25 action packed ball games that were played at two local ball fields. The success of the tournament was felt throughout the Miramichi; the spin-offs were great for the economy, generating approximately \$300,000 for the area. The Miramichi is coping with economic struggles over the past five years and the success of a national tournament was not only a boost to the economy but a boost to the morale of the Miramichi. The Players and Officials alike were the ones calling it “the Best Championship Ever”. Hurricane Irene delayed the championship game which saw The Windsor Stars from Windsor, ON be crowned The 2011 Canadian Senior Baseball Champions. The silver medal team is: The Burnaby Bulldogs from Burnaby, BC and the Bronze medal belongs to The Fredericton Royals from Fredericton, NB. Miramichi 's own hometown *Chatham Ironmen* did the Miramichi proud by placing fourth.



2011 Beaubear Credit Union Founders Scholarship Recipients



Meranda Hallihan

Meranda is a 2011 Graduate of Miramichi Valley High School and is pursuing her studies at the University of New Brunswick-Fredericton in the Bachelor of Arts Program.



Cody Doyle

Cody is a 2011 Graduate of Miramichi Valley High School and is pursuing his studies at New Brunswick Community College – Miramichi in the Criminal Justice Program

*Congratulations Meranda and Cody on all of your achievements;
we wish you success in all of your future endeavors!*

The Beaubear Credit Union Founders Scholarships were established in the 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.

Beaubear Credit Union awards two-\$1000 scholarships each year.

Corporate Citizenship

Beaubear Credit Union continues to support the Miramichi through our fundraising efforts and donations. This past year we fundraised for the Miramichi Community Food Bank and the Miramichi Chapter of Kidsport. Our efforts allowed us to present a cheque of \$1411 to the food bank and a cheque of \$2600 to Kidsport. Your big-heartedness was not only evident for local charities and organizations but you, our members, generously donated \$605 to the Canadian Red Cross for Japanese Tsunami Relief.

Thank you for your continuous support!

Beaubear Credit Union supports many organizations, charities through donations and sponsorships. Our donation committee comprised of staff, a member of the board of directors and management carefully filter through hundreds of requests in a year in an effort to best reflect the interest of the credit union.

Sometimes our sponsorships require a little more effort, in fact they are partnerships. Our continued work with the City of Miramichi Sports Wall of Fame is a testament to this. This past year we sponsored the First Annual Miramichi Dragon Boat Festival, we gave out water to participants and volunteers and balloons to the kids. This was a full day time commitment that huge success. However, by far, one of our biggest accomplishments this past year was our sponsorship of the 2011 Senior Men's National Baseball Championships. We were proud to be the major sponsor for this hugely successful national tournament.



Beaubear Credit Union looks forward to another successful year bringing awareness to your credit union through community involvement.

Donations and Sponsorships 2010-2011

Children's Wish Foundations ~ Miramichi Shriners ~ Nelson Midget Vics ~ Napan Agricultural Show ~ James M Hill ~ IWK Walkathon ~ Mount Saint Joseph Nursing Home ~ Baseball NB ~ Camp Sheldrake ~ Mayors Prayer Breakfast ~ Croft Elementary ~ Nelson Rural School ~ Rivermen Auction ~ North and South Esk School Henri Cormier Lodge ~ Rock'n'Roll Festival ~ Big Brothers, Big Sisters ~ Festival of Trees ~ Sunny Corner Minor Hockey ~ Project Guatamala ~ Thomas Woods Playground ~ Royal Canadian Legion Poppy Fund ~ Miramichi Midget Rivermen Rotary Club of Chatham ~ Irish Festival ~ JHM Basketball ~ SSNB ~ Basketball NB



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

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.

Thornton VanTassel 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.

A handwritten signature in dark ink, appearing to read 'Andy Richardson', with a stylized flourish extending to the right.

Andy Richardson
Chief Executive Officer
Baubear Credit Union

Beaubear Credit Union Founders' Scholarship Fund Statement of Activity

Beaubear Credit Union Founders' Scholarship Fund

Statement of Fund Activity

For the twelve month period ended August 31

2011

2010

Receipts

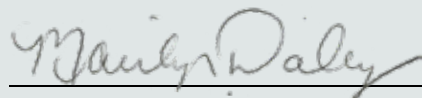
Interest Income	\$	2,001	\$	1,938
Donation		1,000		1,000
		3,001		2,938

Disbursements

Scholarship		3,000		1,000
		1		1,938

Opening fund balance		40,608		38,670
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Closing fund balance	\$	40,609	\$	40,608
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Marilyn Daley

Finance Officer

Beaubear Credit Union Limited

BEAUBEAR CREDIT UNION LTD.
FINANCIAL STATEMENTS
AUGUST 31, 2011

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AUDITORS' REPORT

To the Members of:

BEAUBEAR CREDIT UNION LTD.

We have audited the accompanying financial statements of **Beaubear Credit Union Ltd.**, which comprise the balance sheet as at **August 31, 2011** 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 *Canadian Generally Accepted Accounting Principles*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with *Canadian 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 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.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Beaubear Credit Union Ltd.** as at **August 31, 2011** and its financial performance and its cash flows for the year then ended in accordance with *Canadian Generally Accepted Accounting Principles*.



CHARTERED ACCOUNTANTS

Fredericton, NB
October 3, 2011

BEAUBEAR CREDIT UNION LTD.

BALANCE SHEET

AUGUST 31, 2011

	2011	2010
ASSETS		
Cash	\$ 284,650	\$ 2,879,660
Investments (Note 3)	5,738,621	5,514,876
Loans receivable (Note 4)	39,292,772	35,509,092
Accrued interest receivable	101,321	164,047
Recoverable income taxes	-	6,262
Other receivable	15,000	14,115
Prepaid expenses	110,024	143,773
Future income taxes	-	700
Foreclosed assets	10,000	480,311
Property and equipment (Note 5)	1,055,836	1,126,904
	\$ 46,608,224	\$ 45,839,740
LIABILITIES AND MEMBERS' EQUITY		
Liabilities to Members		
Member deposits (Note 6)	\$ 42,358,628	\$ 42,225,864
Accrued interest on deposits	232,029	175,503
	42,590,657	42,401,367
Other Liabilities		
Accounts payable	573,673	252,712
Future income taxes	4,400	-
Income taxes payable	7,585	-
	585,658	261,512
Members' Equity	3,431,910	3,185,662
	\$ 46,608,225	\$ 45,848,541

Commitment (Note 14)

APPROVED BY THE BOARD:



Director



Director

See accompanying notes to financial statements.

BEAUBEAR CREDIT UNION LTD.

STATEMENT OF MEMBERS' EQUITY

YEAR ENDED AUGUST 31, 2011

	2011	2010
Membership Shares (Note 8)		
Balance at beginning of year	\$ 370,172	\$ 368,994
Net change during the year	2,680	1,178
Balance at end of year	\$ 372,852	\$ 370,172
Retained Earnings		
Balance at beginning of year	\$ 2,815,490	\$ 2,592,982
Net earnings for the year	243,568	222,508
Balance at end of year	\$ 3,059,058	\$ 2,815,490
	\$ 3,431,910	\$ 3,185,662

See accompanying notes to financial statements.

BEAUBEAR CREDIT UNION LTD.

STATEMENT OF EARNINGS

YEAR ENDED AUGUST 31, 2011

	2011	2010
Interest income		
Interest on loans	\$ 2,395,700	\$ 2,246,778
Interest on investments	100,747	95,189
	2,496,447	2,341,967
Interest expense		
Interest on member deposits	517,647	547,209
Other interest	9,537	10,595
	527,184	557,804
Net interest income	1,969,263	1,784,163
Provision for credit losses (Note 4)	154,807	856
Financial Margin	1,814,456	1,783,307
Other income (Note 10)	669,632	632,929
	2,484,088	2,416,236
Non-interest expenses		
Personnel	1,002,068	1,011,476
Occupancy	118,758	116,453
Organization	68,984	62,397
Member security	158,523	145,063
General business	746,927	731,303
Depreciation	78,227	84,538
	2,173,487	2,151,230
Earnings before loss on disposal and provision for income tax	310,601	265,006
Loss on disposal of assets	20,652	-
Earnings before provision for income tax	289,949	265,006
Provision for income tax (Note 9)	46,381	42,498
NET EARNINGS	\$ 243,568	\$ 222,508

See accompanying notes to financial statements.

BEAUBEAR CREDIT UNION LTD.

STATEMENT OF CASH FLOWS

YEAR ENDED AUGUST 31, 2011

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net earnings	\$ 243,568	\$ 222,508
Add items not affecting cash		
Depreciation	78,227	84,538
Future income taxes	5,100	8,800
Provision for doubtful loans	154,807	856
Loss on sale of assets	20,652	-
	502,354	316,702
Net change in non-cash working capital items (Note 11)	957,230	(879,888)
	1,459,584	(563,186)
FINANCING		
Increase in deposits	132,764	1,915,713
Increase in membership shares	2,680	1,179
Decrease in demand loan	-	(1,000,000)
	135,444	916,892
INVESTING		
Additions to property and equipment	(27,808)	(16,996)
Proceeds on disposal	-	29,764
Increase in loans receivable	(3,938,485)	(1,104,181)
Increase in investments	(223,745)	(178,076)
	(4,190,038)	(1,269,489)
NET OUTFLOW OF CASH	(2,595,010)	(915,783)
CASH RESOURCES, beginning of year	2,879,660	3,795,443
CASH RESOURCES, end of year	\$ 284,650	\$ 2,879,660

See accompanying notes to financial statements.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) which requires management to make estimates. These estimates affect the reported amount of assets and liabilities as well as the reported revenues and expenses during the reporting period of these financial statements. The following policies have been adopted by Beaubear Credit Union Limited where alternatives are available under GAAP:

1.1 Future Accounting Changes

International Financial Reporting Standards (IFRS)

The Credit Union will be required to adopt IFRS beginning on September 1, 2011. Management has finalized an implementation plan for the reporting change of Canadian GAAP to IFRS.

In this process management has noted some of the areas of greatest potential impact on the financial statements.

The first area of impact is in IFRS 1. IFRS 1 details the initial adoption of IFRS and gives the Credit Union many initial optional and mandatory adoption adjustments. Under this section the Credit Union has a one time option to fair value property and equipment on initial adoption. This option is available to give the Credit Union a clear starting point on its property and equipment value. Management has decided not to value property and equipment at fair market value.

Continuing on from IFRS 1, the second area of impact is IAS 16. This section gives the Credit Union the option of recording its property and equipment on a fair value basis or on a cost basis. This gives the Credit Union the option of adjusting its property and equipment to fair value on a yearly basis to give a picture of the Credit Union's actual value in its property and equipment, or to record on a cost basis which is similar to the current Canadian GAAP model. Also as required by IAS 16, the Credit Union will be required to componentize its property and equipment into its different parts and depreciate based on each component's useful life. This will have the most impact on the Credit Union's building as there could be numerous component parts. Management has decided to continue recording its property and equipment on a cost basis and to depreciate the building as in the past rather than on a component basis.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The third area of impact is IAS 39, Financial Instruments: Recognition and Measurement. This section guides the Credit Union on how it accounts for its financial instruments. This affects two areas for the Credit Union, allowance for impaired loans and extended disclosure requirements. Under the allowance for impaired loans, the Credit Union is going to be required to allow for loans once the event has occurred in a loan, which will lead to the impairment of the loan. As a result of this, the Credit Union has developed an additional allowance which meets the requirements of IFRS. This additional "collective allowance" will assist the Credit Union in determining which loans have become impaired, but the Credit Union has not become aware of their impairment.

1.2 Credit Unions Act

Regulations to the Act specify that certain items are required to be presented to owners at the annual meeting of owners. 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.

1.3 Investments

Investments are recorded at cost which approximates market value.

1.4 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	5% diminishing balance
Safekeeping equipment	5% diminishing balance
ATM	10% diminishing balance
Office equipment	20% diminishing balance
Computer hardware	20% diminishing balance
Computer software	50% diminishing balance
Leasehold improvements	Remaining life of the lease term

1.5 Loans

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

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.6 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.

1.7 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.

1.8 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

1.9 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.

1.10 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

AUGUST 31, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.11 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.

1.12 Comprehensive income

Comprehensive income includes net income and other comprehensive income (OCI).

OCI is comprised of unrealized fair value gains and losses from available-for-sale financial instruments.

Accumulated other comprehensive income (AOCI) includes unrealized fair value gains and losses arising from available-for-sale financial instruments. When the underlying securities are subsequently sold or written down, the resulting realized gain or loss is released from AOCI into income in the statement of earnings.

The Credit Union has no OCI or AOCI at August 31, 2011.

1.13 Financial instruments

Effective January 2007, the Credit Union adopted the following Canadian Institute of Chartered Accountants (CICA) accounting recommendations for the recognition, presentation and disclosure of financial instruments:

- CICA Handbook Section 3855 "Financial Instruments - Recognition and Measurement"
- CICA Handbook Section 3862 "Financial Instruments - Disclosures"
- CICA Handbook Section 3863 "Financial Instruments - Presentation"
- CICA Handbook Section 1530 "Comprehensive Income"
- CICA Handbook Section 3251 "Equity"

Under the new standards, 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 3 of the financial statements.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

1.11 Financial instruments (Continued)

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.

2. 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 August 31, 2011 is detailed in note 8 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 August 31, 2011, 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.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

2. RISK MANAGEMENT (CONTINUED)

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.

Expected repricing or maturity dates	Financial statement amounts		
	Assets	Liabilities and members' equity	Net asset/ liability mismatch
0-6 months	\$ 15,711,066	\$ 17,568,365	\$ (1,857,299)
6-12 months	6,912,889	7,326,382	(413,493)
1-2 years	5,112,245	5,917,341	(805,096)
2-3 years	5,094,990	664,427	4,430,563
3-5 years	11,982,866	1,035,905	10,946,961
Not interest sensitive	2,532,489	14,834,125	(12,301,636)
	\$ 47,346,545	\$ 47,346,545	\$ -

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

2. RISK MANAGEMENT (CONTINUED)

(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.

Estimated fair values of financial instruments are summarized as follows:

	2011			2010		
	Fair Value	Book Value	Fair Value Over Book Value	Fair Value	Book Value	Fair Value Over Book Value
Assets:						
Cash	284,650	284,650	-	2,879,660	2,879,660	-
Investments	5,738,621	5,738,621	-	5,514,876	5,514,876	-
Member loans	39,292,772	39,292,772	-	35,509,093	35,509,093	-
Other assets	126,321	126,321	-	658,473	658,473	-
Liabilities:						
Member deposits	42,358,628	42,358,628	-	42,225,864	42,225,864	-
Other liabilities	813,287	813,287	-	428,215	428,215	-
Shares	372,853	372,853	-	370,173	370,173	-

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

- The fair values of cash, investments, other assets and other liabilities are assumed to approximate book values, due to their short term nature.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(b) Fair value of financial instruments (Continued)

- 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.

3. INVESTMENTS

	2011	2010
Available-for-sale		
Atlantic Central Liquidity	\$ 3,647,320	\$ 3,553,038
Atlantic Central Shares	426,888	426,888
Atlantic Co-op Shares	100	100
League Data - Shares	34,850	34,850
Concentra - term deposits	1,629,463	1,500,000
	\$ 5,738,621	\$ 5,514,876

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.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

4. LOANS RECEIVABLE

	2011	2010
Personal	\$ 11,581,153	\$ 11,155,505
Line of credit	2,970,450	2,918,408
Mortgages	16,525,358	14,907,400
Commercial	8,444,548	6,695,460
	39,521,509	35,676,773

Less : Allowance for credit losses

Balance at beginning of year	167,681	244,472
Recovery of loans previously written off	19,659	15,329
Provision for the year	154,807	856
Loans written off	(113,410)	(92,976)
Balance at end of year	228,737	167,681
	\$ 39,292,772	\$ 35,509,092

Allowance for impaired loans

	Impaired loans	Allowance	Amounts recoverable
2011			
Personal	\$ 89,437	\$ 78,237	\$ 9,348
Mortgage	-	-	-
Line of Credit	-	-	-
Commercial	77,000	38,500	10,311
Collective allowance	-	112,000	-
	\$ 166,437	\$ 228,737	\$ 19,659
2010			
Personal	53,492	52,492	1,000
Mortgage	5,000	5,000	-
Line of Credit	-	-	-
Commercial	107,000	53,500	53,500
Collective allowance	-	56,689	-
	\$ 165,492	\$ 167,681	\$ 54,500

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

5. PROPERTY AND EQUIPMENT

	2011		2010	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 146,115	\$ -	\$ 146,115	\$ 146,115
Building	849,804	207,599	642,205	676,005
ATM	173,014	77,370	95,644	121,951
Office equipment	175,659	120,452	55,207	76,220
Computer equipment	97,602	56,548	41,054	31,721
Computer software	24,642	15,139	9,503	5,190
Leasehold improvements	23,965	23,965	-	-
Safekeeping equipment	110,984	44,876	66,108	69,702
	\$ 1,601,785	\$ 545,949	\$ 1,055,836	\$ 1,126,904

6. DEPOSITS

	2011	2010
Term	\$ 16,372,067	\$ 15,531,597
Demand	1,983,995	1,906,389
Member Savings	3,574,286	3,609,462
Chequing	9,753,651	9,044,812
Plan 24	4,534,020	4,899,885
RRSP	6,140,609	7,233,719
	\$ 42,358,628	\$ 42,225,864

7. RELATED PARTY TRANSACTIONS

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

At August 31, 2011 loans to these parties amounted to \$ 2,000,385 (2010 - \$ 2,195,305). These loans have been advanced on approximately the same terms and conditions as have been accorded to all members of the Credit Union. There was no remuneration paid to directors or elected committee members during the year other than reimbursement for out-of-pocket expenses.

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

8. REGULATORY EQUITY

	2011	2010
A. Membership Shares	\$ 372,852	\$ 370,173
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.		
B. Retained Earnings	\$ 3,059,058	\$ 2,815,490
TOTAL REGULATORY EQUITY	\$ 3,431,910	\$ 3,185,663

C. 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.

	2011	2010
Membership shares	.8	.8
Retained earnings	6.6	6.1
	7.4	6.9

9. PROVISION FOR INCOME TAX

	2011	2010
Current	\$ 41,281	\$ 33,698
Future	5,100	8,800
	\$ 46,381	\$ 42,498

BEAUBEAR CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

10. OTHER INCOME

	2011	2010
Service charges	\$ 376,829	\$ 388,191
Commissions	239,867	178,443
Miscellaneous	52,936	66,295
	\$ 669,632	\$ 632,929

11. NET CHANGE IN NON-CASH BALANCES

	2011	2010
Increase (decrease) in:		
Accrued interest on deposits	\$ 56,526	\$ (149,724)
Other receivables	(885)	9,725
Accounts payable and accrued liabilities	320,956	(228,187)
Income taxes (net)	13,847	(28,032)
Decrease (increase) in:		
Accrued interest receivable	62,726	(39,936)
Prepaid expenses	33,749	36,577
Foreclosed assets	470,311	(480,311)
	\$ 957,230	\$ (879,888)

12. 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 \$3,000,000 with an interest rate of 3%. The line is secured by investments with Atlantic Central and a general assignment of book debts.

13. COMPARATIVE FIGURES

Certain 2010 figures have been reclassified to conform with the current year's financial statement presentation.

14. COMMITMENT

One of Beaubear's two branches operates from leased premises. The Newcastle branch lease expires on December 21, 2012 with a minimum annual rent of \$22,800 plus HST.

[illegible]



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