

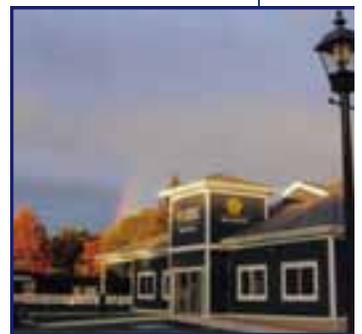


2010  
Annual **REPORT**



*Embracing Change*

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Beaubear Credit Union Annual Meeting  
November 9, 2010



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 3

3) Reports:

- A. President 's Message Page 5
- B. Credit Committee Page 7
- C. Audit Committee Page 8
- D. Auditor Page 20

4) Recommendations of the Board of Directors:

- A. Appointment of Auditor for 2010-2011 Page 10
- B. Selection of Representatives to Credit Union Central



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 2009 Annual Meeting

The seventy first annual meeting of Beaubear Credit Union Ltd. was held on November 3, 2009 at the Newcastle Kin Centre, Miramichi West.

President Baz McGean as Chair, called the meeting to order at 7:30 pm. With 79 members present, a quorum was declared.

Pat Clancy was appointed Parliamentarian for the meeting.

Motion to accept the agenda was made by Danny King and seconded by GlenCarroll. 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, Wanda Urquhart, Terry Williston

### MANAGEMENT PRESENT AND INTRODUCED

The Chair introduced the General Manager, George Greenwood.

REPRESENTATIVE OF THORNTON VAN TASSEL PRESENT AND INTRODUCED: Gary Morrison

### READING AND APPROVAL OF MINUTES OF LAST MEETING

Lynn Estey read the minutes of the 2008 Annual General Meeting and MOVED the minutes be adopted as read.

The motion was SECONDED by Mona McCluskey. MOTION CARRIED.

### BUSINESS ARISING FROM THE MINUTES

There was no business arising from the minutes.

### REPORTS

#### Joint Message From General Manager and Board President

BazMcGean introduced the General Manager George Greenwood. George presented a joint message from the General Manager and Board President.

George reported on a record year with assets in excess of \$45 million and loans over \$35 million. George spoke about the difficulties facing credit unions and remarked that there have been a lot of changes happening within the credit union system across the country. NB, NS, PEI, and NFLD voted earlier this year to merge their respective central credit unions to form one Atlantic Central. George also spoke about the mergers between credit unions within New Brunswick that have taken place over the last year. This trend is expected to continue and will make the system stronger. George spoke about the support the credit union gives to the community. The profits generated for the year will be invested in retained earnings as protection against any future uncertainty or deterioration in the economy.

George thanked Stephanie Gremley-Wiseman for designing the financial report and all the staff for their hard work.

George MOVED the adoption of his report. The motion was SECONDED by Colleen Daley. MOTION CARRIED.

Colleen Daley asked if Beaubear is contemplating any mergers. George responded that Beaubear has had discussions with Dalhousie Credit Union just recently. The two credit unions have many similarities but Dalhousie is facing some difficulties and the Board has decided not to proceed any further. George added that Beaubear has always had a good relationship with Blackville Credit Union. Blackville as well has some challenges but they are doing well.

George urged everyone to speak with their voices and show support for people in our community. He advised that Vince McCarthy is in the hospital and will be in our thoughts.

### CREDIT COMMITTEE REPORT

Terry Williston presented the report from the Credit Committee. Terry introduced the 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

## Minutes from the 2009 Annual Meeting

directors. Monthly reports were supplied to the Board of Directors. A breakdown of loans approved and declined was presented. A very favorable review was received from the Risk Management Agency. Terry thanked the staff for their commitment, loyalty, and hard work. It was noted that Baz McGean was listed as a member of the credit committee, when the name listed should be Joe Kenny.

Terry MOVED the acceptance of his report with the correction of replacing the name of Baz McGean with Joe Kenny. The motion was SECONDED by Ralph Shanahan. 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 General Manager to review the financial progress of the Credit Union.

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

### AUDITORS REPORT

Gary Morrison presented the Auditors Report on behalf of Thornton Van Tassel. Gary reported that Thornton Van Tassel is hired on the member's behalf to express an opinion on the financial statements. The statements are the responsibility of Management. He stated that Beaubear is well managed with good internal controls. The staff is very good to work with and it is a pleasure to do this audit. The audit resulted in a clean opinion on the statements. There was growth during the year and an increase in profit. He remarked on the Statement of Earnings, and noted that the most important lines are the interest income and the financial margin. The Credit Union has control over the loan portfolio and loan losses. The financial margin increased by \$120,000 over the prior year. While there was a lot more activity in the Credit Union non-interest expenses increased by only \$45,000. Equity stands at 6.6% which is well above the 5% requirement.

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

### RECOMMENDATIONS

Recommendations of the Board of Directors for consideration at the 2009 General Meeting included:

#### Appointment of Auditors & Selection of Representatives to Credit Union Central of New Brunswick

Baz McGean, on behalf of the Board, requested that Thornton Van Tassel be appointed auditors for the 2009/10 year. The motion was MOVED by Marilyn Daley and SECONDED by Frank McCarthy. MOTION CARRIED.

Danny King asked about the costs for the audit. Gary Morrison responded that the fees are approximately \$18,000. George added that we had requested quotes in the past but few firms responded. The credit union is however saving \$7,000 on audit fees.

The Board of Directors of Beaubear Credit Union Ltd. requested approval to appoint representatives to the Credit Union Central. This was MOVED by Frank McCarthy and SECONDED by Lorie Singleton. MOTION CARRIED.

### ELECTION OF BOARD OF DIRECTORS

Ann Doyle asked for nominations from the floor. There being none, the Board remains as is.

Ann MOVED the adoption of her report; SECONDED by Azade Hache. MOTION CARRIED.

President Baz McGean commented that he was extremely proud to be on the Board of Beaubear Credit Union. He recognized the excellence of both the Staff and the General Manager and introduced the Branch Managers; Toby Leblanc and John Strong. He advised the membership that all directors of the Credit Union will have received the CUDA training by the end of the month.

### ADJOURNMENT

The meeting adjourned at 8:05. Motion for adjournment was MOVED by Glen Carroll and SECONDED by Ralph Shanahan. MOTION CARRIED.

## Beaubear Credit Union Staff



Fellow Members,

It's hard to believe that another year has come and gone. Fortunately, as each year passes, your credit union grows stronger. Over the past five years, our community has experienced the most difficult economic times in your credit unions seventy-two year history. Unfortunately, it doesn't appear as though the worst is over or that things are starting to get better. However, we must remain optimistic that things will get better.

Under the watchful eye of your dedicated board, tight financial controls have been developed and implemented to ensure we stay on track. While many credit unions continue to struggle, Beaubear has again defied the odds and recorded another banner year for profits and loan growth. Our success doesn't happen merely by chance or good fortune. The hard working and dedicated employees of Beaubear Credit Union are what keep you coming back and the reason you recommend us to your family and friends.

When your credit union is successful, everyone from you the owners and the overall community benefit. The owners benefit through competitive loan and deposit rates and the community benefits when we support local charities and events. Each of you should feel proud whenever you see the Beaubear Credit Union name and logo around the city supporting local causes. It's because of you, supporting the credit union, that these events are possible and successful.

Over the past twelve months, your credit union recorded loan growth of \$2,000,000, asset growth of \$2,000,000, and a profit of \$240,000. Impressive results which I'm sure will be echoed by our auditors. We are still seeing an increasing trend of bankruptcies and bad debts as people struggle with reduced incomes. In addition to impressive financial results, we received another favourable audit by the Risk Management Agency. The Risk Management Agency is responsible for ensuring your credit union is following all the rules and have sound operational controls in place. You can rest assured that your deposits are safe and that your credit union is being managed with your best interests in mind.

As we look forward to our new year, we do not anticipate much difference in the credit unions overall financial performance. The economy will be the same or slightly better if we're lucky but uncertainty will remain. Through continued sound financial management practices we are well positioned to navigate any challenges we may encounter along the way. And finally, please join your board in extending thanks and best wishes to our former CEO George Greenwood for his contributions over the past five years.

Sincerely,

A handwritten signature in dark ink, appearing to read "Terry Williston". The signature is written in a cursive, flowing style. It is positioned above the printed name and title.

Terry Williston  
Board President

BOARD OF DIRECTORS 2009-10

TERRY WILLISTON  
*President*



JUDY BREAU  
*Secretary*



GLENFORD COPP  
*Vice President*



LYNN ESTEY



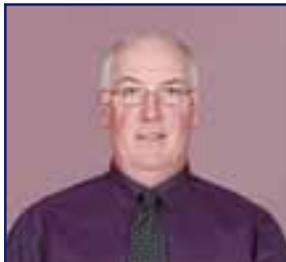
BAZ McGEAN



ANN DOYLE



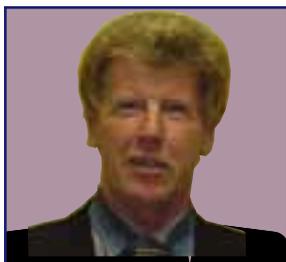
GERARD REGAN



WANDA URQUHART



JOE KENNY



PAT CLANCY



## Credit Committee Report

Beaubear's Credit Committee is made up of the following members Gerard Regan, Joseph Kenny, Wanda Urquhart and Baz McGean (Chairperson).

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 456 loan, mortgage and commercial requests totaling 12.5 Million. There were also 33 lines of credit approved with credit limits of .2 million. Due to this activity, the total loan portfolio experienced a modest increase of 1.026 million (3.0% 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 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.

Baz McGean ~Chair  
 Joe Kenny  
 Gerard Regan  
 Wanda Urquhart

<b>APPROVED</b>	Number	Dollar Amount	<b>DECLINED</b>	Number	Dollar Amount
PERSONAL	390	\$5,309,434	PERSONAL	64	\$835,911
MORTGAGE	49	\$4,944,435	MORTGAGE	9	\$626,406
COMMERCIAL	17	\$2,314,633	COMMERCIAL	15	\$3,405,000
LINE of CREDIT	33	\$205,600	LINE of CREDIT	7	\$92,400
<b>TOTAL</b>	<b>489</b>	<b>\$12,774,102</b>	<b>TOTAL</b>	<b>95</b>	<b>\$4,959,717</b>

## Audit Committee Report

It is a requirement of the Credit Unions Act (the Act) Section 94 and 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 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 principle 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 General Manager to review the financial progress of the Credit Union.

Respectfully submitted,

Ann Doyle, Chair

Judy Breau

Lynn Estey

Glenford Copp

Patrick Clancy

Joe Kenny

Recommendations of the Board of Directors  
For consideration at the 2010 Annual General Meeting

A) APPOINTMENTS OF AUDITORS

The Board of Directors of Beaubear Credit Union recommends the appointment of Thornton Vantassel CA to act as Beaubear Credit Unions auditor for the coming year.

SELECTION OF REPRESENTATIVES TO CREDIT UNION CENTRAL

Whereas, The Board of Directors act on behalf of the members: therefore be it

Resolved, That the membership attending the Annual Meeting empower the Board of Directors to appoint Credit Union Central Representatives subject to Section 179-1, 179-2, 180-1-6, and 181 and 182 of the Credit Union Act.

## STAFF RECOGNITION

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

### Five Year Service Award

April Ames  
Janice Curtis  
Bob Hillier

### Fifteen Year Service Award

Cathy MacDonald  
Kyla Mazerolle

### Ten Year Service Award

Jo- Anne Saunders

### Thirty Year Service Award

Yolande Rogers



The Friends of Beaubears Island, in partnership with Canoe/Kayak New Brunswick, held the **1st Miramichi Big Canoe Challenge** on Sept. 26th. Proceeds raised were in support of Beaubears Island Big Canoe Program. The Big Canoe provides an opportunity for active well-being, while utilizing the valued Miramichi River and enhancing awareness of New Brunswick heritage and culture. There were eight teams participating, Beaubear Credit Union included.

L- R

Marilyn Daley, Toby LeBlanc, Tosha Hamilton, Carla Thibodeau, Karen Howe, Carmel Thibodeau, Karla MacKeen and Wendy Comeau



**Cody Saunders** was the proud winner of an Empire Theatre movie party for him and some of his friends. Cody received the prize at the year end award ceremony from Toby LeBlanc, Beaubear Credit Union Training and Compliance Officer.

Once a month a Member Service Representative from Beaubear Credit Union went to Nelson Rural School to operate the school credit union. All children had the opportunity to open an account and learn some banking skills such as depositing money and seeing their account grow, even if it is only by small amounts. Each child that made a deposit throughout the school year received a ballot for a chance to win the movie party. Congratulations Cody!





## Business Banking

It has been two (2) years since I've joined Beaubear Credit Union Ltd. as Account Manager - Business Banking. During this past year, we have been busy once again, in our commercial banking department. We grew our commercial loan portfolio from \$6.3 Million to \$6.8 Million in 2010. This commercial portfolio does not include our commercial lines of credit. These monies were disbursed and remained in our Community. In addition to our loan growth, I would like to thank Lorie Ann Richard for her hard work and dedication to the commercial banking department.

As the challenging economic times continue to rise, members can be rest assured that Beaubear is committed to helping them through these times. I have an "open door" policy where I'm available to meet and discuss any issues with members and non-members.

Recently, the Small Business Loan Guarantee Program was developed, to stimulate investment in small business, in eligible sectors. This program can only be delivered by your Credit Unions and Caisse Populaires, in partnership with Business New Brunswick. Your local Credit Union will be instrumental in facilitating the loans and working capital, putting more decision making power back into your community. I am very excited to be part of the Credit Union team and I look forward to working with current businesses in the coming year as well as, welcoming the opportunity to assist with any new businesses.

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.creditu.net](mailto:thamilton@beaubear.creditu.net) 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

Beaubear Credit Union is now in its fifth full year of offering owners access to full-time financial planning through Mutual Fund Investment Specialist (MFIS), R.W. (Bob) Hillier. Bob, who has been in the mutual fund industry in excess of 14 years, is a source of advice and analysis on financial issues. Bob advocates an “open door” policy and he is available to meet and discuss financial issues with owners and non-owners alike.



During the past year we conducted interviews and held meetings with 436 owners and non-owners. Our Mutual Fund Assets under Management increased from \$10,253,509 to \$10,755,850 (an increase of \$502,341 or 4.90%) and the number of accounts increased from 992 to 1055 (an increase of 63 accounts or 6.35%). We had anticipated reaching \$12,000,000 in assets under management by fiscal year end; however, as you can readily see we fell short of our objective. The reasons for not achieving our goal are largely due to the economic climate of Miramichi which necessitated many owners redeeming a portion or their entire investment portfolio to maintain daily living. Despite the marginal growth in 2010 we are confident Miramichi will recover and be stronger than ever and owners will, once again, avail of our investment products. Beaubear’s Wealth Management service 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.

Bob is available to meet with owners, at their convenience, at either of our two branches or at their home or office. Together, you can develop a financial plan to reach your personal goals and achieve financial success while maintaining your lifestyle. Bob may be contacted at either 622-9390 or 625-2360 or by e-mail [rhillier@beaubear.creditu.net](mailto:rhillier@beaubear.creditu.net)

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

## GEORGE GREENWOOD



George became the CEO of Beaubear October 2004. His first order of business was to prepare for the Annual meeting December 7, 2004. Paraphrasing George's first report to the membership, he spoke about where we are today and where we are headed. The vision to build an even better credit union offering the membership an experience that is truly great in fact unrivalled. He spoke about this requiring a lot of change however he made a commitment that our focus would be on doing what is best for our members, our employees and our community. George also made a commitment to provide competitive products and services to our members and to help the people and communities of Miramichi thrive and prosper. We can not live in the past but we need to be reaching to the future.

George not only accomplished everything he set out to do he exceeded them. The following is a list of some of the accomplishments that Beaubear has achieved due directly to George's direction, leadership and forward thinking:

- Assets increased 61.29%, Loans increased 62.11%, Equity increased 42.98%
- George hired a full time Mutual Fund Investment Specialist for the membership of Beaubear.
- A full time Commercial lender was hired.
- A Marketing and Advertising Coordinator was hired.
- A new office was built in Chatham Head.
- The Board room has been and still is being used by various organizations to hold meetings at no cost.
- Over \$400,000 has been given back to the community in the form of sponsorships to many worthwhile causes and events.
- George has worked tirelessly behind the scenes to try to attract businesses to the Miramichi region.
- Our profile in the community has risen dramatically. Everyone knows the name Beaubear.
- George has served on various Boards within Miramichi: Friends of Beaubears Island Preservation Society, Mount Saint Joseph Nursing Home Foundation and the Miramichi Port Authority to name a few.
- George has also sat on various committees within the Credit Union System.
- He was a National Young Leader Recipient and a World Council of Credit Unions Young Leader Recipient
- Under his leadership Beaubear Credit Union received the very prestigious Community Economic Development Award from Credit Union Central of Canada in 2010. In order to receive this award there is very stringent criteria. Beaubear was up against stiff competition from much larger credit Unions across Canada. Beaubear was chosen because George Greenwood saw a need for a transit system in Miramichi. This was brought to light when he worked with various organizations trying to attract business to Miramichi. The vast majority always questioned if there was a transit system in place. George took the leadership role and got the ball rolling and the rest is history.

George closed his first annual report to the membership by saying "It is my pleasure to be able to serve you, the members of Beaubear credit Union and the city of Miramichi."

George it has been our pleasure to have you serve us, the members of Beaubear Credit Union. The Miramichi is a better place having had you as a leader in the community.

*Thank you George, good luck and don't forget us as you progress along your career.*

THE WINNER OF 22ND NATIONAL CREDIT UNION AWARD  
FOR COMMUNITY ECONOMIC DEVELOPMENT:  
**BEAUBEAR CREDIT UNION**

The National Credit Union Award for Community Economic Development recognizes and honours the outstanding contributions credit unions make to the economic development of the communities they serve. Since its inception this prestigious award has focused national attention on the leadership role credit unions play in inspiring others to shape promising futures within their communities.

Beaubear Credit Union is proud to be the recipient of the 2010 Community Economic Development Award. In May, George Greenwood, CEO of Beaubear Credit Union and Terry Williston, President of the Board of Directors of Beaubear Credit Union attended the Awards Ceremony in Winnipeg Manitoba to honour the recipients of the 2010 National Credit Union Awards. The photograph at the right is of George Greenwood receiving the award from Garth Manness, CEO of Credit Union Central of Manitoba & Board Chairperson of Credit Union Central of Canada.



The following is a summary of our submission that will be featured in Credit Union Social Responsibility InfoHub and also in the 2010 Credit Union Social Responsibility Brochure.

**Miramichi City Transit**  
Beaubear Credit Union

Young people, seniors and those on low income in Miramichi, New Brunswick have more freedom to get around today than they used to, in part because of the leadership of their local credit union.

During a downturn in the forestry industry, the staff and management of Beaubear credit union recognized that their members didn't have a more affordable alternative to their cars. Miramichi, the province's second largest city in size, and separated by a river was a car-dependent community without its own transit system.

It was then that Beaubear staff and the credit union board became advocates for a transit system for the city of over 18,000. Working with the city's Economic Development agency, the credit union was able to research, develop and launch a business model for a transit system in Miramichi.

Leveraging their leadership, Beaubear Credit Union attracted the Northumberland Dairy Co-op to the initiative. This added strength and credibility prompted the Provincial and Federal governments to invest \$875,000 in the project. At the same time, Beaubear and Northumberland committed to provide ten years of financial support to the system in the form of advertising.

Since its launch in August 2009, Miramichi Transit has averaged 5,000 riders a month and expanded all routes to full service six days a week.

In recognition of its role in championing Miramichi transit, Beaubear Credit Union was recognized by the credit union system with the 2010 Credit Union Award for Community Economic Development.



## 2010 Scholarship Recipients



### TIFFANY ENGLISH

Tiffany is a 2010 graduate of Miramichi Valley High School and a recipient of the Beaubear Credit Union Founder's Bursary. Tiffany has been accepted into the Bachelor of Business Administration at the University of New Brunswick in Fredericton.

While Tiffany was in high school she participated in the Art Club, the Social Committee, Interact Rotary Club and the drama production. She also held a part time job and volunteered for church suppers, read for the church and the Tin Horton's cleanup. Tiffany received the Academic Award of Excellence for three consecutive years, six honours certificates, four student of the month certificates as well as three well-done certificates.

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



### KARLEY MCKENZIE

Karley is a 2010 graduate of James M Hill High School and a recipient of the Beaubear Credit Union Founder's Bursary. Karley has been accepted into the Bachelor of Science in Kinesiology at the University of New Brunswick in Fredericton.

Throughout high school, Karley participated in the sports of rugby, soccer, hockey and basketball while also serving on the following committees: Tommy Spirit, Boomerang, Student Council, Safe Grad, Social and Prom. She held various part time jobs and volunteered with the Autism Resource Centre, Douglasfield clean-up committee, Photographers for Haiti as well as church suppers and camps.

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

## Youth Night

Beaubear Credit Union partnered with the City of Miramichi Recreation Department to support Youth Night. Youth night was held every Friday night throughout the school year at the Golden Hawk and offered a variety of activities for youth from grades 5-12 to participate in. Beaubear Credit Union sponsored every second Youth Night of the month, we covered admission fees and provided funds for special prizes and activities. This joint venture was well received in the community and we will continue our support and the youth of our community.



## Beaubear Credit Union's owners generously donated to Earthquake Relief in Haiti

On January, 12, 2010 the country of Haiti was struck by a massive earthquake that devastated the nation. Organizations around the world immediately made efforts to assist Haiti. Credit Unions in Atlantic Canada joined forces to raise funds for the Red Cross and as of February 5th~ \$143,633.14 was raised. Beaubear Credit is pleased to have contributed \$3800.00 towards this effort. The total amount donated by the Credit Unions in Atlantic Canada will be matched by the federal government.



## Miramichi Community Food Bank

For the past several years Beaubear Credit Union has been committed to supporting the Miramichi Community Food Bank. Around the Christmas season Beaubear Credit Union participated in fundraising that raised \$730.00 ;thanks to the bigheartedness of our owners. The staff generously donated \$500.00 of their 'Jean Day' fund . And in partnership with Beaubear Co-op contributed \$5000.00.

We recognize the need that there is for many families and individuals that have fallen on difficult times and the Miramichi Community Food Bank provides them with some relief. The Miramichi Community Food Bank continues to need the support of organizations like Beaubear Credit Union as their client list increased by approximately 60 families in the past year.



## Donations and Sponsorships 2009 –2010

Alzheimer Society ~ Sopar Donation Committee ~ James M. Hill (Mallory Ross) ~ North & South Esk Regional School Year book ~ James M.Hill (Ronnie Daley) ~ Schizophrenia Society of NB ~ SPCA (Barn) ~ Rock 'n' Roll Festival ~ The Children's Wish Foundation ~ Big Brothers & Big Sisters (Bowling) ~ Friends of Beaubear Island Inc. ~ Girl Guides of Canada ~ The Irish Festival Inc. ~ The Makaila Women's Choir ~ North & South Esk Regional School Graduation prize fund ~ IWK Walkathon ~ Children of the Fallen ~ Chatham Head Oldtimers Association ~ Napan Agricultural Show ~ Miramichi Cares Charity Golf Classic 9(Region 7) ~ NB Basketball ( Kelsi Poole) ~ Benefit for Paula Somers

## Credit Unions in New Brunswick Protection of Member's Deposits

Under Provincial Legislation member deposits are safeguarded by three layers of protection.

### 1. Equity of the Credit Union

Every credit union is required to maintain equity in an amount equal to 5% of its assets as a reserve against possible losses at the credit union. This requirement is in addition to the allowance that a credit union maintains for possible losses on its loans.

### 2. Stabilization Fund

New Brunswick credit unions participate in a deposit protection fund which is unique to the credit union movement. The Credit Union Stabilization Fund is available to provide financial assistance to credit unions in the event that losses have depleted their equity base. Credit Unions pay into the fund in accordance with a legislated formula. The balance in the fund at December 31, 2004 was \$13,685,374. The fund is administered by a Board of Directors of eight people, five of whom are appointed or elected by the credit unions. The other three are appointed by government.

In addition to providing financial assistance to credit unions, the Stabilization Fund carries out inspections and monitors the financial situation of credit unions on an on going basis.

### 3. Deposit Insurance

Member deposits are also insured by the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC), NBCUDIC insures the deposits of all members of credit unions. The insurance coverage consists of the following for each member;

- Savings and Chequing accounts...\$250 000
- Term Deposits, Guaranteed Investment Certificates ( GIC's) ...\$250 000
- Money Orders .....\$250 000
- Certified Cheques.....\$250 000
- Eligible deposits in Registered Retirement Savings Plans (RRSP)\* .....\$250 000
- Eligible deposits in Registered Retirement Income Funds (RRIF) .....\$250 000

NBCUDIC does not insure all moneys held in registered plans. To be insurable, the funds must be invested in savings accounts or in term deposits that meet the five year requirement, and must be payable in Canadian currency.

NBCUDIC does not insure certain types of deposits and investments offered by credit unions. For example, NBCUDIC does not insure:

- Foreign currency deposits ( savings and Chequing accounts, and term deposits);
- Term deposits that are locked in longer than five years;
- Membership shares and other types of shares of a credit union;
- Bonds and debentures issued by governments and corporations;
- 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.

Grant Thornton, 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.



John Strong  
Chief Operations Officer and interim Chief Executive Officer  
Beaubear Credit Union

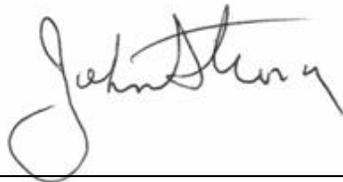


Toby LeBlanc  
Training and Compliance Officer  
Beaubear Credit Union

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	<b>2010</b>	<b>2009</b>
<b>Receipts</b>		
Interest Income	\$ 1,938	\$ 1,877
Donation	<u>1,000</u>	<u>1,000</u>
	<b>2,938</b>	<b>2,877</b>
<b>Disbursements</b>		
Scholarship	<u>1,000</u>	<u>2,000</u>
	<b>1,938</b>	<b>877</b>
Opening fund balance	<u><b>38,670</b></u>	<u>37,793</u>
Closing fund balance	<u><b>\$ 40,608</b></u>	<u>\$ 38,670</u>



John Strong  
Acting Chief Executive Officer  
Beaubear Credit Union Limited

**BEAUBEAR CREDIT UNION LTD.**

**FINANCIAL STATEMENTS**

**August 31, 2010**

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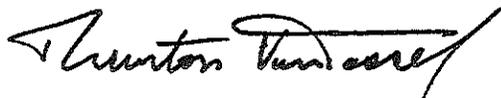
## AUDITORS' REPORT

To the Members of:  
**BEAUBEAR CREDIT UNION LTD.**

We have audited the balance sheet of Beaubear Credit Union Ltd. as at August 31, 2010 and the statements of earnings, members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the credit union as at August 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Fredericton, NB  
September 28, 2010

# BEAUBEAR CREDIT UNION LTD.

## BALANCE SHEET

AUGUST 31, 2010

	2010	2009
<b>ASSETS</b>		
Cash	\$ 2,879,660	\$ 3,795,443
Investments (Note 3)	5,514,876	5,336,799
Loans receivable (Note 4)	35,497,245	34,388,486
Accrued interest receivable	164,047	124,111
Recoverable income taxes	6,262	-
Other receivable	14,115	23,840
Prepaid expenses	143,773	180,350
Future income taxes	700	9,500
Foreclosed assets	480,311	-
Capital assets (Note 5)	1,126,904	1,224,214
	<b>\$ 45,827,893</b>	<b>\$ 45,082,743</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Liabilities to Members</b>		
Member deposits (Note 6)	\$ 42,225,864	\$ 40,310,151
Accrued interest on deposits	175,503	325,226
	42,401,367	40,635,377
<b>Other Liabilities</b>		
Demand loan (Note 9)	-	1,000,000
Accounts payable	240,864	463,620
Income taxes payable	-	21,770
	240,864	1,485,390
<b>Members' Equity</b>	<b>3,185,662</b>	<b>2,961,976</b>
	<b>\$ 45,827,893</b>	<b>\$ 45,082,743</b>

Commitment (Note 13)

APPROVED BY THE BOARD:



Director



Director

See accompanying notes to financial statements.

# BEAUBEAR CREDIT UNION LTD.

## STATEMENT OF MEMBERS' EQUITY

YEAR ENDED AUGUST 31, 2010

	2010	2009
<b>Membership Shares (Note 8)</b>		
Balance at beginning of year	\$ 368,994	\$ 366,623
Net change during the year	1,178	2,371
<b>Balance at end of year</b>	<b>\$ 370,172</b>	<b>\$ 368,994</b>
<b>Retained Earnings</b>		
Balance at beginning of year	\$ 2,592,982	\$ 2,355,425
Net earnings for the year	222,508	237,557
<b>Balance at end of year</b>	<b>\$ 2,815,490</b>	<b>\$ 2,592,982</b>
	<b>\$ 3,185,662</b>	<b>\$ 2,961,976</b>

See accompanying notes to financial statements.

# BEAUBEAR CREDIT UNION LTD.

## STATEMENT OF EARNINGS

YEAR ENDED AUGUST 31, 2010

	2010	2009
<b>Interest income</b>		
Interest on loans	\$ 2,246,778	\$ 2,241,007
Interest on investments	95,189	206,013
	2,341,967	2,447,020
<b>Interest expense</b>		
Interest on member deposits	547,209	717,502
Other interest	10,595	1,126
Net interest income	1,784,163	1,728,392
Provision for credit losses	856	84,381
<b>Financial Margin</b>	1,783,307	1,644,011
Other income (Note 10)	632,929	736,886
	2,416,236	2,380,897
<b>Non-interest expenses</b>		
Personnel	1,011,476	1,044,246
Occupancy	116,453	113,303
Organization	62,397	60,277
Member security	145,063	139,885
General business	731,303	640,221
Amortization	84,538	100,448
	2,151,230	2,098,380
Earnings before income tax	265,006	282,517
Provision for income tax - current	33,698	39,960
- future	8,800	5,000
	42,498	44,960
<b>NET EARNINGS</b>	<b>\$ 222,508</b>	<b>\$ 237,557</b>

See accompanying notes to financial statements.

# BEAUBEAR CREDIT UNION LTD.

## STATEMENT OF CASH FLOWS

YEAR ENDED AUGUST 31, 2010

	2010	2009
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Net earnings	\$ 222,508	\$ 237,557
Add items not affecting cash		
Amortization	84,538	100,448
Future income taxes	8,800	5,000
Provision for doubtful loans	856	84,381
	316,702	427,386
Net change in non-cash working capital items (Note 11)	(874,453)	(120,765)
	(557,751)	306,621
<b>FINANCING</b>		
Increase in deposits	1,915,713	4,806,147
Increase in membership shares	1,179	2,371
Increase (decrease) in demand loan	(1,000,000)	1,000,000
	916,892	5,808,518
<b>INVESTING</b>		
Additions to capital assets	(16,996)	(24,057)
Proceeds on disposal of land	29,764	-
Increase in loans receivable	(1,109,616)	(5,227,268)
Increase in investments	(178,076)	(858,003)
	(1,274,924)	(6,109,328)
<b>NET INFLOW (OUTFLOW) OF CASH</b>	(915,783)	5,811
<b>CASH RESOURCES, beginning of year</b>	3,795,443	3,789,635
<b>CASH RESOURCES, end of year</b>	<b>\$ 2,879,660</b>	<b>\$ 3,795,443</b>

See accompanying notes to financial statements.

# BEAUBEAR CREDIT UNION LTD.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010

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### 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.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 Investments

Investments are recorded at fair value. Income on investments is recognized on an accrual basis.

#### 1.2 Capital assets

Capital assets are recorded at cost. Amortization 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

#### 1.3 Loans

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

#### 1.4 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.

#### 1.5 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.

# BEAUBEAR CREDIT UNION LTD.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 1.6 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.

#### 1.7 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.

#### 1.8 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.

#### 1.9 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.

# BEAUBEAR CREDIT UNION LTD.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 1.10 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, 2010.

#### 1.11 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, 2010

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### 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, 2010 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, 2010, the prescribed liquidity requirement was 10% of total liabilities of which 8% is to be in liquid deposits with Credit Union Central. The actual liquidity was 16.6% of total liabilities, and 8.1% was in liquidity deposits with Credit Union Central.

# BEAUBEAR CREDIT UNION LTD.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010

### 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	\$ 17,451,126	\$ 20,353,100	\$ (2,901,974)
6-12 months	4,789,584	6,217,157	(1,427,573)
1-2 years	3,299,300	2,957,342	341,958
2-3 years	6,664,969	2,457,229	4,207,740
3-5 years	11,859,377	1,162,888	10,696,489
Not interest sensitive	2,798,379	13,715,019	(10,916,640)
	\$ 46,862,735	\$ 46,862,735	\$ -

# BEAUBEAR CREDIT UNION LTD.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010

### 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:

	2010			2009		
	Fair Value	Book Value	Fair Value Over Book Value	Fair Value	Book Value	Fair Value Over Book Value
<b>Assets:</b>						
Cash	2,879,660	2,879,660	-	3,795,443	3,795,443	-
Investments	5,514,876	5,514,876	-	5,336,799	5,336,799	-
Member loans	35,497,246	35,497,246	-	34,388,499	34,388,499	-
Other assets	658,474	658,474	-	150,637	150,637	-
<b>Liabilities:</b>						
Member deposits	42,225,861	42,225,861	-	40,310,147	40,310,147	-
Other liabilities	410,108	410,108	-	813,317	813,317	-
Shares	370,173	370,173	-	368,994	368,994	-

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

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

# BEAUBEAR CREDIT UNION LTD.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010

### (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

	<u>2010</u>	<u>2009</u>
<b>Available-for-sale</b>		
CUCNB Liquidity	\$ 3,553,038	\$ 3,374,962
CUCNB Shares	426,888	426,888
Atlantic Co-op Shares	100	100
League Data - Shares	34,850	34,850
Concentra - term deposits	1,500,000	1,500,000
	<u>\$ 5,514,876</u>	<u>\$ 5,336,800</u>

As required by the Credit Unions Act of New Brunswick, the Credit Union maintains investments in CUCNB 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 Credit Union Central New Brunswick 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, 2010

4. LOANS RECEIVABLE	2010	2009
Personal	\$ 11,155,505	\$ 10,931,895
Line of credit	2,918,408	3,183,661
Mortgages	14,907,400	14,354,239
Commercial	6,683,613	6,163,163
	<u>35,664,926</u>	<u>34,632,958</u>

**Less : Allowance for credit losses**

Balance at beginning of year	244,472	219,247
Recovery of loans previously written off	15,329	8,314
Provision for the year	856	84,381
Loans written off	(92,976)	(67,470)
	<u>167,681</u>	<u>244,472</u>
	<u>\$ 35,497,245</u>	<u>\$ 34,388,486</u>

**Allowance for impaired loans**

	<u>Impaired loans</u>	<u>Allowance</u>	<u>Amounts recoverable</u>
<b>2010</b>			
Personal	\$ 53,492	\$ 52,492	\$ 1,000
Mortgage	5,000	5,000	-
Line of Credit	-	-	-
Commercial	107,000	53,500	53,500
General allowance	-	56,689	-
	<u>\$ 165,492</u>	<u>\$ 167,681</u>	<u>\$ 54,500</u>
<b>2009</b>			
Personal	25,840	25,640	200
Mortgage	-	-	-
Line of Credit	6,187	5,587	600
Commercial	183,382	103,182	80,200
General allowance	-	110,063	-
	<u>\$ 215,409</u>	<u>\$ 244,472</u>	<u>\$ 81,000</u>

# BEAUBEAR CREDIT UNION LTD.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010

### 5. CAPITAL ASSETS

	2010		2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 146,115	\$ -	\$ 146,115	\$ 175,883
Building	849,804	173,799	676,005	711,585
ATM	194,524	72,573	121,951	135,501
Office equipment	189,352	113,132	76,220	85,465
Computer equipment	81,440	49,719	31,721	37,369
Computer software	16,416	11,226	5,190	727
Leasehold improvements	21,899	21,899	-	4,171
Safekeeping equipment	110,984	41,282	69,702	73,513
	<b>\$ 1,610,534</b>	<b>\$ 483,630</b>	<b>\$ 1,126,904</b>	<b>\$ 1,224,214</b>

### 6. DEPOSITS

	2010	2009
Term	\$ 15,531,597	\$ 15,964,940
Demand	1,906,389	1,913,379
Member Savings	3,609,462	3,272,877
Chequing	9,044,812	7,967,483
Plan 24	4,899,885	4,438,397
RRSP	7,233,719	6,753,075
	<b>\$ 42,225,864</b>	<b>\$ 40,310,151</b>

### 7. RELATED PARTY TRANSACTIONS

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

At August 31, 2010 loans to these parties amounted to \$2,195,305 (2009 - \$1,803,413). 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, 2010

### 8. REGULATORY EQUITY

	2010	2009
<b>A. Membership Shares</b>	<b>\$ 370,172</b>	<b>\$ 368,994</b>
<p>Section 30-1 of the Credit Union Act describes shares as the capital of the credit union. Pursuant to Beaubear's by-laws, the value of each membership share is \$5 and as a condition of membership each adult member must hold 10 shares. These shares have specific restrictions on withdrawal and are not covered by Credit Union Deposit Insurance.</p>		
<b>C. Retained Earnings</b>	<b>\$ 2,815,490</b>	<b>\$ 2,592,982</b>
<b>TOTAL REGULATORY EQUITY</b>	<b>\$ 3,185,662</b>	<b>\$ 2,961,976</b>

### D. Credit Union Legislation

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

	2010	2009
Membership shares	.8	1.0
Retained earnings	6.1	6.0
	<b>6.9</b>	<b>7.0</b>

### 9. LINE OF CREDIT

The Credit Union maintains an authorized line of credit, which was not utilized at year end, with Credit Union Central in the amount of \$1,000,000 with an interest rate of prime plus 1/4%. In addition, the Credit Union maintains a demand loan with Credit Union Central in the amount of \$1,000,000 with an interest rate of 1.5% maturing December 31, 2009. The line and loan are secured by investments with Credit Union Central and a general assignment of book debts.

# BEAUBEAR CREDIT UNION LTD.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010

### 10. OTHER INCOME

	2010	2009
Service charges	\$ 388,191	\$ 397,123
Commissions	178,443	282,425
Miscellaneous	66,295	57,338
	<b>\$ 632,929</b>	<b>\$ 736,886</b>

### 11. NET CHANGE IN NON-CASH BALANCES

	2010	2009
Increase (decrease) in:		
Accrued interest on deposits	\$ (149,724)	\$ 1,158
Other receivables	9,725	160
Accounts payable and accrued liabilities	(222,752)	(102,561)
Income taxes (net)	(28,032)	24,456
Decrease (increase) in:		
Accrued interest receivable	(39,936)	(14,338)
Prepaid expenses	36,577	(29,640)
Foreclosed assets	(480,311)	-
	<b>\$ (874,453)</b>	<b>\$ (120,765)</b>

### 12. COMPARATIVE FIGURES

Certain 2009 figures have been reclassified to conform with the current year's financial statement presentation.

### 13. COMMITMENT

One of Beaubear's two branches operates from leased premises. The Newcastle branch lease expires on January 11, 2011 with a minimum annual rent of \$22,800 plus HST.

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BEAUBEAR