

**LONDON FIREFIGHTERS' CREDIT UNION LIMITED**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

# SAMUEL CHAN

CHARTERED ACCOUNTANT

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## AUDITOR'S REPORT

To the Members of  
**LONDON FIREFIGHTERS' CREDIT UNION LIMITED**  
London, Ontario

I have audited the balance sheet of **London Firefighters' Credit Union Limited** as at **December 31, 2010**, and the statements of operations, capital adequacy reserve, undivided earnings, general reserve and changes in cash flows for the year ended. These financial statements are the responsibility of the credit union's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 amount 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the credit union as at **December 31, 2010** and the results of its operations and the changes in its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

London, Ontario  
February 17, 2011

**SAMUEL CHAN**  
Chartered Accountant  
Licensed Public Accountant

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

## Balance sheet

As at December 31, 2010

Statement 1

	2010	2009
<b><u>ASSETS</u></b>		
Cash and receivables		
Cash resources (note 1)	\$ 1,014,849	\$ 1,070,275
Accrued interest receivable	3,334	7,276
Prepaid expenses	<u>1,346</u>	<u>1,825</u>
	<u>1,019,529</u>	<u>1,079,376</u>
Investments - at cost (note 2)	<u>23,556</u>	<u>24,132</u>
Loans to members:		
Lines of credit	345,530	320,638
Personal loans	<u>1,797,321</u>	<u>2,081,681</u>
	2,142,851	2,402,319
Less allowance for doubtful loans	<u>(41,039)</u>	<u>(37,135)</u>
	<u>2,101,812</u>	<u>2,365,184</u>
Long- term investments (note 4 &14)	<u>16,036</u>	<u>14,006</u>
Fixed assets – at cost (note 1 & 3)	<u>5,003</u>	<u>2,093</u>
	<b><u>\$ 3,165,936</u></b>	<b><u>\$ 3,484,791</u></b>
Liabilities		
Accounts payable and accrued charges	\$ 10,560	\$ 9,903
Accrued distribution payable	37,811	4,825
Accrued interest on term deposit		6,649
Taxes payable	<u>(4,203)</u>	<u>106</u>
	<u>44,168</u>	<u>21,483</u>
Deposits (note 6)	2,870,188	3,017,581
Term deposit		260,000
Registered education savings plans	75	
Tax free savings accounts	450	450
Membership share capital (note 5)	<u>139,550</u>	<u>75,600</u>
	<u>3,010,263</u>	<u>3,353,631</u>
Members' equity:		
Capital adequacy reserve (statement 2)	38,279	38,279
Retained earnings (statement 2)	<u>73,226</u>	<u>71,398</u>
	<u>111,505</u>	<u>109,677</u>
	<b><u>\$ 3,165,936</u></b>	<b><u>\$ 3,484,791</u></b>
<b>Approved on behalf of the Board:</b>		

\_\_\_\_\_  
Director

(see accompanying notes)

\_\_\_\_\_  
Director

**LONDON FIREFIGHTERS' CREDIT UNION LIMITED**

Statement of capital adequacy reserve and retained earnings

For the year ended December 31, 2010

Statement 2

	<u>2010</u>	<u>2009</u>
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**CAPITAL ADEQUACY RESERVE**

Balance, beginning of year	\$ <u>38,279</u>	\$ <u>38,279</u>
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Balance, end of year	\$ <u>38,279</u>	\$ <u>38,279</u>
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**RETAINED EARNINGS**

Balance, beginning of year	\$ 71,398	\$ 58,553
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Add: net income for the year (statement 3)	<u>1,828</u>	<u>12,845</u>
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Balance, end of year	\$ <u>73,226</u>	\$ <u>71,398</u>
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(see accompanying notes)

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

## Statement of operations

For the year ended December 31, 2010

Statement 3

	2010		2009	
Revenue				
Interest on personal loans to members	\$ 133,074	90.0	\$ 124,617	88.1
Investment, interest, commissions and other income	<u>14,746</u>	<u>10.0</u>	<u>16,841</u>	<u>11.9</u>
	<u>147,820</u>	<u>100.0</u>	<u>141,458</u>	<u>100.0</u>
Financial Expenses				
Interest on members' deposits	<u>37,897</u>	<u>25.6</u>	<u>9,645</u>	<u>6.8</u>
Operating Spread	<u>109,923</u>	<u>74.4</u>	<u>131,813</u>	<u>93.2</u>
Remuneration to Officers and Staff				
Honoraria to officers	5,390		6,281	
Salaries to employees	52,627		51,395	
Employee benefits	<u>7,643</u>		<u>7,348</u>	
	<u>65,660</u>	<u>44.4</u>	<u>65,024</u>	<u>46.0</u>
Administrative expenses				
Advertising	10		-	
Annual meeting	950		1,016	
Bad debt expense (recovery)	3,365		24,130	
Bank charges & interest	803		1,219	
Bonding insurance	11,372		8,060	
Depreciation	3,480		800	
Education & conferences	3,549		80	
FSCO fees	200		200	
Internet expense	2,376		1,367	
Member deposit insurance (DICO)	3,375		2,810	
Office expenses	4,132		2,824	
Professional services	7,200		6,300	
Rent	1,035		1,035	
Telephone	<u>1,059</u>		<u>1,040</u>	
	<u>42,906</u>	<u>29.0</u>	<u>50,881</u>	<u>36.0</u>
Total operating expenses	<u>108,566</u>	<u>73.4</u>	<u>115,905</u>	<u>82.0</u>
Net income from operations	1,357	1.0	15,908	11.2
Gain (Loss) on write-up (down) of ABCP shares	<u>1,452</u>	<u>.9</u>	<u>2,120</u>	
Net income before taxes	2,809	1.9	18,028	11.2
Provision for taxes	<u>(981)</u>	<u>(.7)</u>	<u>(5,183)</u>	<u>(3.7)</u>
Net income (loss) for the year	<u>\$ 1,828</u>	<u>1.2</u>	<u>\$ 12,845</u>	<u>7.5</u>

(see accompanying notes)

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

## Statement of changes in cash flows

For the year ended December 31, 2010

Statement 4

	2010	2009
Cash provided by (used in) operating activities:		
Net income for the year	\$ 1,828	\$ 12,845
Charge to operations not requiring a current cash payment -		
Depreciation and amortization	<u>3,480</u>	<u>800</u>
	<u>5,308</u>	<u>13,645</u>
Change in non-cash working capital balances related to operations -		
Accrued interest receivable	3,942	(3,216)
Prepaid expenses	478	24
Accounts payable & accrued charges	657	442
Accrued distribution payable	32,986	(49,926)
Accrued interest payable	(6,649)	6,649
Taxes payable	<u>(4,309)</u>	<u>(1,690)</u>
	<u>27,105</u>	<u>(47,717)</u>
Cash provided by (used in) operating activities:	<u>32,413</u>	<u>(34,072)</u>
Cash provided by (used in) investment activities:		
Increase (decrease) of investments	3,856	3,242
Purchase of fixed assets	<u>(6,390)</u>	<u>        </u>
	<u>(2,534)</u>	<u>3,242</u>
Cash provided by (used in) financing activities:		
Increase (decrease) in lines of credit	(24,893)	94,024
Increase (decrease) in Personal Loans	282,955	(20,633)
Increase (decrease) in Deposits	(407,318)	466,937
Increase (decrease) in Share Capital	<u>63,950</u>	<u>(1,000)</u>
	<u>(85,306)</u>	<u>539,328</u>
Net increase (decrease) in cash during year	(55,427)	508,498
Cash resources, beginning of year	<u>1,070,275</u>	<u>561,777</u>
Cash resources, end of year	<u>\$ 1,014,848</u>	<u>\$ 1,070,275</u>
<b>Supplemental cash flow information</b>		
Interest paid during year	\$37,897	\$9,645
Income taxes paid during the year	981	5,183

(see accompanying notes)

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2010

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## 1. Accounting Policies

### The Credit Union and Caisses Populaires Act, 1994 (the "ACT")

Regulations to the act specify that certain items are required to be disclosed in the financial statements that are presented at annual meetings to members. It is the management's opinion that the disclosures in these financial statements and the notes comply in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting the information.

#### Investments:

Investments designated as loans and receivables are accounted for at amortized cost and income thereon accrues using the effective interest method.

Investments designated as held for trading are carried at fair market value based primarily on published market prices. Gains and losses are included in investment income for the period they arise.

Investments classified as available for sale are carried at fair value, where such a value can be reliably measured; otherwise they are carried at cost. Unrealized gains and losses are recognized directly in other comprehensive income. In the period in which the asset is sold, or otherwise derecognized, the cumulative gain or loss, previously recorded in accumulated other comprehensive income is recognized in net income.

#### Financial Instruments – recognition and measurement:

Financial assets and liabilities are recognized on the balance sheet of the Credit Union at the time that the Credit Union becomes a party to the contractual provision of the instrument. The Credit union recognizes financial instruments at the settlement date.

All financial assets and liabilities are to be measured at fair value upon initial recognition, except certain related party transactions. Subsequent measurement is dependant upon the financial instrument's classification.

Financial instruments comprise of cash, investments, loans receivable from Members, Member's deposits and shares, loans payable and accounts payable and accrued liabilities.

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

## Notes to the Financial Statements

December 31, 2010

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### **Classification of financial instruments**

Held for trading ("HFT") financial assets and liabilities are acquired or incurred principally for resale, generally within a short period of time. They are measured at their fair value at each balance sheet date. Gains and losses realized on disposal together with dividends and interest earned on these instruments are reported in interest and investment income. Unrealized gains and losses from market fluctuations are reported separately in the Statement of Earnings. There are regulatory restrictions imposed by the Financial Services Commission of Ontario on the use of this designation including that loan financial assets are precluded from being designated HFT and that the fair value designated financial instruments are managed on a fair value basis.

Held to maturity ("HTM") financial assets are non-derivative financial assets with fixed or determinable payments, other than Loans and Receivables that the Credit Union has the positive intention and ability to hold to maturity. These financial assets are accounted for at amortized cost using the effective interest rate method of amortization.

Available for sale ("AFS") financial assets are those non-derivative financial assets that are not designated HFT, HTM or Loans and Receivables, AFS instruments are carried at fair value whereby the unrealized gains and losses are included in accumulated other comprehensive income ("AOCI"), as discussed below, until sale or other-than-temporary impairment when cumulative gain or loss is transferred to the Statement of Earnings. AFS equity instruments that do not have quoted market values in active markets are carried at cost. Realized gains and losses on sale are recorded in other income. Write downs reflect other-than-temporary impairment in value are recorded in unrealized gains and (losses).

Financial assets classified as Loans and Receivables are accounted for at amortized cost using the effective interest rate method of amortization.

### **Effective interest rate method:**

Interest income and expense are recognized in the Statement of Operations using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to its fair value at inception. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. The calculation of the effective interest rate includes transaction costs, fee and discounts or premiums that are an integral part of the interest rate.

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

## Notes to the Financial Statements

December 31, 2010

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### **Loans to members:**

Loans to members are designated as loans and receivable and are initially measured at fair value and are subsequently re-measured at their amortized cost (net of an allowance for loan losses) using the effective interest rate method. Loans considered uncollectible are written off.

All transaction fees and expenses are recorded in other income and expense at the transaction date. Interest income is recorded using the effective interest rate method over the terms of the loans.

A loan is classified as impaired when a specific provision has been established or a write-off taken or when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of principal and interest. A loan is also classified as impaired when interest and principal is contractually 90 days past due, unless the loan is fully secured in the process of collection. Fully secured loans are classified as impaired after a delinquency period of 180 days.

On a loan classified as impaired, all previous accrued interest is reversed and charged against current income unless the amount is fully secured. Loans are generally returned to accrual status when all delinquent principal and interest payments are brought to current and the timely collection of both principal and interest is reasonable assured

### **Allowance for impaired loans:**

The Credit Union maintains allowances for impaired loans, which reduce the carrying value of loans, identified as impaired to their estimated realizable amounts. Loans classified as impaired include loans for which interest and principal payments are ninety days past due and those considered to be impaired by management. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans, by estimating the fair value of security underlying the loans and deducting the cost of realization, or by estimating market prices for the loans.

Specific allowances are established for loans identified as impaired, These allowances are supplemented by general allowances for losses based on payment arrears, known risk in the portfolio, historical loan loss experience and current economic conditions and trends. The allowance for impaired loans is in accordance with the guidelines established by DICO.

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

## Notes to the Financial Statements

December 31, 2010

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### **Members' deposits:**

Members' deposits are recorded at amortized cost. Interest expense is recorded using the effective interest rate method over the terms of the deposit.

### **Members' shares:**

The Credit Union has adopted the recommendations of the Canadian Institute of Chartered Accountants relating to financial statement presentation of members' shares accounts and the related distribution paid on such financial instruments. In accordance with these recommendations, the Credit Union's shares are presented on the balance sheet as a liability as the shares are redeemable at the options of the member. Dividends or other payments related to member shareholdings are reported on the statement of operations as a financial expense.

These liabilities qualify as capital for regulatory purposes, notwithstanding their financial classification..

### **Reclassifications**

Certain of the 2009 amounts have been reclassified to conform to the presentation adopted in 2010.

### **Income Taxes:**

The Credit union uses the asset and liability method to account for income taxes. Under the asset and liability method, future 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 bases. Future tax assets and liabilities are measured using enacted or substantially 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 income in the period that included the date of enactment or substantial enactment.

### **Capital Assets and Amortization:**

All capital assets are carried at acquisition cost less accumulated amortization. Assets are generally amortized on the following basis:

Office Equipment	20% declining balance
Computer System	30% declining balance

Where declining balance is used, one-half the annual rate is applied in the year of acquisition

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

## Notes to the Financial Statements

December 31, 2010

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### **Accounting for Operational Revenues and Expenses:**

All revenues and expenses are recorded on the accrual basis of accounting except that interest income is not recorded for delinquent loans.

### **Foreign Exchange:**

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the yearend date. Income and expenses are translated at exchange rates in effect on the date of the transactions. Exchange gains and losses arising on translation of monetary items are included in earnings for the year.

### **Changes in Accounting Policies**

#### Current year changes

Effective September 1, 2009, the Credit Union adopted the following new accounting pronouncements issued by the Canadian Institutes of Chartered Accountants ("CICA").

1. Amendments to Section 3855 "Financial Instruments" – "Recognition and Measurement provide enhanced guidance on the reassessment of embedded derivatives upon reclassification out of the held-for trading category under specific circumstances, an expanded definition of loans and receivables, an impairment model for HTM assets that is aligned with a credit loss model section 3025, "Impaired loans", and additional specific requirements for reclassifications from the HFT and AFS categories to Loans and Receivables. The adoption of the above changes did not have a significant impact on the Credit Union's Financial Statements.
2. Amendments to Section 3862 "Financial Instruments- Disclosures" require the Credit union to provide disclosure on financial statements measures at fair value on its balance sheet using a fair value hierarchy that reflects the extent to which quoted prices or other market or non-market inputs are used in the valuation of those financial instruments.
3. Amendments to Section 1506 "Accounting Changes" excludes from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. As a result. The Credit Union is no longer required to disclose the progress of its implementation of International Financial Reporting Standards ("IFRS") in the notes to the Financial Statements.

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

## Notes to the Financial Statements

December 31, 2010

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### Regulatory changes

Amendments to the Act came into effect on October 1, 2009. As a part of these amendments, additional disclosures were required to be included in these financial statements. These disclosures include information relating to remuneration paid to officers and employees, regulatory capital, liquidity, outstanding loans and impaired loans.

### 2. Cash Resources:

The term "cash resources" as used in these financial statements consists of cash on hand, deposits maturing or callable within ninety days and payroll deductions receivable that have been made and which are in the course of being remitted. The Credit Union has available a credit facility of \$30,900 line of credit with an additional \$30,000 available on a term loan basis to cover a shortfall in cash resources due to unanticipated volume in clearings. This facility is secured by a general security agreement and an assignment of book debts and bears interest at Central 1 prime for the line of credit and variable interest rate for the term facility. As at December 31, 2010, the facility was not utilized.

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

## Notes to the Financial Statements

December 31, 2010

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### 3. Allowance for Impaired loans:

The activity in the allowance for impaired account has been as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 37,135	\$ 12,485
Loans recovered (written-off)	<u>37,135</u>	<u>(520)</u>
Increase in allowance	<u>3,904</u>	<u>25,170</u>
Balance, end of year	<u>\$ 41,039</u>	<u>\$ 37,135</u>

The Credit Union writes off to the allowance for impaired loans all amounts known not to be collectable.

The allowance for impaired loans provided for in the accounts of the Credit union is in accordance, in all material respects, with the by-law of the Deposit Insurance Corporation of Ontario governing such allowance

As at the fiscal year end the Credit Union calculates an allowance for loan impairment on an individual account basis in accordance with the guidelines set out in By-law #6 of the Deposit Insurance Corporation of Ontario (DICO). Initially, an amount is calculated for each loan more than 90 days in arrears from the original date of advancement, by applying specific percentages, varying with the extent of overdue payments, to the portion of the principal balance not covered by the realizable value of collateral and for all uncollected interest not received. In addition, allowance is made for those loans, not in arrears, but the collection of which is doubtful.

The allowance recorded in the financial statements is adjusted to the required amount determined above by a charge or credit to net income for the year.

The Board of Directors has passed a resolution to establish a secondary allowance to approximate the DICO peer ratio category covering the Ontario system. At December 31, 2010, the allowance for doubtful loans conforms to this resolution.

As at December 31, 2010 there were 5 loans 90 days or more in arrears to the contract. Irregular or reduced payments were being received on each of these loans.

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

## Notes to the Financial Statements

December 31, 2010

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### 4. Investments

Details are as follows:

	<u>2010</u>	<u>2009</u>
Credit Union Central of Ontario Shares	\$ 123	\$ 5,355
Central 1 Class A	8,333	7,577
Central 1 Class E	<u>15,100</u>	<u>11,200</u>
	<u>\$ 23,566</u>	<u>\$ 24,132</u>

The shares in the Credit Union Central of Ontario (CUCO) are carried at cost and will be converted to Central 1 shares sometime in the future.

As a condition of membership in Central 1, the Credit Union is required to keep an investment in shares of Central 1 equal to 0.9% of the Credit Union's total assets as at the preceding calendar year end, updated in February of each year.

These shares can be redeemed only through withdrawals from membership or reductions in the balance of the Credit Union's own shares and deposits and are subject to the right of the Board of Directors of Central 1 to impose limitations on the proportion and timing of amount to be refunded.

The shares in CUCO and Central 1 are realizable only through the redemption procedures described above at the paid-in value and accordingly there are no separately quoted market values.

All Credit Unions who are members of the CUCO are required to place on deposit with CUCO 7% of their total capital and member deposits as at December 31, 2010 in order to fund the liquidity reserve deposit. The Credit Union has complied with the requirements.

As there is no market for these shares classified as available for sale, these shares are carried at cost.

Central 1 requires that member credit unions maintain with them liquidity and secondary liquidity reserve deposits equal to 7% of the member credit union's assets. These reserves are determined on a quarterly basis.

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

## Notes to the Financial Statements

December 31, 2010

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### 5. Fixed Assets

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture & fixtures	\$ 4,447	\$ 4,000	\$ 447
Computer	<u>39,483</u>	<u>34,927</u>	<u>4,556</u>
	<u>\$ 43,930</u>	<u>\$ 38,927</u>	<u>\$ 5,003</u>

Amortization in respect of the above assets for the year amounts to \$3,480  
(2009 - \$800)

### 6. Members' Deposits

Deposits may be withdrawn on demand, subject to the discretion of the Board of Directors who may require thirty day's notice. Members' deposits are designated as other liabilities.

### 7. Membership Shares

Membership shares are subscribed for at a par value of \$10 per share. A member is required by By-law 3.4 of the Credit Union to maintain a minimum of 20 shares as a condition of membership in the Credit Union. Amounts paid for or on account of permanent membership shares may be withdrawn on demand subject to the discretion of the Board of Directors who may require sixty days notice. These shares are redeemable only when the member withdraws from membership in the Credit Union. Under sub-section 51(12) of the new act membership shares held as a condition of membership are not insured by the Deposit Insurance Corporation of Ontario (DICO).

By-law 3.5 allows members to subscribe for another 100 shares for an additional value of \$1000. These shares do not participate in any dividend distributions

<u>Participating Shares</u>	<u>Number</u>	<u>Amount</u>
Fully Subscribed	670	\$134,000
Under Subscribed	<u>47</u>	<u>4,750</u>
	717	138,750
Non-participating Shares	<u>1</u>	<u>800</u>
<b>Total</b>	<b><u>718</u></b>	<b><u>\$139,550</u></b>

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2010

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## 8. Share Dividends and Loan Rebates

The Board of Directors anticipates declaring and the Credit Union has accrued a .1% dividend on the share savings accounts on amounts under \$2,000 and a 1.75% dividend on amounts over \$2,000. This accrual amounts to \$37,811 (2009-\$4,825) the actual dividend will be calculated as at December 31, 2010 and paid in the 2011 fiscal year and may differ from the accrual.

## 9. Regulatory Capital

The Credit Union Caisses Populaires Act, 1994 requires the Credit Union to maintain regulatory capital at 5% of total assets. As of February 1, 2009, Credit Unions were reclassified as either Class 1 or Class 2. A Class 2 credit union is generally regarded to have assets greater than \$50 million and issues commercial loans. LONDON FIREFIGHTERS' CREDIT UNION LIMITED is designated a Class 1 Credit Union for classification purposes. As a Class 1 credit Union, it is required to maintain adequate regulatory capital of at least 5% of its total assets.

The Credit Union is in compliance with the Act regarding regulatory capital as indicated by the table below:

	<u>2010</u>
Membership share capital	\$ 139,550
Statutory reserve	38,279
Retained earnings	<u>73,226</u>
	<u>\$ 251,055</u>
% of Total Assets	<b>6.8%</b>

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2010

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## **10. Regulatory Reporting**

### Restricted Transactions

The Act requires the financial statements to disclose a general description of the nature, number and aggregate values of restricted party transactions, as defined, and the allowance for loan losses related to such transactions. Restricted Party has been defined to include a person, and the person's relative, spouse, or relative spouse, who has been a director, officer or committee member in the preceding twelve months, and corporations in which the person owns more than 10% of the voting shares.

At December 31, 2010, the aggregate values of loans outstanding to directors, committee members and officers consisted of 16 loans totaling \$207,608. These loans are made at an interest rate that is 2% less than the loans that are transacted with other members. At December 31, 2010, there was no allowance for loan impairment required in respect of these loans.

### Remuneration of Officers and Employees

The Act requires disclosure of the five highest paid officers and employees of the Credit Union where remuneration exceeds \$150,000. During 2010, there were no officers or employees who received remuneration in excess of \$150,000.

## **11. Fair Value of Financial Instruments**

The fair value of cash resources, certain other assets and liabilities is equal to the book value given the short-term nature of the balances. The fair value of investments is disclosed in Note 4 to the financial statements. These are based on quoted market prices, where available. The fair value of loans to members and member's deposits has not been determined at this time.

## **12. Commitments**

The Credit Union occupies leased premises at an annual rental of \$1,035.

# LONDON FIREFIGHTERS' CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2010

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## 13. Long-Term Investments

### Asset Backed Commercial Paper Limited Partnership and Central 1 Credit Union Merger

As a pre-condition of this merger to form Central 1, Credit Union Central of Ontario (CUCO) was required to divest itself of investments in certain third party asset-backed commercial paper (ABCP). The resolution approved the creation of a limited partnership (ABCP LP) to acquire these investments funded by member credit unions in proportion to their share investment in CUCO. As a result, on July 1, 2009, immediately prior to the merger of CUCO and CUCBC, the excluded ABCP with a total par value of \$186,916,000 was acquired by the ABCP LP (Partnership) at its estimated fair value of \$133,564,000 including accrued interest, net of expenses, and other assets. As there is still no liquid market in these ABCP investments, Edenbrook Hill Capital Ltd provided the fair values used to determine the acquisition price, a firm engaged by CUCO to provide an independent valuation of the assets underlying the ABCP investments. As there is no active market for the underlying ABCP investments, this investment is being carried at cost.

Members of CUCO were required to purchase units in the Partnership based on their proportionate share ownership in CUCO prior to the date of the merger. As a result, the Credit union was required to purchase 21,193 units in the Partnership. The Credit Union has designated the ABCP investments as Available for Sale. As there is no liquid market in these investments, the investments were recorded at cost instead of fair market value net of any provisions. In 2010 in preparation for IFRS, the asset has been recorded at fair market value based on audited unit values given by the Partnership.

The ABCP LP is governed by a Board of Directors that was elected by Ontario member credit unions and each limited partner will record its proportionate share of net income or loss in the ABCP LP as determined by generally accepted accounting principals and subject to an annual external audit. As at December 31, 2010, London Firefighters' Credit Union Limited has \$16,106 invested in the ABCP LP units.

As a result of the above merger, the credit union received 1 class A share of Central 1 Credit Union with a nominal value of \$1. This amount has been increased to the amounts noted in Note 4.

The Credit Union's investment in the ABCP LP has been impaired by the current economic conditions that have taken place in the North American market. As at December 31, 2010, it was determined that the Credit union's shares have been valued at \$.75999 net asset value per unit. The Credit Union holds 21,193 units of the ABCP 2009 Limited Partnership (2010 - \$16,106, 2009-\$14,006).