

**CUMBERLAND & DISTRICT
CREDIT UNION
FINANCIAL STATEMENTS
December 31, 2010**

CUMBERLAND & DISTRICT CREDIT UNION

Index to Financial Statements

December 31, 2010

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
AUDITORS' REPORT	2
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Retained Earnings	4
Statement of Income	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 17



Cumberland & District Credit Union

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Tom Harrison B-Comm- General Manager

Marion Barkhouse - Loans Manager

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

December 31, 2010

The financial statements of Cumberland & District Credit Union have been prepared by management in accordance with the requirements of the Financial Institutions Act and in conformity with Canadian generally accepted accounting principles. These statements include amounts based on informed judgments and estimates of the expected effects of current events and transactions.

To meet its responsibility for preparing reliable financial information, management maintains and relies on comprehensive internal operating and system controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparing financial statements and for safeguarding the assets of the organization.

The financial statements are approved by the Board of Directors. The Audit Committee, comprised of three Directors of the Board, has reviewed the statements with management and the external auditors in detail.

Chan Nowosad Boates, Chartered Accountants has been appointed by the Board of Directors, who represent the members at large, as independent external auditors to examine and report on the financial statements. They have had free and full access to the internal staff and other management staff and the Audit Committee of the Board. Their report appears herein.

Tom Harrison
Chief Executive Officer



Chan
Nowosad
Boates

CHARTERED ACCOUNTANTS

**INDEPENDENT
AUDITORS'
REPORT**

To: The Members of the
Cumberland & District Credit Union

We have audited the accompanying financial statements of Cumberland & District Credit Union which comprise the balance sheet as at December 31, 2010, and the income statement, statement of retained earnings and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cumberland & District Credit Union as at December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Campbell River, BC

February 10, 2011

CUMBERLAND & DISTRICT CREDIT UNION

Balance Sheet

December 31, 2010

2010

2009

\$

\$

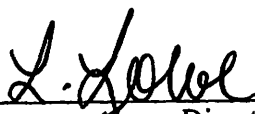
ASSETS

Cash Resources (Note 3)	4,115,324	8,175,124
Other Assets	14,668	12,639
Taxes Receivable	4,181	10,590
Loans to Members (Note 4)	18,382,815	14,545,204
Long Term Investments (Note 6)	71,574	73,331
Property and Equipment (Note 7)	<u>394,098</u>	<u>417,706</u>
	<u>22,982,660</u>	<u>23,234,594</u>

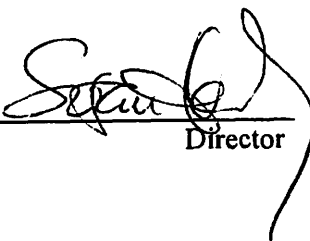
LIABILITIES AND MEMBERS' EQUITY

Members' Deposits (Note 8)	21,302,393	21,596,039
Accounts Payable	39,187	44,760
Dividends Payable	21,133	31,501
Equity Shares (Note 9)	167,137	159,938
Retained Earnings	<u>1,452,810</u>	<u>1,402,356</u>
	<u>22,982,660</u>	<u>23,234,594</u>

APPROVED ON BEHALF OF THE BOARD:



Director



Director

CUMBERLAND & DISTRICT CREDIT UNION

Statement of Retained Earnings

Year Ended December 31, 2010

2010

2009

	\$	\$
Retained Earnings - Beginning of Year	1,402,356	1,359,377
Net Income	<u>50,454</u>	<u>42,979</u>
Retained Earnings - End of Year	<u>1,452,810</u>	<u>1,402,356</u>

CUMBERLAND & DISTRICT CREDIT UNION

Statement of Income

Year Ended December 31, 2010

	2010	2009
	\$	\$
Financial Income		
Loan Interest	857,019	888,061
Investments	<u>58,330</u>	<u>50,543</u>
	<u>915,349</u>	<u>938,604</u>
Financial Expenses		
Interest on Deposits	306,075	337,455
Interest on Borrowed Funds	<u>-</u>	<u>845</u>
	<u>306,075</u>	<u>338,300</u>
Financial Margin - 67% (2009 - 64%)	609,274	600,304
Provision for Credit Losses	(902)	(6,000)
Other Income	<u>187,721</u>	<u>167,120</u>
Earnings Before Operating Expenses	<u>796,093</u>	<u>761,424</u>
Operating Expenses		
Amortization	30,197	32,320
Operating Expense (Note 10)	334,411	291,430
Wages and Benefits	<u>352,079</u>	<u>349,741</u>
	<u>716,687</u>	<u>673,491</u>
	79,406	87,933
Dividends (Note 11)	<u>21,133</u>	<u>37,544</u>
	58,273	50,389
Provision for Income Taxes (Note 12)	<u>7,819</u>	<u>7,410</u>
Net Income	<u>50,454</u>	<u>42,979</u>

CUMBERLAND & DISTRICT CREDIT UNION

Statement of Cash Flows

Year Ended December 31, 2010

	2010	2009
	\$	\$
Cash Flows From Operating Activities:		
Interest Received from Loans and Investments and Other Income	1,077,766	1,086,020
Interest Paid on Deposits and Borrowed Funds	(314,963)	(350,070)
Cash Paid to Suppliers and Employees	(689,992)	(618,709)
Dividends Paid to Members	(31,501)	(72,372)
Income Taxes Paid	(6,411)	(17,715)
	<u>34,899</u>	<u>27,154</u>
Cash Flows From Financing Activities:		
Increase (Decrease) in Members' Deposits	(284,759)	479,370
Equity Shares Issued (Redeemed)	<u>7,199</u>	<u>(1,601)</u>
	<u>(277,560)</u>	<u>477,769</u>
Cash Flows From Investing Activities:		
Purchase of Equipment	(6,589)	(26,104)
Repayment of (Increase in) Loans to Members	(3,812,307)	2,347,188
Redemption (Purchase) of Investments	<u>1,757</u>	<u>(3,191)</u>
	<u>(3,817,139)</u>	<u>2,317,893</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,059,800)	2,822,816
Cash and Cash Equivalents - Beginning of Year	<u>8,175,124</u>	<u>5,352,308</u>
Cash and Cash Equivalents - End of Year	<u>4,115,324</u>	<u>8,175,124</u>
Cash and Cash Equivalents are represented by:		
Cash	589,835	5,151,166
Term Deposits	<u>3,525,489</u>	<u>3,023,958</u>
	<u>4,115,324</u>	<u>8,175,124</u>

CUMBERLAND & DISTRICT CREDIT UNION

Notes to Financial Statements

December 31, 2010

1. Governing Legislation and Operations:

The Cumberland & District Credit Union was formed pursuant to the Credit Union Incorporation Act. Its operations are subject to the Financial Institutions Act of British Columbia.

2. Significant Accounting Policies:

a) Financial Instruments

The credit union's financial instruments consist of cash, term deposits, accounts receivable, loans to members, long term investments, members' deposits, accounts payable and accrued liabilities.

Cash on hand is reported at its fair values on the balance sheet, which approximates its carrying values due to its short term nature.

Term deposits held by Central 1 Credit Union are classified as held-to-maturity financial assets. Management has the positive intention and ability to hold these financial instruments to their maturity. As such these financial instruments are recorded at cost on the balance sheet.

Loans to members and accounts receivable are classified as loans and receivables by the credit union and are presented at cost in the financial statements.

Investments are classified as available-for-sale and recorded at cost in the financial statements as there is no active market for these investments.

Members' deposits, account payable and accrued liabilities are classified as other liabilities by the credit union and are presented at cost in the financial statements.

b) Cash Resources

Cash resources are comprised of cash on hand, deposits at Central 1 Credit Union, and items in transit.

c) Loans

Loans to members are stated at unpaid principle amounts plus accrued interest and are net of an allowance established to provide against losses on the ultimate realization of the loans.

d) Allowance for Credit Losses

The credit union individually assesses its loans at each balance sheet date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Credit Union makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. The related provision for credit losses is charged to the statements of income and retained earnings and comprises the amounts written off during the year, net of recoveries of amounts written off in prior years, and changes in the provision.

CUMBERLAND & DISTRICT CREDIT UNION

Notes to Financial Statements

December 31, 2010

2. Significant Accounting Policies (cont...):

e) Property and Equipment

Land is carried at cost. Property and equipment is stated at cost less accumulated amortization. Amortization charges are calculated using the following annual rates and methods:

Buildings	4% - 10% declining balance
Furniture and Equipment	20% declining balance
Computer Hardware	30% declining balance
Computer Software	100% declining balance
Banking Computer Software	4 years straight line
Banking Equipment	5 years straight line

f) Income Taxes

Income taxes are accounted for under 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 bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

h) Revenue Recognition

Interest income from loans is recorded on the accrual basis except for loans classified as impaired or when, in the opinion of management, there is doubt as to the collectability of principal or interest.

Investment income is recognized as interest is earned on interest-bearing investments.

Other income is recognized as services are provided to the members.

i) Dividends

Dividends on non-equity and equity shares are charged against earnings for the year.

CUMBERLAND & DISTRICT CREDIT UNION

Notes to Financial Statements

December 31, 2010

3. Cash Resources:

	2010	2009
	\$	\$
Cash on hand and demand deposits	589,835	5,151,166
Term deposits and accrued interest	<u>3,525,489</u>	<u>3,023,958</u>
	<u>4,115,324</u>	<u>8,175,124</u>

In accordance with provincial legislation, the credit union must maintain deposits with the Central 1 Credit Union totaling at least 8% of their deposits and borrowings.

4. Loans to Members:

	2010			
	Principle Balance	Impaired Loans	Allowance for Credit Losses	Net Loans
	\$	\$	\$	\$
Residential Mortgage Loans	14,199,629	-	-	14,199,629
Personal Loans	1,140,946	51,024	51,024	1,089,922
Purchased Mortgages	3,067,960	-	-	3,067,960
Accrued Interest	<u>25,304</u>	-	-	<u>25,304</u>
	<u>18,433,839</u>	<u>51,024</u>	<u>51,024</u>	<u>18,382,815</u>

	2009			
	Principle Balance	Impaired Loans	Allowance for Credit Losses	Net Loans
	\$	\$	\$	\$
Residential Mortgage Loans	13,006,496	-	-	13,006,496
Personal Loans	1,086,416	-	52,842	1,033,574
Purchased Mortgages	485,430	-	-	485,430
Accrued Interest	<u>19,704</u>	-	-	<u>19,704</u>
	<u>14,598,046</u>	<u>-</u>	<u>52,842</u>	<u>14,545,204</u>

Loans to members can have either a variable or fixed rate of interest and mature within seven years. Variable rate loans are based on a "prime rate plus" formula with the rate above prime being determined by the size of the loan, the type of collateral offered, the purpose of the loan and the member's creditworthiness. Interest rates offered on fixed rate loans vary depending on the size of the loan, the type of collateral offered, the purpose of the loan, the member's creditworthiness and the loan term.

CUMBERLAND & DISTRICT CREDIT UNION

Notes to Financial Statements

December 31, 2010

4. Loans to Members (cont...):

Residential mortgage loans include \$4,995,281 of loans insured by the Canada Mortgage and Housing Insurance Corporation (2009 - \$4,008,473).

From time to time members' loans may be renegotiated, either as part of an ongoing member relationship or in response to a change in the circumstances of the member. Renegotiations and debt restructuring are in the normal course of the credit union's business. It is possible that a renegotiation could result in an extension of the due date of a repayment, however, the new terms and new interest rates would reflect the current market rates and economic environment. These are treated as new agreements and the loan would not be considered delinquent or impaired.

At December 31, 2010, the balances of loans in arrears within the portfolio were as follows:

	2010			
	Residential Mortgage Loans	Personal Loans	Commercial Loans	Total
	\$	\$	\$	\$
Current	17,159,990	1,109,342	-	18,269,332
Less than 30 days arrears	-	31,595	-	31,595
30-89 days arrears	-	-	-	-
90-179 days arrears	107,565	9,593	-	117,158
180-365 days arrears	-	-	-	-
More than 365 days arrears	-	-	-	-
	<u>17,267,555</u>	<u>1,150,530</u>	<u>-</u>	<u>18,418,085</u>

	2009			
	Residential Mortgage Loans	Personal Loans	Commercial Loans	Total
	\$	\$	\$	\$
Current	13,491,926	1,033,574	-	14,525,500
Less than 30 days arrears	-	16,160	-	16,160
30-89 days arrears	-	-	-	-
90-179 days arrears	-	-	-	-
180-365 days arrears	-	36,682	-	36,682
More than 365 days arrears	-	-	-	-
	<u>13,491,926</u>	<u>1,086,416</u>	<u>-</u>	<u>14,578,342</u>

CUMBERLAND & DISTRICT CREDIT UNION

Notes to Financial Statements

December 31, 2010

5. Allowance For Credit Losses:

	2010			
	Residential Mortgage Loans	Personal Loans	Commercial Loans	Total
	\$	\$	\$	\$
Balance, beginning of year	-	52,843	-	52,843
Collection of accounts	-	(2,721)	-	(2,721)
Accounts written off	-	-	-	-
Provision for credit losses	-	902	-	902
Balance, end of year	-	51,024	-	51,024

	2009			
	Residential Mortgage Loans	Personal Loans	Commercial Loans	Total
	\$	\$	\$	\$
Balance, beginning of year	-	46,843	-	46,843
Collection of accounts	-	-	-	-
Accounts written off	-	-	-	-
Provision for credit losses	-	6,000	-	6,000
Balance, end of year	-	52,843	-	52,843

6. Investments:

	2010	2009
	\$	\$
Central 1 Credit Union Shares	54,761	56,518
Credit Union Protection Plan Shares	16,788	16,788
Stabilization Central Credit Union Shares	25	25
	<u>71,574</u>	<u>73,331</u>

The shares in Central 1 Credit Union and Stabilization Central Credit Union are held pursuant to the Financial Institutions Act and the Credit Union Incorporation Act.

CUMBERLAND & DISTRICT CREDIT UNION

Notes to Financial Statements

December 31, 2010

7. Property and Equipment:

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	95,674	-	95,674	-
Buildings	505,876	263,828	504,790	253,020
Computer equipment	315,131	299,884	315,131	293,350
Furniture and Fixtures	235,744	194,615	230,241	184,769
Computer Software	<u>44,549</u>	<u>44,549</u>	<u>44,549</u>	<u>41,540</u>
	<u>1,196,974</u>	<u>802,876</u>	<u>1,190,385</u>	<u>772,679</u>
Unamortized Cost		<u>394,098</u>		<u>417,706</u>

8. Members' Deposits:

	2010	2009
	\$	\$
Demand	6,660,269	7,132,224
Term Deposits	3,274,295	3,792,959
Registered Savings Plans	3,847,523	3,802,779
RRIF and LIF	509,336	503,059
Registered Education Savings Plans	94,939	100,224
Tax Free Savings Accounts	288,139	70,950
Accrued Interest	197,260	206,148
Non-Equity Shares	<u>6,430,632</u>	<u>5,987,696</u>
	<u>21,302,393</u>	<u>21,596,039</u>

The Credit Union Deposit Insurance Corporation, a governing corporation, guarantees all credit union deposits of up to an unlimited amount as defined by legislation.

9. Equity Shares:

Equity class shares are a requirement of membership. Redemption terms and conditions are determined by the directors of the credit union. Equity shares are not guaranteed by the Credit Union Deposit Insurance Corporation.

CUMBERLAND & DISTRICT CREDIT UNION

Notes to Financial Statements

December 31, 2010

10. Operating Expenses:

	<u>2010</u>	<u>2009</u>
	\$	\$
Advertising	15,099	12,005
Bank Charges and Interest	25,772	29,593
Data Processing	116,278	82,289
Insurance	14,125	14,337
Licences and Dues	18,801	20,554
Office and Sundry	31,428	24,640
Professional Fees	35,321	27,223
Property Taxes	13,000	12,397
Repairs and Maintenance	11,469	19,201
Stationery and Supplies	34,837	31,820
Telephone	<u>18,281</u>	<u>17,371</u>
	<u>334,411</u>	<u>291,430</u>

11. Dividends:

	<u>2010</u>	<u>2009</u>
	\$	\$
Non-Equity Shares - 0.3% (2009 - 0.5%)	17,521	33,787
Equity Shares - 2.3% (2009 - 2.5%)	<u>3,612</u>	<u>3,757</u>
	<u>21,133</u>	<u>37,544</u>

12. Provision for Income Taxes:

	<u>2010</u>	<u>2009</u>
	\$	\$
Current	<u>7,819</u>	<u>7,410</u>

Income tax expense is less than that calculated at general Canadian corporate income tax rates due to the small business tax rate available to credit unions.

CUMBERLAND & DISTRICT CREDIT UNION

Notes to Financial Statements

December 31, 2010

13. Commitments and Contingencies:

The credit union had the following outstanding commitments not reflected in the balance sheet at year end:

	<u>2010</u>	<u>2009</u>
	\$	\$
Letters of credit for members	1,500	1,500
Unadvanced loans and lines of credit	<u>1,021,208</u>	<u>1,055,585</u>
	<u>1,022,708</u>	<u>1,057,085</u>

14. Related Party Transactions:

At December 31, 2010 outstanding loans to directors, management and employees of the credit union amounted to \$1,561,740 (2009 - \$1,119,675). These loans have been advanced on similar terms and conditions as have been accorded to all members of the credit union.

15. Capital Requirements:

The Financial Institutions Act requires the credit union to maintain, at all times, a capital base that is adequate in relation to the business carried on. The level of capital required is based on a prescribed percentage of the total risk weighted assets. Each asset of the credit union is assigned a risk factor based on the probability that a loss may be incurred on the ultimate realization of that asset. At December 31, 2010 the total risk weighted equivalent value for the credit union was \$7,750,833 (2009- \$5,880,252).

According to the report filed with FICOM for December 2010, the credit union is in compliance with the Act and regulations regarding regulatory capital as indicated by the table below:

	<u>2010</u>	<u>2009</u>
	\$	\$
Members' capital account	164,129	159,938
Retained earnings	1,440,269	1,402,356
Deduction from capital	-	(6,017)
Total eligible secondary capital	<u>153,720</u>	<u>122,166</u>
Total regulatory capital	<u>1,758,118</u>	<u>1,678,443</u>
Percentage required	<u>8</u>	<u>8</u>
Capital Adequacy Percentage	<u>23</u>	<u>28</u>

CUMBERLAND & DISTRICT CREDIT UNION

Notes to Financial Statements

December 31, 2010

16. Registered Plans (RRSP, RRIF/LIF, RESP, TFSA):

The credit union has entered into an agreement with the Central 1 Credit Union whereby registered plan contributions are trusted by the Central 1 Credit Union but the credit union is responsible for all the general administration.

17. Risk Management:

a) Liquidity Risk

Liquidity risk is defined as the risk that the credit union will be unable to pay obligations when they fall due, become unable to repay depositors when funds are withdrawn, or become unable to meet commitments to lend money. The credit union manages liquidity risk by monitoring the maturity profiles of financial assets and liabilities and maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities.

b) Credit Risk

Credit risk is defined as the risk of financial loss due to a borrower failing to meet its obligations in accordance with contractual terms and arises from direct lending, trading and investment activities. Granting loans to members is one of the credit union's primary sources of income and the credit union grants credit after through consideration of a member's credit history, character, collateral, and capacity for debt. Members financial situations are monitored through the life of the loan and all current receivables are expected to be collected. Debt that appears to be in arrears is impaired to the extent that a loss is expected.

To manage credit risk, the credit union secures collateral against all types of loans. In the event that a member is unwilling or unable to meet their obligations as a borrower, security is liquidated to repay the obligation to the credit union. Collateral is taken on each loan funded with regard to the owner's overall credit worthiness including credit history, character, capacity for debt, and type of loan granted. Collateral is generally secured for each type of loan as follows:

Loan Type	Nature of collateral obtained
Mortgage	Mortgage loans are secured by real property. The credit union members generally have at least a 25% equity interest in the property being mortgaged.
Term Loans and Lines of Credit	Term loans and lines of credit are generally secured by assets. The credit union members generally have at least a 25% equity interest in these assets. Term loans and lines of credit can also be unsecured. The risk of these unsecured term loans and lines of credit are reflected in the rate of the loan.

CUMBERLAND & DISTRICT CREDIT UNION

Notes to Financial Statements

December 31, 2010

17. Risk Management (cont.):

c) Market Risk

Market risk is defined as the risk that the credit union's ability to meet business objectives will be adversely affected by volatility in market rates. The credit union manages market risk by attempting to match its interest bearing assets and liabilities. This is accomplished by setting product interest rates in such a way as to induce members of the credit union to make deposits for terms of the same length as most loans being made by the credit union. Management also regularly prepares schedules assessing the impact of potential or actual changes in rates.

d) Foreign Exchange Risk

Foreign exchange risk is defined as the risk that arises when there is a difference between assets and liabilities denominated in a foreign currency. In providing services to members, the Credit Union has assets and liabilities denominated in US dollars. The credit union manages foreign exchange risk by management monitoring the US asset account daily and monitoring the net difference between the US assets and liabilities weekly.

18. Interest Rate Sensitivity:

The credit union is exposed to interest rate risk as a consequence of the mismatch, or gap, between the assets, liabilities and off-balance sheet instruments scheduled to reprice on particular dates.

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within 3 months, regardless of maturity. Amounts that are not interest rate sensitive are grouped together regardless of maturity.

The table below does not incorporate management's expectation of future events where repricing maturity dates of certain loans and deposits differ significantly from contractual dates.

	Within 3 Months	4 Months to 1 Year	1 Year to 5 Years	Non-Interest Rate Sensitive	Total
	\$	\$	\$	\$	\$
Assets	3,295,420	5,853,369	12,685,889	1,147,982	<u>22,982,660</u>
Liabilities and Equity	<u>7,660,496</u>	<u>552,074</u>	<u>5,663,469</u>	<u>9,106,621</u>	<u>22,982,660</u>
2010	<u>(4,365,076)</u>	<u>5,301,295</u>	<u>7,022,420</u>	<u>(7,958,639)</u>	
2009	<u>(6,792,147)</u>	<u>1,522,714</u>	<u>5,029,210</u>	<u>240,223</u>	

CUMBERLAND & DISTRICT CREDIT UNION

Notes to Financial Statements

December 31, 2010

19. Fair Value of Financial Instruments:

The following table presents the fair values of the credit union's financial instruments. The fair values of financial assets and liabilities with fixed interest rates have been determined using discounted cash flow techniques based on interest rates being offered for similar types of assets and liabilities with similar terms and risks as at the balance sheet date. The fair values of financial assets and liabilities with floating interest rates are assumed to equal their book value, as the interest rates on these instruments automatically re-price to market rates. Fair values of other financial assets and liabilities are assumed to approximate their book values, primarily due to their short-term nature. Fair values have not been determined for capital assets or any other asset or liability that is not a financial instrument. Due to the judgment used in calculating fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based on market conditions at the balance sheet date and may not be reflective of future fair values.

	Book Value	Estimated Fair Value	2010 Favourable (Unfavourable)	2009 Favourable (Unfavourable)
	\$	\$	\$	\$
Cash Resources	4,115,324	4,120,850	5,526	6,450
Deposits	21,302,393	21,555,394	(253,001)	(309,694)
Loans	<u>18,382,814</u>	18,871,166	<u>488,352</u>	<u>596,346</u>
	<u>43,800,531</u>			
Fair Value Difference			<u>240,877</u>	<u>293,102</u>

The differences between the book and fair value of the credit union's financial instruments are due primarily to changes in interest rates. As the credit union normally expects to hold these instruments to maturity, book values have not been adjusted to reflect the differences.