

CASERA CREDIT UNION 2006 ANNUAL REPORT



# Success

Built on Neighbourhood Values

**Casera**  
CREDIT UNION  
*Your life. Your future.*

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# Inspiring Change

## Counting on Trusted Services

It was a year of transformation – a name change, a fresh identity, a footprint in a new neighbourhood. These challenging times were made easier by the continued trust of our members who rely on us daily to handle their personal finances and manage their collective stake in a growing business.

When there is clarity in your vision and strength in your values as a community-focused credit union, there is always opportunity. When there is encouragement from the people you trust, there is always inspiration.

# Vision and Values

Foundation for the Future

## VISION

To be a leader in providing a full range of financial and related services, meeting the ever-changing needs of the communities we serve.

## MISSION

To satisfy the ever-changing financial needs of its members, Casera Credit Union provides innovative financial products, enriched community support and exceptional member service.

## VALUES

### Our People:

#### *The Foundation of Our Success*

The satisfaction of our members is the number one priority of every employee. We take pride in exceeding members expectations with innovative financial solutions tailored to their individual needs.

We believe in fostering teamwork among our employees and encouraging them to creatively participate in the operation of our organization. We also believe in investing in the growth of our employees by providing training and career development opportunities.

### Caring for Our Community:

#### *Focused on Our Neighbourhoods*

As a respected and community-minded organization, we support programs that enhance the lives of our members and the community.

### Building and Moving Forward:

#### *Vision For the Future*

We are committed to responding to changes in the financial industry and delivering innovative products and services through listening to and anticipating member financial needs, embracing technology and maintaining solid working relationships with our business partners.

### Financial Strength:

#### *Stability and Security*

While maintaining the co-operative philosophy, we are committed to prudent management of our financial resources.

# Thriving Through Change

The Heart of Our Enterprise is Service

We operate in a changing financial landscape and not long ago the board of directors of Transcona Credit Union realized that to survive and thrive, significant changes to the organization were required. Between 2003 and 2005, the board worked through a number of scenarios for the future, and expansion beyond our traditional markets promised the most long-term growth and prosperity.

While changing our name and identity to Casera in 2006 certainly changed the face of our credit union, I'm proud to say that we've retained our corporate personality. We remain committed to face-to-face service, community support and financial stability,



**Dave Abel**, President, Board of Directors

and for that I'd like to personally thank the board of directors, management, staff and members. Your hard work and ongoing support has ensured that our time-honoured values and vision remain at the heart of our enterprise.



**Brent Thomas**, Chief Executive Officer

Accomplishing all that we did in 2006 and still maintaining the strength of our financial position is a testament to the vision of the board of directors, the day-to-day effort of staff and the abiding support of our mem-

bers. Logistics are nothing without dedicated and supportive people who understand the value of change and acknowledge the work that goes into achieving goals.

From January through September, we experienced an abundance of change – the launch of a new name and identity, a new branch expansion and the welcome of new staff – but these developments only enhanced our ability to serve. It is to the credit of our front-line people in every branch that Casera's growth remained constant throughout the period of change and experienced a surge in the last quarter. As a result of their good work, Casera is poised to continue growing in 2007.



*"At Casera we have a whole range of commercial services to meet the needs of any size business, but the bottom line is we treat our members like people, not customers."*

*Roy McDonald,  
Commercial Account Manager*

# Highlighting Our Financials

## Snapshot of Stability

### Strength Revealed

Net income was \$995,173, up 29.56% from 2005's \$774,040. Allocations of \$285,385 were paid to members for fiscal 2006 compared to \$375,000 paid in 2005.

### Solid Presence

Our equity position was further strengthened by \$987,462 to reach total equity of \$8,658,922 or 6.21% of assets compared to \$7,671,460 or 6.30% in 2005. Our equity is currently above the regulatory requirement of 5%.

### Shares Approved

The board of directors declared an allocation of \$285,385 to members in the form of cash dividends. A total of \$85,385 was paid out as a share dividend and \$200,000 paid out as a patronage refund, bringing the total dollar amount paid to members, to date, over \$2.7 million.

### Growing Assets

Assets grew by \$17,518,351 or 14.37% to reach \$139,361,749 at December 31, 2006.

### Essential Operation

Net operating expenses increased by 15.45% to \$2,236,923 compared to \$1,937,456 in 2005. This increase is attributable to a rise in operating expenses of \$353,526 or 9.51% coupled with non-interest income increasing by \$54,058 or 3.04%.

### Loan Growth

Member loans at December 31, 2006 were \$124,141,540, an increase of 13.61% from \$109,260,862 in 2005. There was no major change in our loan mix with residential mortgages representing 78.21% of our loans portfolio. Loans represented 89.07% of assets at December 31, 2006.

A provision for impaired loans was set up for \$36,000 compared to \$91,612 in 2005. The allowance for doubtful loans was \$214,653 down from \$227,776 in 2005. Loans written-off were \$49,123 compared to \$349,778 in 2005.

### Enhanced Deposits

Member deposits at December 31, 2006 were \$128,192,724, an increase of 16.83% from \$109,260,862 in 2005. There was no major change in our deposit mix with the majority of member deposits held in term deposits.

### Efficiencies Sought

We continue to focus on achieving a lower efficiency ratio (operating expenses as a percentage of total revenues net of cost of funds). Our efficiency ratio was 74.87% in 2006 compared to 73.65% in 2005.



*"Throughout my 32 years here, we've always tried to treat our members as people, not just account numbers. In return, our members see us as people and not just employees."*

*Marlene Bach,  
Manager, Finance & Administration*

# Expanding Strategically

Ensuring Success Through Relationships



Events during Member Appreciation Week, held between September 18 and 23, 2006, heralded the official launch of Casera Credit Union. A full week of activities focused on promoting the new brand and thanking members for their patience during the changeover from Transcona Credit Union.

Since 1951, Transcona Credit Union offered exceptional service and a deep commitment to the neighbourhoods it did business in. That its success was based on the relationships it sustained with members was not overlooked when TCU's board of directors and managers met in 2003 to plot the credit union's future.

The financial industry was changing and TCU's stable growth enabled it to consider growing within its existing market and expanding to other parts of the city where it could duplicate the success it enjoyed in Transcona. The Southglen neighbourhood of St. Vital presented an ideal site and over the next three years, strategies were devised and due diligence conducted to ensure a successful development of a new branch.

## Enhancing Our Presence

At a special meeting in June, members of Transcona Credit Union voted to change the organization's name to Casera Credit Union. A marketing study had shown that a non-geographic name and new identity would help enhance the credit union's emerging city-wide presence and contribute to long-term success in the marketplace.

Casera is unique and derived from the Spanish word 'casa' which means home. The graphic ribbon in the logo represents a thread of continuity aimed confidently at the future. The new slogan: 'Your Life. Your Future,' speaks directly to our most important asset – our members.



*"Casera offers an advantage because we can customize options to the member's individual investment needs. As a result, there's more flexibility to do something special with their portfolios."*

*Pat Schmeichel,  
Mutual Fund Investment Specialist*

# Breaking New Ground

## Success in St. Vital



Casera's third branch marked the first time the credit union stepped outside its traditional Transcona market. The facility quickly gained acceptance on the strength of Casera's time-honoured personal service and a sincere commitment to helping St. Vital neighbourhoods prosper.

Through in-depth research, the Southglen area of south St. Vital was identified as a prime location for expansion outside Transcona Credit Union's traditional geographic market. With its burgeoning residential neighbourhoods and solid commercial base, the locale was deemed well-suited to a community-based, member-focused credit union. Members voted in January 2006, to approve development of the new branch at the corner of St. Anne's Road and Southglen Boulevard.

Ground was broken for the new branch at 720 St. Anne's Road on June 13, 2006. The branch opened its doors for business nearly six months later, on December 4, 2006. The facility, located at the Southglen Shopping Centre, features 4,000 square feet of space, easy access, ample parking and in-branch and drive-thru ATMs. The branch was promoted to the community as offering 'full service financial solutions close to home' and was immediately accepted by a wealth of new members.

The expansion and subsequent growth positions Casera for the future by increasing the credit union's revenue base. This will allow us to invest in new technologies and employee training, developments that will enhance product lines and day-to-day service.



*Board of Directors LR – John Goffried, Ian Blomeley, Martin Johnson, Barb Anderson, Grace Page, Dave Abel, Bev Lafrance, Tim Kendall, Gary Esslinger*



*Corporate Administration Team LR – Bev Self, Marlene Bach, Karen Robertson, Brent Thomas*

# Maintaining Stability

Focused on Managing Change



Guided by the vision to build an innovative credit union around the values of capable people, community involvement, corporate foresight and financial strength, Casera's board of directors steered the credit union through 12 months of momentous change.

In a year of extraordinary change, the board of directors maintained its commitment to governing our credit union within the standards of sound business practices for Manitoba's credit unions. Contending with industry-wide transformations, regulatory changes and the internal issues of branch expansion and corporate rebranding, Casera's board remained focused on managing and protecting member assets. Their collective work helped our credit union sustain financial stability, reinforce corporate integrity, determine strategic direction and recruit qualified board candidates.

Throughout the year, the board met regularly as a team and in four active sub-committees – executive, audit, policy and nominating – to provide ongoing support and counsel to management, oversee internal auditing, manage credit union policy and strengthen its own administrative capabilities.

## Reaffirming Our Reputation

Throughout the year, Casera's dedicated team of managers and administrators met the challenges of an expanding credit union by maintaining rigorous standards of service and building a strong team of employees to meet the growing needs of its membership. Their day-to-day attention to details minimized the impact of change and reaffirmed the organization's reputation for exceeding members' expectations.



*PLESSIS BRANCH, LR – Becky Differ, Jennifer Morrison, Serena Streilein, Sarah Belanger, Crystal Kasper, Judy Wegner, Doloreen Hector, Tania Thomasson, Breanne Hawes, Charleen Stockes, Gina Kothlow, Terry Jones, Fran Labarre, Heather Dufresne, Jarrett Petit, Loretta Wallace, Lynn Novakoski, Cindy Smith, Lindsay Miller*



*KILDARE BRANCH, LR – Carley Smith, Kristy Hayden, Janice Matheson, Kristyn James, Jayme Marien, Joanne Prosolowski, Sue Schille, Evelyn Kouk, Karen Hainstock, Tracey Armour, Nicole Moist, Elaine Banman, Sharon Slater, Roy McDonald*



*ST. ANNE'S BRANCH, LR – Heather Shurvell, Jason Klassen, Shirley Konowalchuk, Kim Podolsky, Kathy Lemky, Pat Schmeichel, Ryan Carevic*

# Building a Foundation

Dedicated to Enriching Our Service



Because member satisfaction is the first priority of Casera employees, it remains vital that our staff explore ways to learn more about the value of member service. In 2006, our staff participated in online courses and seminars to upgrade their skills.

In 2006, our branch expansion and subsequent extension of vital services gave us the opportunity to promote some of our employees and hire several others. As a result, we were able to retain our staff while complementing them with a group of experienced and eager new employees.

The foundation of Casera Credit Union has always been its people. It is a testament to the hard work of our staff that we have maintained our reputation for friendly, professional service. In an era of depersonalized banking, Casera has reaffirmed its commitment to face-to-face, personalized service.

## Exploring Opportunities

To maintain our high standards of service, we remained committed to training our entire staff and encouraging them to develop their careers through specialized development programs. Casera employees, managers and directors participated in accredited online and seminar-training courses offered by the Credit Union Institute of Canada (CUIC).

Utilizing CUIC's Internet-based training network, CUSource, Casera staff accessed a wide variety of study programs in general business, management studies, sales and service, lending, financial management, marketing, wealth management, human resources and information systems. Our employees' commitment to exploring educational opportunities has raised their knowledge, increased their expertise and raised our overall levels of member service.



*"Our kids are our future members and with educational programs like Titan Credit Union, they learn how to be leaders of tomorrow. Over the years we've hired several students who have gone on to enjoy careers inspired by their Titan experience."*

*Karen Robertson,  
Marketing Coordinator*

# Inspiring Youth

## Teaching Cooperative Values



Casera Credit Union was awarded the Manitoba Cooperative Association's Youth Leadership Award for its work with high school students at Transcona Collegiate Institute. With Casera's assistance, students learn about the value and operations of credit unions.

For its innovative work mentoring young people at Transcona Collegiate Institute, Casera Credit Union received the Manitoba Cooperative Association's first ever Youth Leadership Award. The award, presented in October 2006, recognizes Casera's pioneering development of Titan Credit Union, a unique, business-education partnership that teaches cooperative values, develops teamwork and provides leadership opportunities for student-members. Participating students also have access to scholarship and bursary opportunities.

Established in 1997, Titan Credit Union is operated by students who are elected by their peers to a board of directors who in turn hire students to operate the branch. In association with an overseeing teacher, Casera staff members offer classes on the roles and responsibilities of board members, the differences between credit unions and banks and day-to-day operating procedures.

Over the years, our staff has worked closely with other Canadian credit unions to implement similar models in their community schools.

### Rewarding Scholastic Success

Every year, Casera Credit Union awards bursaries to promising graduating students of area high schools. In 2006, nine promising students received a total of \$4,500 in Casera Credit Union Memorial Bursaries.



*"I joined the Casera team this year but I've been a member since I was 15 years-old. I'm excited about the future because I enjoy working with people and the members I meet make it a fun job."*

*Jennifer Morrison,  
Member Service Representative*

# Embracing Technology

## Electronic Banking Offers Convenience



Utilizing state-of-the-art technology helps raise the public profile of Casera's branches. Now, through continuously changing video messaging, Casera rates and campaign promotions can reach members and potential members.

Casera members continued to embrace the convenience of Internet banking in 2006. Forty-four percent of our membership (up from 39 percent in 2005) is registered with CU@Home, the credit union's online electronic banking system that lets members check balances, pay bills and gather information from individual accounts. Out of all Manitoba credit unions, Casera ranks third in percentage of members signed up.

### Increasing Awareness

Developing a new name and fresh identity enhanced opportunities to market Casera's products and services. Our three branches were outfitted with energy-efficient LED signs that improve message visibility and increase awareness of Casera's product offerings. Investing in the technology adds another layer to our marketing, allowing us to reach members and non-members with high-resolution, 24-hour video messaging.

### Accessing Casera

The rebranding of Casera helped us enrich our marketing through an updated, interactive website – [www.caseracu.ca](http://www.caseracu.ca) – that promotes our products and services, offers invaluable information and provides access to more than 20 helpful life events calculators.



*"Because our employees are the key to our credit union's growth, we offer them the guidance and support they need to succeed. We're committed to helping them become the face of Casera's future."*

*Evelyn Kouk,  
Branch Manager*

# Strengthening Community

Committed to Enhancing Members' Lives



Cultivating a leadership role in the community is important to the long-term success of Casera.

Sponsoring a digital sign on Regent Avenue reflects our commitment to the neighbourhoods we do business in and provides prime exposure on a busy thoroughway.

A commitment to community is important to the growth and sustainability of Casera Credit Union. By supporting the neighbourhoods we do business in, we are enhancing the lives of our members and strengthening the values of our own organization.

As an area business leader and member of the Transcona BIZ (Business Improvement Zone), Casera Credit Union was a major sponsor of the organization's new digital reader board. Erected on the south side of Regent Avenue, the sign welcomes visitors to Transcona and prominently features the Casera brand.

To help raise money for L'Arche Winnipeg's quest to upgrade housing and improve the quality of life for people with developmental disabilities, Casera supported the group's annual Walk with L'Arche. On May 6, 2006, a number of Casera staff volunteered at the registration table for the recreational walk at Kern Park in Transcona.

Casera continued to support the United Way with 100 percent staff participation in the 2006 campaign. We also helped sponsor Transcona's Hi Neighbour Festival, an event that has become an annual highlight of Casera's community activities. Our staff maintained a holiday tradition by wrapping gifts at Kildonan Place in support of breast cancer research. Casera also supported a student snack program at Bernie Wolfe Community School, created hampers for the Christmas Cheer Board and continued to support the Transcona Food Bank.

# Financial Statements

For the year ended December 31, 2006

## AUDITORS' REPORT

To the Members of  
CASERA CREDIT UNION LIMITED:

We have audited the balance sheet of CASERA CREDIT UNION LIMITED as at December 31, 2006 and the statements of income, retained surplus 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 December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2005 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated February 10, 2006.



Chartered Accountants

Winnipeg, Manitoba  
February 9, 2007

## Balance Sheet

December 31

### Assets

**Funds on hand and on deposit**  
**Investments** (Note 2)  
**Loans to members** (Note 3)  
**Capital assets** (Note 4)  
**Other assets** (Note 5)

	2006	2005
	\$ 864,709	\$ 546,613
	11,015,456	9,472,982
	124,141,540	109,260,862
	2,254,367	1,727,357
	1,085,677	835,584
	<b>\$ 139,361,749</b>	<b>\$ 121,843,398</b>

### Liabilities and Members' Capital

**Members' deposits** (Note 6)  
**Borrowings** (Note 7)  
**Accounts payable** (Note 8)

	\$ 128,192,724	\$ 109,721,250
	1,078,897	3,562,904
	1,431,206	887,784
	<b>130,702,827</b>	<b>114,171,938</b>

### Members' Capital

**Members' shares** (Note 9)  
**Retained surplus** (Note 10)

	2,027,329	1,964,700
	6,631,593	5,706,760
	<b>8,658,922</b>	<b>7,671,460</b>
	<b>\$ 139,361,749</b>	<b>\$ 121,843,398</b>

Approved on behalf of the Board:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## Statement of Income

For the year ended December 31

	2006	2005
<b>Revenue</b>		
Interest on loans to members		
Personal	\$ 6,265,123	\$ 5,339,809
Commercial	529,710	482,051
	<b>6,794,833</b>	5,821,860
Investment income	487,676	252,777
	<b>7,282,509</b>	6,074,637
<b>Cost of Funds</b>		
Interest paid to members	3,473,796	2,772,877
Interest on borrowings	206,588	35,752
	<b>3,680,384</b>	2,808,629
<b>Financial margin</b>	<b>3,602,125</b>	3,266,008
<b>Operating Expenses</b>		
Personnel	1,621,258	1,442,035
Administrative	1,512,815	1,425,265
Occupancy	617,588	566,744
Member security	181,383	153,016
Organizational	134,532	126,990
<b>Gross operating expenses</b>	<b>4,067,576</b>	3,714,050
<b>Less other income</b>	<b>1,830,653</b>	1,776,594
<b>Net operating expenses</b>	<b>2,236,923</b>	1,937,456
<b>Gross operating income</b>	<b>1,365,202</b>	1,328,552
<b>Provision for impaired loans</b> (Note 3)	<b>36,000</b>	91,612
<b>Income before patronage refund and income taxes</b>	<b>1,329,202</b>	1,236,940
<b>Patronage refund</b> (Note 16)	<b>200,000</b>	293,000
<b>Income before income taxes</b>	<b>1,129,202</b>	943,940
<b>Provision for income taxes</b> (Notes 16 and 17)	<b>134,029</b>	169,900
<b>Net income for the year</b>	<b>\$ 995,173</b>	\$ 774,040

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## Statement of Retained Surplus

For the year ended December 31

	2006	2005
<b>Retained surplus</b> , beginning of year	<b>\$ 5,706,760</b>	\$ 4,999,820
<b>Net income for the year</b>	<b>995,173</b>	774,040
	<b>6,701,933</b>	5,773,860
Dividends on common shares - net of income tax recovery of \$15,045 (2005 - \$14,900) (Note 16)	<b>70,340</b>	67,100
<b>Retained surplus</b> , end of year	<b>\$ 6,631,593</b>	\$ 5,706,760

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## Statement of Cash Flows

For the year ended December 31

	2006	2005
<b>Cash Flows from Operating Activities</b>		
Net income for the year	\$ 995,173	\$ 774,040
Adjustments for		
Amortization	243,751	230,217
Provision for impaired loans	36,000	91,612
Loss on disposal of capital assets	25,452	740
Accrued interest receivable	(42,149)	(12,806)
Accrued interest payable	190,235	35,879
Income taxes receivable (payable)	(44,737)	36,534
Future income taxes payable	(35,408)	-
Other items, net	388,519	(35,018)
	<b>1,756,836</b>	1,121,198
<b>Cash Flows from Financing Activities</b>		
Members' deposits, net of withdrawals	18,281,239	7,915,102
Issue of common shares, net of redemptions	53,373	56,573
Issue of surplus shares, net of redemptions	9,256	16,863
Dividends on shares	(85,385)	(82,000)
Borrowings	(2,484,007)	3,562,904
	<b>15,774,476</b>	11,469,442
<b>Cash Flows from Investing Activities</b>		
Loans to members, net of repayments	(14,879,923)	(11,479,000)
Net increase in investments	(1,537,080)	(1,987,294)
Net purchase of capital assets	(796,213)	(382,860)
	<b>(17,213,216)</b>	(13,849,154)
<b>Net increase (decrease) in funds on hand and on deposit</b>	<b>318,096</b>	(1,258,514)
<b>Funds on hand and on deposit, beginning of year</b>	<b>546,613</b>	1,805,127
<b>Funds on hand and on deposit, end of year</b>	<b>\$ 864,709</b>	\$ 546,613
<b>Supplementary Information:</b>		
Interest received	\$ 7,240,360	\$ 6,061,831
Interest paid	3,490,149	2,772,750
Income taxes paid	214,174	133,366

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## Summary of Significant Accounting Policies

December 31, 2006

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

### Loans to Members

Loans are carried at the unpaid principal plus accrued interest, less allowances for impaired loans. Loans considered uncollectible are written-off. Recoveries on loans previously written-off are taken into income.

### Allowance for Impaired Loans

The allowance for impaired loans is maintained at a level considered adequate to absorb credit losses existing in the Credit Union's portfolio. The allowance is increased by an annual provision for impaired loans which is charged against income and is reduced by write-offs.

The Credit Union maintains specific allowances for impaired loans that reduce the carrying value of loans identified as impaired to their estimated realizable amounts.

- Casera Credit Union Limited includes in impaired loans (see Note 3), all loans where a payment is 90 days or greater in arrears plus any other loans where, in management's view, there is no longer reasonable assurance of timely collection of the full amount of principal and interest in accordance with the terms of the loan agreement.
- Estimated realizable amounts are determined by discounting the expected cash flows at the effective interest rate inherent in the loan. If cash flows cannot be reasonably estimated, the fair value of any underlying security, net of expected realization costs, or an estimate of market price for the loan is used.

In addition to specific allowances against identified impaired loans, the Credit Union maintains a non-specific allowance to cover impairment which is inherent in the loan portfolio and is estimated based upon historical loss experience and prevailing economic conditions.

### Revenue Recognition

Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest income ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for impaired loans as an adjustment of the specific allowance.

Investment income is recorded as income on an accrual basis, except as it relates to adjustments in the rates received from Credit Union Central, these are recorded when payment is received.

Other Income is recorded as income as it becomes receivable, or as the Credit Union becomes aware of the income to be recorded.

### Investments

Investments in securities are carried at the lower of cost or amortized cost, adjusted to recognize other than temporary impairment in the underlying value. They are purchased with the intention to hold them to maturity, or until market conditions cause alternative investments to become more attractive. Gains and losses on disposal of securities are included in income in the year in which they occur.

## Summary of Significant Accounting Policies

December 31, 2006

### Amortization - Capital Assets

All capital assets acquired during the fiscal year ended December 31, 2006, have been reflected in the accounts at actual cost. Amortization of \$164,071 charged to the 2006 operations of the Credit Union has been calculated using the straight-line basis over the following terms:

Buildings	40 years
Computer equipment	3 - 5 years
Furniture and equipment	5 - 10 years
Security equipment	5 - 40 years
Signage	10 years
Property improvements	15 years

Leasehold improvements are amortized using the straight-line method over the remaining life of the lease and the first renewal option.

### Use of Estimates

The preparation of financial statements in conformity 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 reported period. Actual results may differ from management's best estimates as additional information becomes available in the future.

### Income Taxes

Casera Credit Union follows the liability method of accounting for income taxes. Future income tax assets and liabilities are computed based on differences between the carrying amount of assets or liabilities on the balance sheet and their corresponding tax values using the enacted income tax rates at each balance sheet date.

The valuation of future income tax assets is reviewed annually and adjusted, if necessary, to reflect the estimated realizable amount.

Net future income tax assets or liabilities are reflected in other assets or other liabilities, as appropriate.

### Translation of Foreign Currencies

Cash resources and deposits denominated in foreign currencies are translated into Canadian dollars at the rates prevailing on the balance sheet date. Realized gains and losses are recorded at the rates prevailing at the time of the transaction. Unrealized gains and losses are recorded at the rates prevailing on the balance sheet date.

## Notes to Financial Statements

December 31, 2006

### 1. Nature of Operations

The Credit Union was formed pursuant to the Credit Unions and Caisses Populaires Act of the Province of Manitoba and operates three branches in the city of Winnipeg.

On June 20, 2006, the members of Transcona Credit Union voted to change the name of the Credit Union to reflect its core values and its expansion outside its traditional geographic market. The name change to Casera Credit Union took effect on September 18, 2006.

### 2. Investments

	2006	2005
Credit Union Central of Manitoba Limited		
Shares	\$ 485,227	\$ 448,147
Deposits (mature within one year)	10,500,000	9,000,000
Accrued interest	30,229	24,835
	<b>\$ 11,015,456</b>	<b>\$ 9,472,982</b>

Investments are stated at original cost. As the shares held in the Credit Union Central of Manitoba are not publicly traded, they are valued at par. The deposits in the Credit Union Central of Manitoba are also valued at par.

### 3. Loans to Members

Loans to members are presented net of allowances for impaired loans. The allowance totals \$214,653 and consists of \$49,678 for specific loans considered impaired and \$164,975 as non-specific:

	2006		2005	
	Gross Loan Balances	Specific and Non-Specific Allowances	Gross Loan Balances	Specific and Non-Specific Allowances
Personal				
Real estate	\$ 92,964,647	\$ 171,452	\$ 78,360,713	\$ 131,136
Non real estate	23,028,563	30,602	22,665,232	85,401
Commercial				
Real estate	4,301,456	5,716	6,063,176	5,447
Non real estate	3,850,129	6,883	2,224,874	5,792
Accrued interest	211,398	-	174,643	-
	<b>\$ 124,356,193</b>	<b>\$ 214,653</b>	<b>\$ 109,488,638</b>	<b>\$ 227,776</b>
Net loan balance		<b>\$ 124,141,540</b>		<b>\$ 109,260,862</b>

## Notes to Financial Statements

December 31, 2006

### 3. Loans to Members (Continued)

The following schedule provides the amount of impaired loans in each of the major loan categories together with the specific loan allowances relating to these loans:

	2006		2005	
	Impaired Loan Balances	Specific Allowance	Impaired Loan Balances	Specific Allowance
Personal				
Real estate	\$ 62,117	\$ -	\$ 251,158	\$ 3,203
Non real estate	71,444	47,911	108,133	48,397
Commercial				
Non real estate	1,777	1,767	4,121	3,793
	<b>\$ 135,338</b>	<b>\$ 49,678</b>	<b>\$ 363,412</b>	<b>\$ 55,393</b>
Net impaired loan balances		<b>\$ 85,660</b>		<b>\$ 308,019</b>

The following schedule provides the activity through the allowance for impaired loans during the year:

	2006	2005
Balance, beginning of year	\$ 227,776	\$ 485,942
Provision for impaired loans	36,000	91,612
	<b>263,776</b>	577,554
Members' loans written-off	49,123	349,778
Balance, end of year	<b>\$ 214,653</b>	\$ 227,776

During the year, the Credit Union recovered \$156 of loans previously written-off (2005 - \$3,501) which is included as part of other income on the Statement of Income.

## Notes to Financial Statements

December 31, 2006

### 4. Capital Assets

	2006		2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 40,724	\$ -	\$ 40,724	\$ -
Buildings	675,696	451,614	675,696	434,701
Furniture and equipment	930,672	398,574	740,267	336,255
Computer equipment	543,069	386,935	470,038	326,218
Security equipment	269,349	108,077	173,377	99,487
Signage	232,423	5,519	63,923	33,695
Leasehold improvements	720,213	222,802	514,724	184,796
Property improvements	744,688	328,946	742,564	278,805
	<b>\$ 4,156,834</b>	<b>\$ 1,902,467</b>	<b>\$ 3,421,313</b>	<b>\$ 1,693,956</b>
Cost less accumulated amortization		<b>\$ 2,254,367</b>		<b>\$ 1,727,357</b>

### 5. Other Assets

	2006	2005
Accounts receivable	\$ 80,054	\$ 181,702
Prepaid advertising	57,151	2,789
Prepaid expenses	627,891	589,768
Prepaid license fees (Note 12)	206,351	-
Other current assets	97,173	61,325
Income taxes recoverable	17,057	-
	<b>\$ 1,085,677</b>	<b>\$ 835,584</b>

### 6. Members' Deposits

	2006	2005
Chequing accounts	\$ 15,618,472	\$ 15,163,273
Savings accounts	32,868,921	14,725,336
Term deposits	43,404,079	46,915,805
Registered retirement savings plans	21,893,728	20,143,138
Registered retirement income funds	12,940,295	11,496,704
	<b>126,725,495</b>	<b>108,444,256</b>
Accrued interest	1,467,229	1,276,994
	<b>\$ 128,192,724</b>	<b>\$ 109,721,250</b>

## Notes to Financial Statements

December 31, 2006

### 7. Borrowings

The Credit Union has approved lines of credit with Credit Union Central of Manitoba equal to 15% of its members' deposits. For the current year, this amounts to \$19.2 million. These accommodations are secured by an assignment of shares and deposits in Credit Union Central of Manitoba Limited and a general assignment of loans receivable from members. The balance outstanding at 2006 was \$1,078,897 (2005 - \$3,562,904).

### 8. Accounts Payable

	2006	2005
Accrued expenses and trade accounts	\$ 922,789	\$ 656,740
Certified cheques, money orders and travellers cheques outstanding	472,825	132,364
Future income taxes payable	35,592	71,000
Current income taxes payable	-	27,680
	<b>\$ 1,431,206</b>	<b>\$ 887,784</b>

### 9. Members' Shares

	2006		2005	
	Common Shares	Surplus Shares	Common Shares	Surplus Shares
Balance, beginning of year	1,022,079	942,621	965,505	925,759
Shares issued	212,919	48,291	118,625	42,643
Shares redeemed	(159,546)	(39,035)	(62,051)	(25,781)
Balance, end of year	<b>1,075,452</b>	<b>951,877</b>	1,022,079	942,621
Members' shares		<b>2,027,329</b>		1,964,700

Each member of the Credit Union must purchase a minimum of one common share. No member may hold more than 10% of the issued shares in any class. Each member of the Credit Union has one vote, regardless of the number of shares that a member holds.

#### Common shares

Authorized common share capital consists of an unlimited number of common shares, with an issue price per share to be not less than \$5 and redeemable in the amount of consideration received for the share. The total amount of common shares purchased or redeemed by the Credit Union in a fiscal year shall not exceed the total amount of common shares issued in that year if the Credit Union's equity is, or would by such purchase or redemption be, less than 5% of the Credit Union's assets.

#### Surplus shares

Authorized surplus share capital consists of unlimited number of surplus shares, with an issue price per share of \$1 and redeemable at \$1 per share. The total amount of surplus shares purchased or redeemed by the Credit Union in a fiscal year shall not exceed 5% of the amount of surplus shares outstanding at the last fiscal year end of the Credit Union if the Credit Union's equity is, or would by such purchase or redemption be, less than 5% of the Credit Union's assets.

## Notes to Financial Statements

December 31, 2006

### 10. Capital Requirement

Regulations under the Credit Unions and Caisses Populaires Act require that the Credit Union establish and maintain a level of capital that meets or exceeds the following:

- total members' capital as shown on the balance sheet shall not be less than 5% of the book value of all assets
- retained surplus shall not be less than 3% of the book value of assets
- capital calculated in accordance with the Act shall not be less than 8% of the risk-weighted value of its assets.

As at December 31, 2006, the Credit Union has members' capital of 6.21% of its total assets (2005 - 6.30%) and retained surplus of 4.76% of total assets (2005 - 4.68%). All of the above requirements have been met by the Credit Union.

### 11. Liquidity Requirement

Provisions of the Credit Union and Caisses Populaires Act require the Credit Union to maintain a certain amount of liquid assets in order to meet member withdrawals.

As at December 31, 2006, the position of the Credit Union is as follows:

Qualifying liquid assets on hand	\$ 10,927,679
Total liquidity requirement	<u>10,341,730</u>
Excess of liquidity requirement	<u>\$ 585,949</u>

## Notes to Financial Statements

December 31, 2006

### 12. Future Commitments

#### Members' loans

The Credit Union had made commitments to members for loans that had not been disbursed by 2006 in the approximate amount of \$1,763,380. In addition, the unutilized portions of lines of credit extended to members as at December 31, 2006 were \$9,428,191. The Credit Union also had made commitments to members for unexpired letters of credit in the amount of \$38,500 as at December 31, 2006.

The Credit Union has entered into operating leases for its branches. The following are the minimum lease payments required:

2007	\$ 205,154
2008	202,922
2009	199,922
2010	199,258
2011	199,258

The Credit Union has agreed to sponsor East Winnipeg Sports Association for \$100,000 for the construction of Buhler Recreation Park. At December 31, 2006, the Credit Union has paid \$50,000. The remaining amount is expected to be paid in installments of \$25,000 per year for the next two years.

#### Banking System

The Credit Union has made a commitment to Celero Solutions Inc. to participate in a new banking system. The Credit Union has paid a one-time license fee of \$206,351 and is committed to pay an implementation fee of approximately \$313,375 and an annual operating fee, which will be determined each year based on a prescribed formula.

### 13. Transactions with Related Parties

#### Related parties

Related parties include all members of the Credit Union (including directors, committee members, management and staff), Credit Union Central of Manitoba, The Credit Union Deposit Guarantee Corporation and Celero Solutions. Transactions with these parties account for the majority of operations of the Credit Union.

Other transactions with these parties are summarized as follows:

#### The Credit Union Deposit Guarantee Corporation

The Credit Union Deposit Guarantee Corporation was created under the Credit Unions and Caisses Populaires Act for the purposes of guaranteeing deposits in Manitoba credit unions, and promoting sound business practices in credit unions.

The payments made to the Corporation during the year ended December 31, 2006 represent the statutory annual assessment in the amount of \$145,469 (2005 - \$120,284).

## Notes to Financial Statements

December 31, 2006

### 13. Transactions with Related Parties (Continued)

#### Credit Union Central of Manitoba Limited

The Credit Union is a member of Credit Union Central of Manitoba, which provides banking and other services to Credit Unions in Manitoba.

Details of investments in Credit Union Central of Manitoba are shown in Note 2. Interest earned on these investments during the year amounted to \$487,676 (2005 - \$252,777).

Details of approved lines of credit with Credit Union Central of Manitoba are shown in Note 11. Interest paid on borrowings during the year amounted to \$206,588 (2005 - \$35,752).

Payments made to Credit Union Central of Manitoba during the year ended 2006 for affiliation dues and cheque clearing totalled \$142,061 (2005 - \$140,187).

#### Celero Solutions

The Credit Union has entered into an agreement with Celero Solutions to provide the delivery of some banking system services and the maintenance of the infra structure needed to ensure uninterrupted delivery of such services. Celero Solutions is a company formed as a joint venture by the Credit Union Centrals of Alberta, Saskatchewan and Manitoba along with Concentra Financial and Credit Union Electronic Transaction Services. Payments made to Celero Solutions during the year ended December 31, 2006 for these services totalled \$336,529 (2005 - \$325,880).

During the year, the Credit Union made the following payments to the directors and officers of the Credit Union for expenses associated with the performance of their duties:

	<b>2006</b>		2005
Honouraria and per diems	<b>\$ 8,280</b>	\$	7,500
Training and conference costs	<b>19,104</b>		17,360
	<b>\$ 27,384</b>	\$	24,860

During the year, all loans, deposits and fees that were paid to, received from, or charged to the directors or officers or persons in whom any of them has a material interest during the year conform to the Credit Union's ordinary practices for members who are not directors or officers.

At December 31, 2006, outstanding loans to directors, committee members, management and staff totalled 2.21%, in aggregate, of the assets of the Credit Union.

## Notes to Financial Statements

December 31, 2006

### 14. Asset/Liability Management

The Credit Union has established policies and related reporting to manage its exposure to fluctuating interest rates (referred to as interest rate risk) and to movements in foreign exchange rates (referred to as foreign exchange risk).

In the absence of these policies, the Credit Union's earnings would be impacted, either positively or negatively, as interest and exchange rates change. Additionally, the Credit Union is potentially exposed to financial loss resulting from the failure of a party to fully honour its financial or contractual obligations (referred to as credit risk).

#### Interest rate risk

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and members loans and interest paid on member deposits.

The objective of "interest rate sensitivity" management is to match interest-sensitive assets with interest-sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates. The following schedule shows the Credit Union's sensitivity to interest rate changes:

Interest Repricing Period	Average Interest Rate (%)		Asset/Liability Gap		
	Assets	Liabilities/ Members' Equity	Average Interest Rate (%)	Asset/Liability Gap	
0 to 6 months	\$ 45,330,128	6.70	\$ 61,151,724	2.10	\$ (15,821,596)
7 to 12 months	3,946,040	5.80	14,674,483	4.00	(10,728,443)
1 to 2 years	12,790,267	5.20	13,243,560	4.10	(453,293)
2 to 3 years	12,325,403	5.50	10,182,649	4.20	2,142,754
3 to 4 years	21,164,042	5.40	13,177,868	4.10	7,986,174
4 to 5 years	38,582,225	5.40	15,365,254	4.90	23,216,971
Over 5 years	852,052	5.80	8,983	-	843,069
	\$ 134,990,157		\$ 127,804,521		\$ 7,185,636
Not interest sensitive	4,371,592		11,557,228		(7,185,636)
	\$ 139,361,749		\$ 139,361,749		\$ -

Amounts with floating (including adjustable) interest rates, or due on demand, are classified as variable rate products maturing in under one year, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity.

A significant amount of loans and deposits can be settled before maturity on payment of a penalty. No adjustment has been made for repayments that may occur prior to maturity.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Credit Union Deposit Guarantee Corporation in accordance with the Credit Union's matching policy. This policy has been approved by the board of directors and filed with the Credit Union Deposit Guarantee Corporation as required by Credit Union regulations. For the year ended 2006, the Credit Union was in compliance with this policy.

## Notes to Financial Statements

December 31, 2006

### 15. Fair Value of Financial Assets and Liabilities

The following table represents the fair values of on and off balance sheet financial instruments of Casera Credit Union at December 31, 2006.

(in thousands)	2006			2005		
	Book Value	Fair Value	Excess over Book Value	Book Value	Fair Value	Excess over Book Value
<b>Assets</b>						
Funds on deposit	\$ 864,709	\$ 864,709	\$ -	\$ 546,613	\$ 546,613	\$ -
Investments	11,015,456	11,015,456	-	9,472,982	9,472,982	-
Loans to members	124,141,540	126,620,899	2,479,359	109,260,862	112,232,025	2,971,163
Other assets	179,239	179,239	-	243,027	243,027	-
<b>Liabilities</b>						
Members' deposits	128,192,724	130,871,418	2,678,694	109,721,250	109,835,071	113,821
Borrowings	1,078,897	1,078,897	-	3,562,904	3,562,904	-
Other liabilities	1,431,206	1,431,206	-	887,784	887,784	-

Differences between book value and fair value of the investments, loans, deposits and other financial assets and liabilities are caused by differences between the interest rate obtained at the time of the original investment, loan or deposit and the current rate for the same product. While fair value amounts are intended to represent estimates of the amounts at which assets and liabilities could be exchanged in a current transaction between willing parties, the Credit Union normally holds all of its fixed term investments, loans and deposits to their maturity date. Consequently, the fair values presented are estimates derived using present value and other valuation techniques and may not be indicative of the net realizable values.

The fair values disclosed exclude the values of assets and liabilities that are not considered financial instruments such as capital assets and intangibles.

### 16. Provision for Issue of Surplus Shares and Dividends on Common Shares

The Board of Directors of the Credit Union have approved a patronage refund of \$200,000 (2005 - \$293,000) to be paid in the form of cash. The patronage refund will be distributed based upon the business done during the year by individual members.

This patronage refund has been reflected in these financial statements as an expense in the current year. Also, the current year's provision for income taxes has been calculated with the allocation being deducted from taxable income, which has resulted in a reduction in the income tax provision of approximately \$35,240.

The Board of Directors have also declared dividends on common shares of \$85,385 (2005 - \$82,000). The dividends were paid in the form of cash.

## Notes to Financial Statements

December 31, 2006

### 17. Income Taxes

	2006	2005
Components of provision for income taxes:		
Current income tax expense	\$ 169,437	\$ 169,900
Future income tax expense	<b>(35,408)</b>	-
	<b>\$ 134,029</b>	\$ 169,900

The total provision for income taxes in the statement of income and retained surplus is at a rate less than the combined federal and provincial statutory income tax rates for the following reasons:

	2006	2005
	%	%
Combined federal and provincial statutory income tax rates	<b>36.6</b>	37.6
Credit Union rate reduction	<b>(18.5)</b>	(19.5)
Non-deductible and other items	<b>(6.2)</b>	(0.1)
	<b>11.9</b>	18.0

The tax effects of temporary differences which give rise to the net future income tax assets reported in other assets is related to the allowance for impaired loans.

### 18. Pension Plan

The Credit Union has a defined contribution pension plan for full-time employees. The contributions are held in trust by the Cooperative Superannuation Society Limited and are not recorded in these financial statements. The Credit Union matches employee contributions at a rate of 6% of the employee salary. The expense and payments for the year ended 2006 were \$64,002 (2005 - \$56,877). As a defined contribution pension plan, the Credit Union has no further liability or obligation for future contributions to fund future benefits to plan members.

# Products and Services

## Solutions to Grow With

### Deposit Accounts

Maximizer Chequing  
Plan 24 Daily Interest Savings  
Regular Savings  
Fat Cat  
HeadStart  
HeadStart Grad Pac  
Club 55  
Trust Accounts  
U.S. Dollar Accounts

### Lending Products & Services

Mortgages  
Personal Loans  
Mortgage Life Insurance\*  
Credit Disability & Credit Life Insurance\*  
Overdraft Protection  
Lines of Credit  
Commercial Loans

### Investment Products & Services

Term Deposits  
Registered Retirement Savings Plans  
Registered Retirement Income Funds  
Registered Education Savings Plans  
Investment Planning  
Mutual Funds\*\*  
Credential Financial Strategies\*\*\*

### Additional Services

ATM MemberCard  
Interac® Direct Payment  
Direct Deposits (payroll, pension & government)  
Money Orders  
Travellers Cheques  
CUbyPHONE  
CU@HOME  
American Express U.S. Drafts  
Utility Bill Payments  
MasterCard  
Safety Deposit Boxes  
Night Depository  
Travel & Homeowners Insurance\*

\* Mortgage Life, Credit Disability and Credit Life Insurances are underwritten by CUMIS Life Insurance Company. Homeowners Insurance is underwritten by CUMIS General Insurance Company. Travel Insurance is underwritten by Co-operators General Insurance Company. These services are provided to credit union members through the Credit Union Insurance Services Program.

\*\* Mutual funds are offered through Credential Asset Management Inc.

\*\*\* Credential Financial Strategies offers financial planning, life insurance and investments to members of credit unions and their communities.



[www.caseracu.ca](http://www.caseracu.ca)

Pleissis Branch  
1300 Pleissis Road  
Phone: (204) 958-6300

Kildare Branch  
8-630 Kildare Ave. East  
Phone: 958-6320

St. Anne's Branch  
720 St. Anne's Road  
Phone: 958-6600