

ANNUAL REPORT 2007



NOVA SCOTIA CREDIT UNION
DEPOSIT INSURANCE CORPORATION



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BOARD OF DIRECTORS



Back row, from left: Joseph Kennedy, *Secretary*; Michael MacNeil; Réal Boudreau; Tom Smith
Front row, from left: Camille Maillet, *Vice-Chair*; Roddie Munroe, *Chair*; Irene Lefort

REPORT OF THE CHAIR OF THE BOARD

On behalf of the Board of Directors of the Nova Scotia Credit Union Deposit Insurance Corporation (CUDIC), I am pleased to report that our organization had another successful year in 2007. The credit union network in Nova Scotia is very strong both financially and in meeting the needs of its customer-owners as they operate in an ever changing, challenging environment. I will not be reporting on the financial and operational side as our Chief Executive Officer, Vernon MacNeill, will cover that in his report.

As our main focus is on protecting the customer-owners deposits and assessing risk in loan portfolios along with internal controls, management and analysts did a total of twenty-three reviews at credit unions the past year.

During 2007, we engaged the services of Saint Mary's Business Development Centre to do a 360° Survey with our Stakeholders. Managers, Chief Executive Officers, and Directors were surveyed. Major strengths included our deposit insurance coverage, operational safeguards, professionalism

of staff, and flexibility. Weaknesses were identified in the human resources area with a need for skills in the information technology area. Overall, satisfaction with CUDIC rated at 93%.

The Board met on five occasions during the year. All of our committees were kept busy tackling their respective responsibilities. The Executive Committee met four times, and the Policy Committee met on one occasion to keep CUDIC's policies up to date. Our Human Resources Committee and Enterprise Risk Management Committee met three times, respectively, as did the Audit and Investment Committee to deal with our investment portfolio and financial activities for the year.

In an effort to keep our directors fully informed and up to date with happenings in the network, numerous conferences/meetings were attended including the World Conference of Credit Unions (WOCCU), Regulators Round Table Conference held in conjunction with WOCCU, Stabilization Funds of Canada of which we are proud to report CUDIC's CEO was elected chair this past year, Atlantic Stabilization Funds Meeting, and Credit Union Central of Nova Scotia's (CUCNS) Annual and Semi Annual Meetings. Attendance at these events gives us an opportunity to network with counterparts locally, nationally and world wide.

In December, Steve Mills, League Data's Chief Executive Officer, gave the Board a very informative presentation on current and future developments

in the area of technology. Our Board is conscious of current trends in going green and the need to do our part for the environment. As the leases on our vehicles for the CEO and Analysts were up this past fall, we approved the purchase of hybrid vehicles as replacements. The increased costs of the vehicles will be offset by lower fuel consumption and government incentive rebates with an end result being less oil dependent and producing less pollution.

Afin de garder nos directeurs bien informés et à la page avec le déroulement du système, les membres ont choisi des rencontres internationales (WOCCU), nationales et provinciales (Stab Funds of Canada et de l'Atlantique et les réunions du Central). Lors de ces rencontres, ils ont l'opportunité d'élargir leurs connaissances et de partager leurs opinions avec plusieurs nouveaux clients! En décembre, M. Steve Mills, patron de League Data, nous a présenté une session très informative sur les tendances actuelles et futures dans le domaine de la technologie. Nos directeurs sont conscients qu'il faut jouer un rôle important dans la protection de l'environnement. On partageait le sentiment qu'il fallait acheter des autos 'hybrides' pour notre patron et ses analystes; c'est compris que ces autos vont produire moins de pollution et utiliser moins d'huile même s'ils vont coûter plus!

I would be remiss if I did not mention the tri-party relationship that exists between CUCNS, the

Office of the Superintendent of Credit Unions and CUDIC. This unique relationship maintains regular information meetings between the three parties and representatives from Government and CUCNS sit in on our Board meetings. As I attend national meetings, this arrangement often comes up in discussions and I am pleased to report Nova Scotia's model is the envy of the rest of the country.

I had the opportunity in May to attend CUCNS's Annual Planning Session and, at this event, gained a greater appreciation of what is on their plate with respect to the Initiatives6 Project. In October, our CEO and I met with Nova Scotia Finance Minister Michael Baker and representatives of his Department. Discussions at the meeting centered on a number of credit union issues, including board appointments, government examinations as well as a Roles and Responsibilities Agreement between the two parties. It was agreed that these issues would be addressed and that we should take the opportunity to get together more frequently.

Reflecting on the past year, I feel confident in telling you that our Board takes its roles and responsibilities very seriously, that it makes decisions only after careful, prudent deliberations and that it successfully keeps the focus clearly fixed upon the best interests of the credit union network. I extend my thanks to the Board of Directors for their diligent efforts and support during the year. I also wish to thank Vernon MacNeill and his staff for the support

and for the assistance they provide to the Board of Directors. As well, congratulations go to our CEO on his well-deserved MBA from Saint Mary's University. Finally, our thanks to credit union managers and staff for their cooperation towards CUDIC. Congratulations to all on a very successful 2007.

Respectfully submitted,



Rod A. Munroe,
Chair of the Board of Directors

RODDIE MUNROE CHAIR OF THE BOARD



Mission Statement

To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Credit Union Central, and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act.

CUDIC STAFF



From left: Bev Geddes, *Executive Assistant*; Joyce Clarke, *Information Management / Accountant*; Bernard Beaton, *Analyst*; Vernon MacNeill, *Chief Executive Officer*; Karen Conrad, *Administrative Assistant*; Norbert Gagnon, *Analyst*

*"Teamwork thrives when no one points
a finger and everyone lends a hand."*

Dan Zandra,
Strategic Communication Specialist

I am pleased to report that the Nova Scotia Credit Union Deposit Insurance Corporation enjoyed another successful year in 2007. Strong operating and financial performance characterized a year of hard work, related rewards and the continued building of the deposit insurance fund. I also extend my sincere congratulations to Nova Scotia credit unions for their successful results during the year.

The Corporation's fund grew in 2007 to \$16.3 Million, which represents 1.08% of total credit union assets and exceeds our 1% target of network assets. Additionally, we have accrued \$675,000 for unidentified deposit insurance losses. In total, funds now available to assist credit unions stands at \$17 Million.

The strong performance of Nova Scotia credit unions in 2007 resulted in a decrease in the risk-based assessment of \$15,933. The average assessment rate levied on credit unions in 2007 was 8.36 bps, versus 8.58 bps in 2006. We see an increasing number of credit unions achieving the lowest premium tier of 7 bps. This represents a lower probability of a claim against our fund.

Investment income of \$995,245 was recorded

in 2007, reflecting an increase of \$166,714. The portfolio continues to be very conservative, with 77.5% of our fund held in cash and bonds. To help diversify, and to earn slightly higher returns than those offered by a strictly fixed income fund, the remaining 22.5% is being held in equities. The investment portfolio amounted to \$17.5 Million at year end, with 80% managed by a professional portfolio manager and 20% held at Credit Union Central of Nova Scotia. Market volatility in the fourth quarter

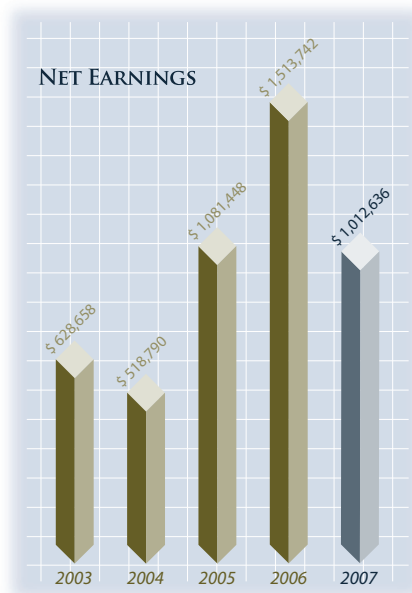
of 2007 decreased the overall return on the portfolio; however, since its inception, the portfolio's professionally managed component has returned 6.85% – among the highest of our peers nationwide.

While operating expenses increased by \$53,000 or 4.7% in 2007, they were under budget by 5.7% or \$66,357. Expense categories that declined in 2007 were: Boards and Committees (down \$28,000), Professional Fees (down \$11,000) and Office Supplies (down \$8,000). The year-over-

year increases in our expenses resulted primarily from fees paid to Contract Employees and Salaries and Benefits. Use of contract employees allowed

us to ensure two things: that a reasonable number of audits of credit unions were executed each year, and that these audits were completed as quickly as possible and with as little disruption as possible to each branches' daily activities. Contract employees expense increased by \$53,000 due to the number, size and complexity of the reviews undertaken by our office in 2007.

Our Net Earnings for the year were \$1,012,636, down \$500,000 over 2006. The decrease was primarily attributable to a one time recovery in 2006 of a



REPORT OF THE CHIEF EXECUTIVE OFFICER

\$600,000 conditional grant. In essence, our normal Net Income in 2007 increased by \$100,000. The new accounting standard "Financial Instruments" came into effect in 2007 resulting in our financial statement showing a positive adjustment of \$606,346 in Accumulated Other Comprehensive Income.

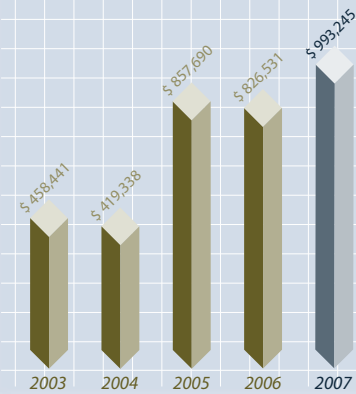
With the amalgamation of Bergengren and New Glasgow, the number of credit unions operating throughout the province now stands at 33. The trend toward amalgamation is expected to continue and, as a result, the number of credit unions in Nova

Scotia is expected to be further reduced in 2008. Although the numbers of credit unions are declining, the service points are remaining constant or growing slightly as new markets start to be serviced.

Assets in Nova Scotia credit unions grew by 5.25% in 2007 to stand at \$1.546 Billion, representing an increase of \$77 Million.

Consolidated credit union unaudited Net Income for 2007 stood at \$9 Million or 62 bps, and appears to be lower than 2006 as some accruals for rebates and patronage dividends have yet to be expensed at the writing of this report. One area which impacted profitability was the provision for Impaired Loans, which increased by \$600,000. While total Operating Expenses increased by only 2.6%, most of that increase was reflected in the occupancy category as renovations and new premises were completed to improve the professional image of credit unions. Total Equity in

INVESTMENT PORTFOLIO



the credit union network is very strong at \$126 Million or 8.18% of assets, and we are fortunate in Nova Scotia that this capital is primarily held in retained earnings reflecting a very solid capital base.

The Chair, in his message, touched on the 360° Stakeholders Survey. That survey was conducted by Saint Mary's Business Development Centre,

in conjunction with our Strategic Planning Session, and I am pleased to report its results reflect a high level of satisfaction for the work being performed by the Corporation. A majority of respondents requested we provide the Network with feedback. In response to those requests, I will be presenting more in-depth survey results during CU-DIC's presentation at CUCNS's Annual General Meeting. In the meantime, I wish to thank everyone who took the time to complete the survey. The Board and management sincerely appreciate the opportunity this undertaking provided: their deliberations have already benefited from access to the

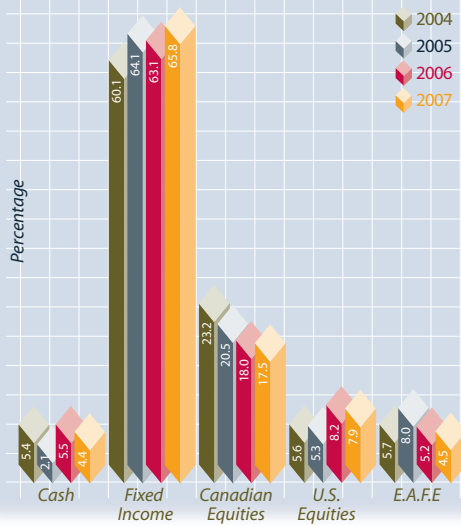
thoughts and commentary of a diverse cross-section of stakeholders.

Lending activities expose all financial institutions to their greatest risk. As seen this past year via the Sub Prime meltdown in the United States, relaxing of lending criteria or the failure to follow prudent lending guidelines can have a detrimental impact on a financial institution's bottom line. We have not seen any of this lending in Nova Scotia. Loan portfolios are strong and carry an appropriate measure of risk. We will continue to employ our loan review program as a vital tool; one which allows our office to measure this risk, and to effectively monitor any negative trends that may become evident.

We were very busy in 2007 conducting loan reviews with a total of 19 completed. These reviews revealed that the vast majority of credit unions

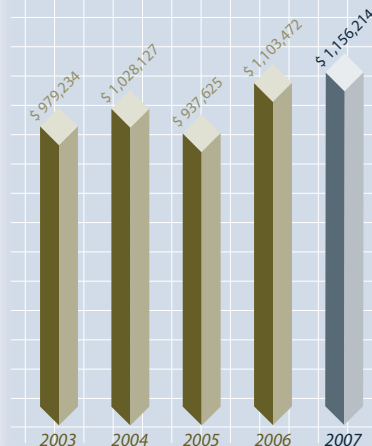
audited are adhering to prudent lending procedures and putting an acceptable level of risk on their books. Occasionally, unacceptable practices are encountered and deficiencies are pointed out to management and boards in our reports. In these infrequent instances, credit unions are very cooperative in making the required changes to their lending practices. Delinquency

PORTFOLIO MIX



reflected in the occupancy category as renovations and new premises were completed to improve the professional image of credit unions. Total Equity in

OPERATING EXPENSES



and write-offs are well within acceptable ranges, and compare very favorably with other credit unions and financial institution across Canada.

Also this past year, new model policies and procedures were provided to help credit unions streamline credit granting. We assisted financially, via a subsidy to CUCNS, to ensure sufficient resources were available to complete the work. We continue to budget this subsidy, to make certain procedure manuals remain current. The Loan Policy has a number of changes to limits and our office spent much of fourth quarter of 2007 reviewing these limits in light of the credit unions' lending expertise, capital levels, delinquency and write-off history, input from the System Credit Committee, and profitability. We believe the new limits will allow Nova Scotia credit unions to remain competitive and provide superior service to customer-owners, without unduly increasing overall risk.

Four in-depth internal control reviews were conducted in 2007. The focus included areas such as segregation of duties, cash custody, account opening, internal accounting, and auditing of reports. A Memorandum of Understand-

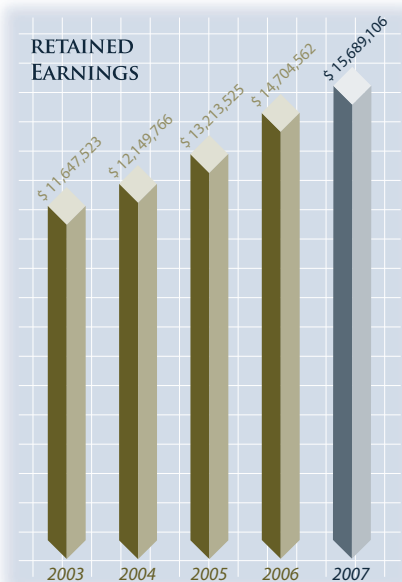
ing (MOU) was also established with FINTRAC, and we added Money Laundering to the internal control program. We have worked closely both with FINTRAC and CUCNS to ensure our audit program and reporting meets all the requirements of the MOU.

Reviews of internal controls and money laundering indicated more work needs to be done by credit unions in this area, and standardizing procedures and policies will definitely help. We are pleased to

have Vera Dawson on board as a contract resource on these related reviews. She brings a tremendous amount of experience and knowledge to this important job.

We partnered with CuSource in 2007 and plan to continue this partnership in 2008. The purpose is to provide credit union directors with courses we felt would be helpful in managing risk within their individual credit unions. We funded 50% of the cost of the Art of Chairmanship as well as Audit Committees. Courses were held both

in Halifax and Sydney to allow as many directors as possible to attend. Directors have told us they find 'hands-on' workshops the most efficient way to learn. As well, we continue to provide subsidies to directors



VERNON MACNEILL CHIEF EXECUTIVE OFFICER



who are taking the mandatory CUDA Modules.

Our office continues to be very active with our counterparts regionally, nationally, even globally. The latter linkages are afforded through events such as the Global Regulators Roundtable, organized by WOCCU. On the national front, I am fortunate to have been elected Chair of the Stabilization Funds of Canada for a two-year term which allows a deeper understanding of national issues. A joint meeting was held in May in Ottawa between the Stabilization Funds of Canada and the Provincial Superintendents

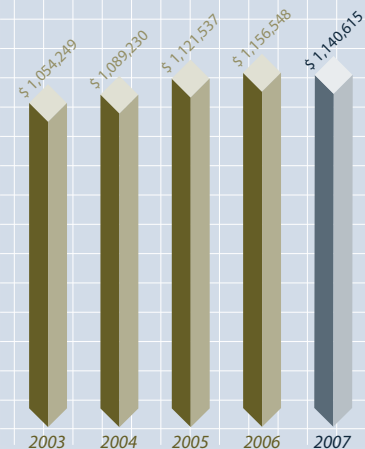
offices. By having the meeting in the nation's capital, it afforded access to a number of presentations from Federal Agencies (including the Bank of Canada, CMHC, CPA, FCAC and the new Director of OSFI) which enhanced our 'macro' view of the financial services industry in Canada. Finally, it is worth noting that we are working

cooperatively

in Atlantic Canada and that this approach is paying its own rewards. The result of this cooperation is improved programs and at reduced costs for all.

Credit unions, if they are to sustain the excellent level of profitability enjoyed over the past decade, will continue to face numerous challenges going forward. Increases in cheque-clearing costs, bonding insurance, audit fees, and adequate compensation to retain employees will all impact net income. The Initiatives6 project continues to be an important step

ASSESSMENTS



to take credit unions to the next level and we congratulate those who are leading related projects.

Our accomplishments in 2007 were significant and reflect the hard work and dedicated efforts of our employees and the Board of Directors. Their continued commitment to the achievement of our goals is sincerely appreciated. I extend my personal thanks to

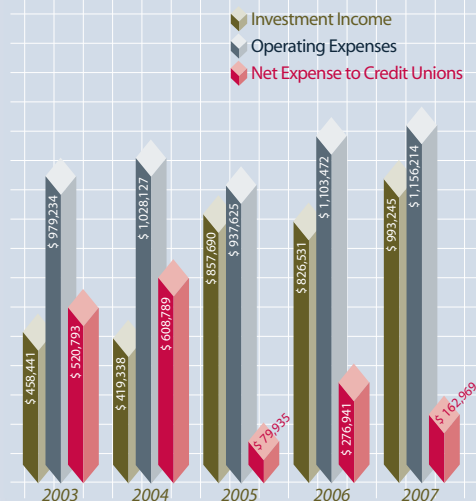
each and every one of them for their contribution to our successes over the past year.

I wish to note, in closing, that the Corporation's primary focus remains the strength, stability and success of Nova Scotia credit unions and that we will continue to work collaboratively with our stakeholders to achieve these shared goals.

KEY PERFORMANCE INDICATORS OF NOVA SCOTIA CREDIT UNIONS

	Unaudited 2007	2006	2005	2004	2003	2002
Return on Assets (% of Average Assets)	0.62%	0.61%	0.58%	0.56%	0.81%	0.67%
Total Equity	8.18%	7.76%	6.99%	6.69%	6.40%	6.01%
Delinquency >30 days	1.57%	1.21%	1.34%	1.20%	1.53%	1.69%
Delinquency >90 days	0.56%	0.45%	0.54%	0.44%	0.57%	0.47%
Asset Growth	5.25%	5.75%	5.50%	5.06%	7.05%	9.06%
Deposit Growth	4.34%	3.60%	4.60%	4.78%	6.22%	8.24%
Loan Growth	4.77%	6.29%	4.87%	7.93%	5.96%	8.87%

EXPENSE BURDEN

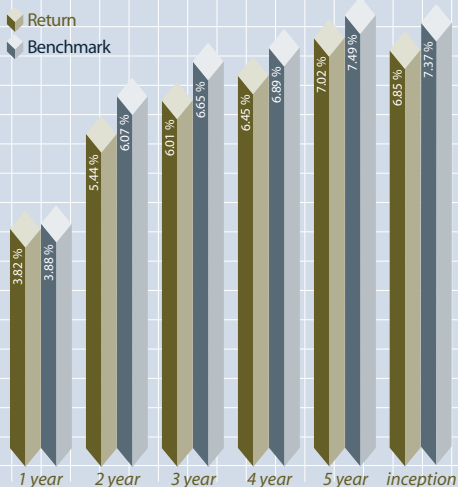


Respectfully submitted,

Vernon MacNeill

Vernon MacNeill, Chief Executive Officer

RETURN ON MANAGED PORTFOLIO



AUDITORS' REPORT

NOVA SCOTIA CREDIT UNION DEPOSIT INSURANCE CORPORATION

We have audited the balance sheet of Nova Scotia Credit Union Deposit Insurance Corporation as at December 31, 2007 and the statements of earnings, equity and changes in cash resources for the year then ended. These financial statements are the responsibility of the corporation'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 Corporation as at December 31, 2007 and the results of its operations and the changes in its cash resources for the year then ended in accordance with Canadian generally accepted accounting principles.

A stylized, handwritten signature in blue ink that reads "Miles J. Sweeney Limited". The signature is fluid and cursive, with the letters "Miles" and "Sweeney" being more prominent.

Chartered Accountants

Dartmouth, Nova Scotia

January 11, 2008

STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31	2007	2006
Revenue		
Assessments and recoveries (Note 9)	\$ 1,181,511	\$ 1,795,370
Investment and other income	993,245	826,531
Gain (loss) on disposal of assets	(5,906)	(4,687)
	<u>2,168,850</u>	<u>2,617,214</u>
Expenses		
Operating		
Board and committees	125,408	153,225
Contracted services and expenses	113,495	60,397
Depreciation	21,983	22,247
Insurance	16,796	14,632
Legal and consulting	3,771	2,370
Occupancy	74,239	73,114
Office	50,764	58,760
Professional fees	68,310	79,387
Risk management programs	54,898	35,000
Salaries and employee benefits	522,293	498,723
Telephone	13,937	14,184
Travel	90,320	91,433
	<u>1,156,214</u>	<u>1,103,472</u>
Net earnings	<u>\$ 1,012,636</u>	<u>\$ 1,513,742</u>

See accompanying notes to the financial statements.

STATEMENT OF EQUITY

YEAR ENDED DECEMBER 31

	Shared Deductible Pool Reserve (Note 7)	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity	Total Comprehensive Income
Balance January 1, 2006	\$ 626,551	\$ 13,213,525	—	\$ 13,840,076	—
Net earnings for the year	—	1,513,742	—	1,513,742	—
Transfer to shared deductible pool reserve (Note7)	22,705	(22,705)	—	—	—
Balance December 31, 2006	649,256	14,704,562	—	15,353,818	—
Change in accounting policy (Note 2)	—	—	935,697	935,697	—
Balance January 1, 2007, as adjusted	649,256	14,704,562	935,697	16,289,515	—
Net earnings for the year	—	1,012,636	—	1,012,636	1,012,636
Transfer to shared deductible pool reserve (Note 7)	28,092	(28,092)	—	—	—
Realized gains/losses transferred to net earnings during the year	—	—	(320,935)	(320,935)	(320,935)
Unrealized gains/losses on available for sale financial assets during the year	—	—	(8,416)	(8,416)	(8,416)
Balance December 31, 2007	<u>\$ 677,348</u>	<u>\$ 15,689,106</u>	<u>\$ 606,346</u>	<u>\$ 16,972,800</u>	<u>\$ 683,285</u>

See accompanying notes to the financial statements

BALANCE SHEET

DECEMBER 31

2007

2006

Assets

Cash	\$ 80,562	\$ 23,785
Accounts receivable (Note 3)	108,440	393,568
Investments (Note 5)	17,442,261	15,573,996
Prepaid expenses	17,409	14,062
Property and equipment (Note 4)	39,239	54,117
	<u>\$ 17,687,911</u>	<u>\$ 16,059,528</u>

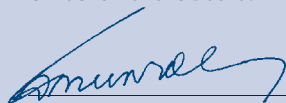
Liabilities

Accounts payable and accrued liabilities (Note 6 and Note 8)	<u>\$ 715,111</u>	<u>\$ 705,710</u>
Commitments (Note 10)		

Equity

Shared deductible pool reserve (Note 7)	677,348	649,256
Accumulated Other Comprehensive Income	606,346	—
Retained earnings	15,689,106	14,704,562
	<u>16,972,800</u>	<u>15,353,818</u>
	<u>\$ 17,687,911</u>	<u>\$ 16,059,528</u>

On behalf of the Board:


Director


Director

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN CASH RESOURCES

YEAR ENDED DECEMBER 31	2007	2006
<i>Cash provided by (used for)</i>		
Operating activities		
Investment income received	\$ 1,782,677	\$ 580,000
Assessments and recoveries received	1,483,191	1,456,284
Funds (advanced) received on behalf of Credit Unions	(977)	(87,162)
Receipts from (advances to) employees on computer loans	381	1,801
Payments to employees and suppliers	(1,131,011)	(1,089,716)
Cash flows provided by operating activities	2,134,261	861,207
Investing activities		
Purchase of investments (net of proceeds of sale)	(2,064,474)	(889,613)
Additions to equipment and leaseholds	(13,010)	(15,195)
Cash flows used for investing activities	(2,077,484)	(904,808)
Increase (decrease) in cash	56,777	(43,601)
Cash, beginning of year	23,785	67,386
Cash, end of year	\$ 80,562	\$ 23,785

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

1. Governing legislation and operations

The Corporation was established in 1995 under the Credit Union Act (Chapter 4 of the Acts of 1994). The Corporation is a continuation of the Nova Scotia Credit Union Stabilization Fund. It is funded by premiums assessed against credit unions.

The purposes of the Corporation are to provide insurance against the loss of part or all of deposits in member credit unions, to provide financial assistance to credit unions for the purpose of stabilization and to protect deposits in credit unions by the development of sound business and financial policies and by implementation of loss prevention programs and other controls. These purposes are to be pursued for the benefit of depositors in credit unions and in such a manner as will minimize the exposure of the Corporation to loss.

Under the Credit Union Act, the Corporation has the power to do all things necessary or incidental to the furtherance of its purposes, including acquiring assets from credit unions, guaranteeing loans in credit unions and providing any form of assistance to credit unions. Among other things, it may make standards of sound business and financial practices, make or cause to be made examinations or inquiries in relation to credit unions, place limitations on the

lending activities and loan policies of a credit union, issue directives (in consultation with Credit Union Central of Nova Scotia and the Superintendent of Credit Unions of Nova Scotia), and act as liquidator of a credit union.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management is required to make estimates and assumptions that could affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Investments

All investments are classified as available for sale because the Corporation does not intend to trade the investments for short-term profit making and has not elected to classify the investments as held for trading.

Unrealized holding gains and losses related to available for sale investments are excluded from net

income and are included in other comprehensive income until such gains or losses are realized or an other than temporary impairment is determined to have occurred.

The method used to estimate the fair value at the balance sheet date is the quoted market price.

Property and equipment

Furniture and equipment is stated at cost. Depreciation is calculated on the straight-line basis over the useful life of the assets as shown in Note 4.

Financial instruments

The fair value of financial assets and liabilities which include cash, accounts receivable, payables and accruals approximate their carrying values. The fair value of the accrual for unidentified deposit insurance losses has not been determined because it is not practicable to determine fair value with sufficient reliability. Investments are recorded at fair value.

Assessment income

Assessment rates are based on a risk classification system and are applied to average assets of member institutions for the period October 1 to September 30. Assessment income is recognized when earned.

NOTES TO THE FINANCIAL STATEMENTS

Change in accounting policy

The Corporation adopted the provisions of CICA Section 3855, Financial Instruments – Recognition and Measurement, and 1530, Comprehensive Income, on January 1, 2007 which address the classification, recognition and measurement of financial instruments in the financial statements and the inclusion of other comprehensive income. As a result of adopting these new standards, the Corporation recorded a non-cash credit of \$935,697 for the change in accounting for financial assets classified as available for sale and measured at fair value instead of cost. This credit is reported as a one-time cumulative effect of a change in accounting policy in opening accumulated other comprehensive income on January 1, 2007.

3. Accounts receivable

	2007	2006
Dividend assistance		
and recoveries	\$ 36,282	\$ 336,282
Credit Union assessments	1,196	2,877
Accrued interest	60,389	47,265
HST	7,623	3,813
Other	2,950	3,331
	<u>\$ 108,440</u>	<u>\$ 393,568</u>

4. Property and equipment

Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and equipment – 3 Yrs. S.L.	\$ 88,046	\$ 50,369	\$ 37,677	\$ 51,797
Leasehold improvements – 5 Yrs. S.L.	4,262	2,700	1,562	2,320
	<u>\$ 92,308</u>	<u>\$ 53,069</u>	<u>\$ 39,239</u>	<u>\$ 54,117</u>

5. Investments

Investments consist of Canadian federal, municipal and provincial government and corporate bonds and index pool funds and equity instruments. The bonds have interest rates ranging from 3.7% to 6.79% on an annual basis, with maturity dates ranging from less than a month to 45 years. The investments also include credit union guaranteed investment certificates, with interest rates ranging from 4.12% to 5.05% and mature during the next fiscal year.

6. Payables and accruals

	2007	2006
Trade payables and accruals	\$ 40,111	\$ 29,733
Other payables to Credit Unions	—	977
Accrual for unidentified deposit		
insurance losses (Note 8)	675,000	675,000
	<u>\$ 715,111</u>	<u>\$ 705,710</u>

7. Shared deductible pool reserve

The reserve was established to fund a shared deductible pool for liability insurance related to credit union directors. The first \$5,000 of the claim will be paid by the credit union and any residual, up to a maximum of \$95,000, will be paid from the reserve. Income earned on the funds will be credited to the reserve. The Corporation's liability is limited to funds available in the reserve. During the year, interest income in the amount of \$28,092 (2006 - \$22,705) was transferred to the reserve.

NOTES TO THE FINANCIAL STATEMENTS

8. Accrual for unidentified deposit insurance losses

The accrual for unidentified deposit insurance losses includes a general provision for losses. The general provision reflects management's best estimate of losses on insured deposits arising from the inherent risks in member institutions. The provision is established by assessing the aggregate risk in member institutions based on current market and economic conditions, the likelihood of losses and the application of historic loss experience. Future economic conditions are not predictable with certainty and actual losses may vary, perhaps substantially, from management's estimates.

9. Assessments and recoveries

	2007	2006
Credit unions' assessments		
– regular	\$ 1,140,615	\$ 1,156,548
Recoveries of assistance		
to credit unions	40,896	638,822
	<u>\$ 1,181,511</u>	<u>\$ 1,795,370</u>

10. Commitments

Lease commitments

The Corporation is committed to pay annual lease payments for its premises and vehicles for future years as follows:

2008	\$ 93,260
2009	93,260
2010	28,260
2011	25,905
	<u>\$ 240,685</u>

Retirement savings plan contributions

The Corporation contributes to retirement savings plans on behalf of all employees, after completion of three months' service. Each employee contributes six percent of earnings and the Corporation matches this contribution. The cost to the Corporation is included in salaries and employee benefits expense (2007 - \$26,651; 2006 - \$25,750). At December 31, 2007 there are no additional commitments or non-funded obligations for post retirement benefits.

11. Income taxes

The Corporation is a deposit insurance corporation for income tax purposes and is subject to income taxes on its taxable income at the statutory rate prescribed for deposit insurance corporations. Income for tax purposes excludes assessments made against credit unions. Also, no deduction may be made against income for tax purposes for financial assistance given to or paid on behalf of credit unions.

The Corporation has accumulated non-capital losses for tax purposes which are available to reduce taxable income in future periods. The potential tax savings from claiming the losses have not been recorded. The losses expire as follows:

2008	\$ 382,221
2009	453,161
2010	412,031
2014	571,261
2015	199,756
2026	350,910
2027	274,237
	<u>\$ 2,643,577</u>

In addition the Corporation has allowable capital losses of \$159,737 which are available to reduce capital gains in future periods.

SERVING THE CREDIT UNIONS OF NOVA SCOTIA

A large, light blue stylized graphic of a sailboat on waves serves as a background. The sailboat is positioned in the center, with its sails and mast visible. The waves are represented by broad, curved strokes at the bottom of the page.

District 1

- Coady Credit Union Limited
- Dominion Credit Union Limited
- Electric Employees Credit Union Limited
- Glace Bay Central Credit Union Limited
- Main-A-Dieu Credit Union Limited
- New Waterford Credit Union Limited
- North Sydney Credit Union Limited
- Princess Credit Union Limited
- Steel Centre Credit Union Limited
- Sydney Credit Union Limited
- Whitney Credit Union Limited

District 2

- Acadian Credit Union Limited
- Bay St. Lawrence Credit Union Limited
- East Coast Credit Union Limited
- St. Joseph's Credit Union Limited

District 3

- Bergengren Credit Union Limited
- Community Credit Union of Cumberland Colchester Limited

District 4

- Credit Union Atlantic Limited
- Electragas Credit Union Limited
- Halifax Civic Credit Union Limited
- Heritage Credit Union Limited
- iNova Credit Union Limited
- Teachers *Plus* Credit Union Limited
- Province House Credit Union Limited
- Public Service Commission Employees' Credit Union Limited

District 5

- Caisse Populaire de Clare Limitée
- Coastal Financial Credit Union Limited
- LaHave River Credit Union Limited
- New Ross Credit Union Limited
- Rossignol Credit Union Limited
- Valley Credit Union Limited
- Victory Credit Union Limited
- Weymouth Credit Union Limited

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