



BUILDING A BRIGHTER FUTURE TOGETHER.

ANNUAL REPORT  
2009

# MISSION, VISION & VALUES

## MISSION:

- We are a member owned community focused organization dedicated to providing personalized competitive financial services to benefit our members and communities.

## Vision:

- To provide full services; pursue community growth; and assist youth, members, and others in achieving goals and dreams through innovation, flexibility and leadership.

## Values:

- Integrity, Honesty, Cooperative Philosophy, Respect, Fairness, Empathy, Trust, Loyalty, Courage, Optimism.

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# ANNUAL MEETING AGENDA

## MONDAY, APRIL 19, 2010

1. Call to order
2. Appointment of Recording Secretary
3. Welcome and Introductions of the Board of Directors and Guest
4. Report on Due Calling of Meeting
5. Report on Quorum
6. Adoption of Agenda
7. Minutes of Last Annual General Meeting
8. Board of Directors' Report
9. CEO's Report and Financial Statements
10. Auditor Appointment
11. Announcement of Director Appointments
12. Other Business
13. Presentation of Service Awards
14. Door Prizes
15. Adjournment



## NOMINATING COMMITTEE REPORT

The nominating committee consists of Don Zeghers, Daryll Logeot, Rob Ramage and Karen Combs. Our bylaws state that notices for Director Nominations are to be posted in all locations for 30 days, beginning 75 days prior to the annual meeting.

Notices requesting nominations were placed in all branch locations from Feb. 3 to March 4, 2010. Jean Bazin, Jan McClelland, Gary Williams and Lee Adams were nominated.

The Board is seeking four directors. The nominating committee presents the above four individuals as candidates for the four open director positions.

We recommend that these individuals be elected.

Respectfully submitted.

Rob Ramage  
Chairman of the Nominating Committee

Terry Wakely,  
Chairman of the Board of Directors



## 2009 BOARD OF DIRECTORS REPORT

On behalf of the Board of Directors of Sunrise Credit Union it is my pleasure to present the second annual report covering our first full year of operations. Sunrise operates in twelve communities and has twelve board members. Our mission statement refers to our community roots and what we are trying to achieve.

The Board meets monthly to review operations and financial statements. The Board has an annual planning session to determine the future goals and direction of the credit union. The Board also attends training sessions on various topics in order to provide the directors with the tools they need to fulfill their responsibilities.

Sunrise Credit Union is the eighth largest in Manitoba and in the top 50 credit unions in Canada. The Board attends provincial meetings and sends representatives to national conventions as well. It is important that we interact with other credit unions at these functions.

The Board has two committees; the Audit Committee is made up of Gary Williams, Glenn Caldwell, Jean Bazin and Evan Casselman. This committee meets quarterly with our internal auditor and also with auditors Meyers Norris Penny, as needed. The Nominating committee is responsible for director nominations and elections. Their report is included in this annual report.

Interest rates were very low this year which resulted in low margins in the credit union. It pleases me to say that despite these low margins we were able to contribute to many causes in the communities where we operate. Our staff volunteered over 5000 hours this year in our communities and surrounding area and Sunrise supported community events in excess of \$70,000.

We appreciate your continued support and look forward to a good year in 2010.

Respectfully submitted

A handwritten signature in black ink that reads "T.M. Wakely". The signature is written in a cursive, slightly slanted style.

Terry Wakely  
Chairman of the Board of Directors



## BOARD OF DIRECTORS

<b>Chairperson</b>	Terry Wakely	Virden
<b>Vice-Chairperson</b>	Glenn Young	Cypress River
<b>Corporate Secretary</b>	Jan McClelland	Waskada
<b>Directors</b>	Lee Adams	Melita
	Jean Bazin	Treherne
	Glenn Caldwell	Reston - Abscent from photo
	Evan Casselman	Boissevain
	Karen Combs	Deloraine
	Daryll Logeot	Hartney
	Rob Ramage	Baldur
	Gary Williams	Hartney
	Don Zeghers	Holland



## CEO REPORT

2009 was the first full year for Sunrise Credit Union and what a year it was. The world banking community was shaken by the collapse of the US investment banks. This contributed to a world wide recession resulting in bank bailouts, corporate bankruptcies and sovereign debt crises in other countries. This resulted in most countries decreasing interest rates to new lows and a 0% interest rate policy. Rates remain at these record low levels today and there are signs the economy is now starting to improve and grow.

In the credit union world we did not participate in the sub prime mortgage market and derivative products that contributed to this disaster. Doing business in our own communities turned out to be a very sound business plan. We did have to learn how to operate in this low interest rate environment. These low rates have caused margins to be squeezed. One of the benefits of our amalgamation is increased efficiencies and this was very evident in 2009 as I don't believe our results would have been obtained had we been operating as five separate credit unions. Highlights of our 2009 results include:

- deposit growth of 13%
- loan growth of 18.9%
- Income was \$ 2.5 Million
- Member equity remained strong at 6.14%
- Assets now total \$535 Million

All of these numbers represent strong growth. While we would have liked increased profitability, the low interest rate margins contributed to decreased profitability. We're proud to say our performance numbers are above average for Manitoba Credit Unions.

For 2010 we are looking for continued growth. We have two projects for 2010. We are now open in Brandon at 824 - 18<sup>th</sup> Street. Many of our members are attending school and interacting in Brandon and therefore this branch is a natural fit for our ongoing operations. Members can now access their accounts at this convenient, additional point of service.

Our second project for 2010 is the conversion to a new banking system. We will be working on this project for most of the year and are scheduled to convert to the new system in October. This banking system will position us well for the future.

I would like to thank the Board of Directors for their leadership and the staff for their dedication. The members make this all possible and we say thank you for your continued support. We are well positioned for the future and look forward to continued success.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'H. Bowler'.

Harry Bowler  
Chief Executive Officer



# WELCOME TO SUNRISE CREDIT UNION

<b>Chief Executive Officer</b>	Harry Bowler
<b>Assistant CEO</b>	Tim Klassen
<b>Chief Operations Officer</b>	Tayona Johnas
<b>Chief Lending Officer</b>	James Knockaert
<b>Chief Financial Officer</b>	Tony Keown
<b>Chief Information Officer</b>	Todd Delaurier
<b>Human Resource Manager</b>	Kaydee Deremiens



Branch Managers in alphabetical order

<b>Baldur</b>	Deb Durham
<b>Boissevain</b>	Jim Dickinson
<b>Cypress River</b>	Bill Coder
<b>Deloraine</b>	Ted Billeck
<b>Hartney</b>	Joanne Glawson
<b>Holland</b>	Jackie Conrad
<b>Melita</b>	Tammy Vanbeselaere
<b>Minto</b>	Jim Dickinson
<b>Reston</b>	Brenda Ellis-Anderson
<b>Treherne</b>	Jackie Conrad
<b>Virden</b>	Gene Pielechaty
<b>Waskada</b>	Steven Brigden

# IT'S OUR PEOPLE WHO MAKE THE DIFFERENCE.

## **CORPORATE OFFICE EMPLOYEES**

Harry Bowler  
Yvette Claeys  
Janice Coulter \* 10 years  
Todd Delaurier  
Kaydee Deremiens  
Tayona Johnas  
Tim Klassen  
Tony Keown  
James Knockaert  
Lynn Nunn  
Shelley Paull  
Brenda Shaw  
Kathy Vodden  
Gwen Wooley \* 25 years

## **BALDUR**

Deb Durham  
Monica Geirnaert  
Shirley Levreault  
Tracey Hiscock  
Valerie Nordquist

## **BOISSEVAIN/MINTO**

Jim Dickinson  
Don McNamee  
Elmer McCallum  
Freeda Sanderson \* 15 years  
Heather Wood  
Hollie Neufeld  
Joan Blanchard  
Joan Robertson  
Leanne Pringle \* 15 years  
Michelle Harper  
Sheila Chinner  
Sandra Mitchell

## **CYPRESS RIVER**

Bill Coder  
Agnes Messner \* 20 years  
Betty Berry \* 20 years  
Brittany Cullen  
Debra Young  
Lindsay Penner  
Shelley Arason  
Tammy Gillis Waldon  
Troy McGill

## **DELORAINE**

Ted Billeck \* 10 years  
Laura Vandorne  
Lorrie Weidenhamer  
Patti Janssens  
Stacey Wilkinson

## **HARTNEY**

Joanne Glawson \* 10 years  
Dianne Agnew  
Doris Maguire  
Kim Dooley  
Laurie Gilliard  
Lori Taylor  
Mina McDowell  
Peggy Moir  
Ruby Bertholet

## **MELITA**

Tammy Vanbeselaere  
Alana Barnesky  
Carolyn Arndt \* 5 years  
Connie Jones  
Elaine Dayholos  
Kayle Shannon

Marcie Greenley  
Norma Jean Tilbury  
Patsy Lockhart \* 20 years  
Roberta Brown  
Sharla George

## **RESTON**

Brenda Ellis-Anderson \* 30 years  
Auralee Leadbeater  
Brett Wray  
Candy Wanless \* 15 years  
Cathy Williamson  
Janis Lobreau  
Kayla Bertholet  
Laura Jean Campbell  
Lindsay Boulton  
Lorna Milliken  
Sherri Bartel  
Shirley Jago \* 10 years

## **TREHERNE/HOLLAND**

Jackie Conrad  
Cindy Dalrymple  
Corinne North  
Erynn Lawrence  
Gemma Neumann  
Melissa Williams  
Shirley Isford  
Teresa Thiessen  
Dona Smart  
Charlene Graham  
Kim Gee  
Tara Hilhorst

## **VIRDEN**

Gene Pielechaty  
Chad Scharff  
Cheryl Ripmeester  
Dianna Careme  
Donna Torry  
Jason Lewis  
Jennifer Berry  
Joy Cruickshank  
Lacey Bawdon  
Lana Doole  
Laura Denty  
Linda Lane  
Lynn Kerik  
Mandy Flannery  
Marian Braybrook  
Marianne Ludlam  
Michelle Smith-Hayward  
Sherry Corbett  
Stacie Gonty  
Tarin Nahachewsky  
Terry Johnson  
Tim Penner  
Todd Hayward  
Wil Weir  
Yvonne Baron

## **WASKADA**

Steven Brigden  
Audrey Dickinson  
Dianne Shukin  
Kim Radcliffe  
Tanis Bennie  
Vicky Wanner

\* Staff Members receiving Service Awards

## SUNRISE IN YOUR COMMUNITIES

Sunrise continues the long tradition of our legacy credit unions in supporting our communities. Our staff have been donated in excess of 5,000 hours of their time to community events and Sunrise Credit Union contributed over \$70,000 to various community and charity events this past year.

The following are some of the organizations and events we were proud to support in 2009.

Children's Wish Foundation	SouthWest Junior Girls VolleyBall	ARHA- Reston Hospital Palliative Care
Boissevain Golf Course Auction Sale	Baldur Minor Sports	Reston Gentlemen's Club
Boissevain Kinsmen Park Playground	Tiger Hills Arts Association	Terry Fox Run
Boissevain Steven Lewis Foundation	Baldur Business Solstice Days	Reston & District United Appeal
Cypress River Senior Center	Baldur-Mariapolis 4H	Canadian Legion - Wreath campaign
Hartney Cam Fitness Centre	Baldur Curling Club	Reston Merchants Association
Hartney Swimming Pool	Baldur Community Development	Sinclair Hall committee
Hart Cam Community Club	Ducks Unlimited	MHSAA Provincial Baseball
Holland Community Hall	Contemporary Concepts	Waskada Meet & Greet for Grain Buyers and Producers
4-H Achievement Awards	Healing Hands	Journey for Sight
Lions Clubs	Lions Fishing Derby	Waskada Ball Dugouts
Melita Pool	TM Ag Society	Turtleview Drifters
Pierson & Area Rodeo	Boissevain Morton Recreation	Melita Devils Uniforms
Melita Kinsmen	Curling Club	Cancer Society
Youth for Christ fundraiser	Journey for Sight	Westman Personal Care Home
Cerebral Palsy Stationary Bike Race	Crisis Centre	Westman Cerebral Palsy
Melita Hospital	Relay for Life	The MB International Horse Show
Melita Personal Care Home	Community Theatre	Boissevain Student Government
Melita Golden Age Club	Camps with Meaning	MCD 2009 Convention sponsorship
Melita Air Cadets	MAAS Donation	Tourism Westman, Silver Sponsor
Melita Theatre Group	Cops 4 Kids	Westman Wildcats
Chamber of Commerce	West Souris Beef Management Club	Westman Wolverines Parent Booster Club
Melita PCH Palliative Care	Reston Minor Ball	Pembina Valley Female Midget Hawks
Melita 125 Homecoming	Reston Rockets Senior Baseball	Pembina Valley AAA Hawks Yearbook
Canadian Cancer Society of Manitoba	Pipestone 4-H Beef Club	Central Plains Female Capitals
Waskada CU Cancer Free	Pipestone Albert Ag Society	15 High School Scholarships
Treherne Aquatic Centre	Reston Memorial Theatre	Community Schools and Sports events
BG Lions football team	Reston Rockets Senior Hockey Team	
Baldur Community Development	Reston Ladies Curling Club	
Baldur Argyle Drop-in Centre	Reston & Area Foundation	
Baldur/Glenora Fire Department	Tilston Beef Club	

**Sunrise Credit Union Limited**  
**Consolidated Financial Statements**  
*December 31, 2009*

## Management's Responsibility

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To the Members of Sunrise Credit Union Limited:

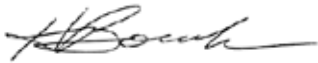
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

April 6, 2010



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Chief Executive Officer

## Auditors' Report

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To the Members of Sunrise Credit Union Limited:

We have audited the consolidated balance sheet of Sunrise Credit Union Limited as at December 31, 2009 and the consolidated statements of income and retained surplus and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

April 6, 2010

*Meyer Norris Penny LLP*

Chartered Accountants



## Sunrise Credit Union Limited Consolidated Balance Sheet

As at December 31, 2009

	3 Months Ended	
	2009	2008
<b>Assets</b>		
Funds on hand and on deposit	17,462,273	6,155,451
Investments and accrued interest (Note 4)	87,416,466	108,667,962
Member loans receivable and accrued interest (Note 5)	416,716,373	350,435,696
Other assets	7,847,688	4,553,339
Property, plant and equipment (Note 6)	6,181,069	5,264,355
	<b>535,623,869</b>	475,076,803
<b>Liabilities</b>		
Member deposits and accrued interest (Note 7)	499,110,720	441,526,008
Accounts payable	3,630,313	2,675,664
	<b>502,741,033</b>	444,201,672
<b>Retained surplus and members' equity (Note 9)</b>		
Member shares (Note 10)	7,519,206	8,093,258
Retained surplus	25,363,630	22,781,873
	<b>32,882,836</b>	30,875,131
	<b>535,623,869</b>	475,076,803

Approved on behalf of the Board

*T.M. Waddy*

Director

*Gary Williams*

Director

**Sunrise Credit Union Limited**  
**Consolidated Statement of Income and Retained Surplus**  
*For the year ended December 31, 2009*

	<i>3 Months Ended</i>	
	<b>2009</b>	<b>2008</b>
<b>Financial income</b>		
Member loans	19,129,172	4,834,554
Investments	4,435,006	1,551,562
	<b>23,564,178</b>	6,386,116
<b>Cost of funds</b>		
Deposits	11,144,036	2,900,180
Borrowed money	2,791	13,007
	<b>11,146,827</b>	2,913,187
<b>Financial margin</b>	<b>12,417,351</b>	3,472,929
<b>Operating expenses</b>		
Administration	4,930,605	1,159,578
Member security	421,392	123,751
Occupancy	1,121,737	302,512
Organizational	328,484	115,384
Personnel	8,312,085	1,427,024
	<b>15,114,303</b>	3,128,249
<b>Other revenue</b>	<b>6,015,728</b>	488,760
<b>Net operating expenses</b>	<b>(9,098,575)</b>	(2,639,489)
<b>Income from operations before loan impairment</b>	<b>3,318,776</b>	833,440
<b>Provision for loan impairment</b>	<b>341,327</b>	84,255
<b>Income before income taxes</b>	<b>2,977,449</b>	749,185
<b>Provision for income taxes</b>	<b>395,692</b>	226,501
<b>Net income</b>	<b>2,581,757</b>	522,684
<b>Retained surplus, beginning of year</b>	<b>22,781,873</b>	22,259,189
<b>Retained surplus, end of year</b>	<b>25,363,630</b>	22,781,873

*The accompanying notes are an integral part of these financial statements*



## Sunrise Credit Union Limited Consolidated Statement of Cash Flows

*For the year ended December 31, 2009*

	<b>2009</b>	<i>3 Months Ended 2008</i>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Interest received from member loans	19,071,777	5,023,899
Interest and dividends received from investments	5,133,988	1,418,714
Other income received	6,015,728	624,662
Income taxes paid	(427,809)	(646,094)
Interest paid to members	(11,479,243)	(2,888,709)
Interest paid on borrowed money	(2,791)	(13,007)
Cash payments to suppliers and employees	(17,007,105)	(2,860,579)
	<b>1,304,545</b>	658,886
<b>Financing</b>		
Net change in member deposits	57,919,919	7,800,828
Issuance of member shares	6,775	46,347
Redemption of member shares	(580,817)	(137,603)
	<b>57,345,877</b>	7,709,572
<b>Investing</b>		
Net change in loans receivable	(66,564,609)	(34,421,277)
Purchase of investments	-	(14,029,600)
Proceeds on disposal of investments	20,552,514	-
Purchase of property, plant and equipment	(1,337,939)	(802,731)
Proceeds on disposal of property, plant and equipment	6,434	-
	<b>(47,343,600)</b>	(49,253,608)
<b>Increase (decrease) in cash resources</b>	<b>11,306,822</b>	(40,885,150)
<b>Cash resources, beginning of year</b>	<b>6,155,451</b>	47,040,601
<b>Cash resources, end of year</b>	<b>17,462,273</b>	6,155,451

**1. Incorporation and nature of operations**

Sunrise Credit Union Limited was formed pursuant to the *Credit Unions and Caisses Populaires Act* of the Province of Manitoba and operates twelve Credit Union branches. The Credit Union serves members in southwestern Manitoba.

**2. Change in accounting policies**

***Fair value measurements***

Effective June 2009, the Credit Union adopted the Canadian Institute of Chartered Accountants' new recommendations for disclosures relating to fair value measurements. Section 3862 *Financial Instruments - Disclosures* has been amended to require enhanced disclosures for fair value measurements recognized in the balance sheet. The Credit Union is required to classify and disclose fair value measurements using a three-tier fair value hierarchy based on the lowest level input that is significant to that fair value measurement.

The adoption of this amendment did not have a material impact on the Credit Union's consolidated financial statements.

***Liquidity risk***

Effective June 2009, the Credit Union adopted the Canadian Institute of Chartered Accountants' new recommendations for disclosures relating to liquidity risk. Section 3862 *Financial Instruments - Disclosures* has been amended to require enhanced disclosures for liquidity risk in response to current market conditions. The Credit Union is required to disclose maturity analysis for derivative and non-derivative financial liabilities based on how the Credit Union manages its liquidity risk.

The adoption of this amendment did not have a material impact on the Credit Union's consolidated financial statements.

**3. Accounting policies**

The Credit Union follows accounting policies appropriate to its activities and legislation that conform to Canadian generally accepted accounting principles. The significant accounting policies adopted by the Credit Union include:

***Basis of presentation***

The Credit Union has consolidated the assets, liabilities, revenues and expenses of all subsidiaries after the elimination of inter-credit union transactions and balances.

The consolidated financial statements include the accounts of the Credit Union, and its wholly owned subsidiary, VCU Financial Group Inc.

***Investments and accrued interest***

***Portfolio investments***

Investments in securities are valued at cost, adjusted to recognize other than a temporary impairment in the underlying value. Investments 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 the disposal of securities are included in income in the year in which they occur.

***Investment in mortgage pool***

Investments in the mortgage pool is carried at amortized cost, adjusted to recognize other than a temporary impairment in the underlying value. Premiums on the mortgage pool are amortized on a straight line basis over the term of the mortgages.

## Sunrise Credit Union Limited

### Notes to the Consolidated Financial Statements

*For the year ended December 31, 2009*

### 3. Accounting policies *(Continued from previous page)*

#### **Member loans receivable and accrued interest**

Loans to members are recorded at the lower of principal plus accrued interest and estimated realizable amounts. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amount and timing of future cash flows cannot be estimated with reasonable reliability, estimated realizable amounts are measured at the fair value of the security underlying the loans, net of expected costs of realization. Interest income from loans is recorded on the accrual basis for all loans not classified as impaired.

When interest or principal is past due 90 days, the loan is classified as impaired unless there is no reasonable doubt as to the collectibility of all interest and principal. When a loan is classified as impaired, recognition of interest income in accordance with the original loan agreement ceases. Any subsequent payments received on an impaired loan are applied to reduce the recorded investment in the loan.

#### **Allowance for loan impairment**

Allowance for credit losses represent a specific and general provision established as a result of reviews of individual loans and groups of loans. Specific allowances are established by reviewing the credit worthiness of individual borrowers and the value of the collateral underlying the loan. General allowances are established by reviewing specific arrears and current economic conditions.

A provision for impaired loans is established when there is reasonable doubt that the full amount of principal and interest will be collected. In such case, a specific provision is established to write down the loans to the estimated future net cash flows from the loan discounted at the rate inherent in the loan when impairment was recognized. In cases where it is impractical to estimate the future cash flows, the carrying amount of the loan is reduced to its estimated realizable value.

#### **Property, plant and equipment**

Property, plant and equipment are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives.

	Method	Rate
Buildings	straight-line	20-40 years
Computer equipment	straight-line	3-5 years
Computer software	straight-line	5 years
Furniture and equipment	straight-line	3-10 years
Leasehold improvements	straight-line	3 years
Parking lot	straight-line	10 years

#### **Property for resale**

Property held for sale is recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which the Credit Union obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received.

#### **Long-lived assets**

Long-lived assets consist of property, plant and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Credit Union performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the period.

**3. Accounting policies (Continued from previous page)**

***Goodwill***

Goodwill represents the excess of the purchase price over the proportionate share of the fair value of the identifiable net assets acquired in a business acquisition. Goodwill is not amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of a reporting unit's goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess. No loss for impairment was required in the current period.

***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 the 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 doubtful loans as an adjustment of the specific allowance.

Investment income is recognized as interest is earned on interest-bearing investments, and when dividends are declared on preferred shares.

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

***Financial instruments***

The financial instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in net income. The Credit Union's financial instruments classified as held for trading include funds on hand and on deposit.

Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The Credit Union's shares with Credit Union Central of Manitoba have been classified as available for sale.

The financial assets classified as loans and receivables are measured at amortized cost. The Credit Union's financial instruments classified as loans and receivables include all loans, accrued interest, Credit Union Central of Manitoba term deposits and other receivable balances.

Financial instruments classified as other financial liabilities include all deposits, borrowing, payables and accruals. Other financial liabilities are measured at amortized cost.

***Fair value measurements***

The Credit Union classified fair value measurements recognized in the balance sheet using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Credit Union to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy base on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

# Sunrise Credit Union Limited

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

### 3. Accounting policies (Continued from previous page)

#### **Comprehensive income (loss)**

Comprehensive income (loss) includes all changes in equity of the Credit Union, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with Canadian generally accepted accounting principles, require recognition, but are excluded from net income (loss). The Credit Union does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period.

#### **Measurement uncertainty**

The preparation of consolidated 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Loans are stated after evaluation as to their collectibility and an appropriate allowance for doubtful loans is provided where considered necessary. As the valuation of the underlying security cannot be ascertained with any degree of accuracy, a measurement of uncertainty exists in the valuation of loans and the allowance for loan impairment.

Amortization of property, plant and equipment and intangible assets is provided based on the Credit Union's estimate of useful lives of those assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in income in the periods in which they become known.

#### **Recent accounting pronouncements**

##### **Adoption of International Financial Reporting Standards**

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for fiscal years beginning on or after January 1, 2011, for publicly accountable enterprises, such as investment funds and other reporting issuers. From this date forward, the financial statements, including comparative information, will be reported in accordance with IFRS. The Credit Union Deposit Guarantee Corporation requires management to provide progress updates on the entity's IFRS changeover plan quarterly up until the changeover date.

The Credit Union is developing a changeover plan to adopt IFRS on January 1, 2011. The key elements of the plan include assessing the impact of adopting IFRS on:

- Accounting policies;
- IT and data systems;
- Internal controls over financial reporting;
- Disclosure controls and procedures.

The changeover plan is still in the early stages and, as such, the impact of adopting IFRS on the Credit Union's financial reporting is not reasonably determinable.

**Sunrise Credit Union Limited**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2009*

**4. Investments and accrued interest**

	2009	3 Months Ended 2008
Credit Union Central of Manitoba		
Term and contract deposits	52,345,000	66,345,000
Shares	9,115,809	8,397,419
	61,460,809	74,742,419
Other investments		
Municipal debenture	225,786	449,100
Mortgage pool investments	25,124,493	32,172,083
	86,811,088	107,363,602
Accrued interest	605,378	1,304,360
	87,416,466	108,667,962

Term and contract deposits consist of sixty term deposits earning interest between 1.58% and 5.30%. The term deposit maturities range from February 2010 to January 2014. The municipal debenture matures in 2016 earning interest at 8.125%.

**5. Member loans receivable and accrued interest**

Principal and allowance by loan type

					2009	2008
	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Allowance Specific</i>	<i>Allowance Non-specific</i>	<i>Net carrying value</i>	<i>Net carrying value</i>
Personal and other	52,985,926	578,007	578,007	137,438	52,848,488	46,704,913
Real estate secured	202,136,536	340,345	340,345	43,362	202,093,174	181,486,772
Commercial	59,098,147	624,070	624,070	153,382	58,944,765	27,439,422
Agricultural	103,182,070	558,039	558,039	352,124	102,829,946	94,804,589
	417,402,679	2,100,461	2,100,461	686,306	416,716,373	350,435,696
Total allowance			2,786,767			

Loan allowance details

	2009	3 Months Ended 2008
Balance, beginning of year	2,599,014	2,516,514
Provision for loan impairment	341,327	84,255
	2,940,341	2,600,769
Less: accounts written off	(153,574)	(1,755)
Balance, end of year	2,786,767	2,599,014

During the period, the Credit Union recovered \$1,289 of loans previously written off, which has been included as part of other revenue on the statement of income and retained surplus.

## Sunrise Credit Union Limited

### Notes to the Consolidated Financial Statements

*For the year ended December 31, 2009*

#### 6. Property, plant and equipment

	<b>2009</b>			<i>3 Months Ended 2008</i>
	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>Net Book Value</i>	<i>Net Book Value</i>
Land	905,287	-	905,287	597,087
Buildings	6,552,962	1,777,538	4,775,424	4,313,236
Computer equipment	990,466	730,383	260,083	143,872
Computer software	46,714	1,435	45,279	-
Furniture and equipment	801,667	624,661	177,006	188,047
Leasehold improvements	17,554	3,287	14,267	17,332
Parking lot	10,577	6,854	3,723	4,781
	<b>9,325,227</b>	<b>3,144,158</b>	<b>6,181,069</b>	<b>5,264,355</b>

Amortization expense for the year amounted to \$357,085 (2008 - \$118,895).

#### 7. Member deposits and accrued interest

	<b>2009</b>		<i>3 Months Ended 2008</i>
	<b>2009</b>	<b>2008</b>	<b>2008</b>
Chequing	145,972,909	121,545,211	
Savings	17,464,365	16,191,184	
Plan 24	28,214,583	32,372,965	
Term deposits	232,780,420	204,617,982	
Registered Retirement Savings Plans	56,247,574	49,336,646	
Registered Retirement Income Funds	13,240,354	11,936,298	
	<b>493,920,205</b>	<b>436,000,286</b>	
Accrued interest	<b>5,190,515</b>	<b>5,525,722</b>	
	<b>499,110,720</b>	<b>441,526,008</b>	

#### 8. Line of credit

The Credit Union has an approved borrowing limit of 10% of member deposits. Borrowings are secured by an assignment, hypothecation, charge and pledge of all book debts and accounts to Credit Union Central of Manitoba and bear an annual interest rate based on the Chartered Banks overnight funds rate, with no fixed repayment date.

# Sunrise Credit Union Limited

## Notes to the Consolidated Financial Statements

*For the year ended December 31, 2009*

### 9. Members' equity and capital requirement

Section 21(1) of the Regulations to the Credit Unions and Caisses Populaires Act require that the Credit Union establish and maintain a level of capital as follows:

	<i>3 Months Ended</i>	
	<b>2009</b>	<b>2008</b>
Equity not less than 5% of assets	<b>6.14 %</b>	6.50 %
Retained surplus not less than 3% of assets	<b>4.74 %</b>	4.80 %
Capital not less than 8% of the risk-weighted value of assets	<b>10.77 %</b>	12.10 %

#### Capital management

Section 1535: Capital Disclosures requires the Credit Union to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

The Credit Union provides financial services to its members and is subject to the capital requirements set out in the Credit Union Act of Manitoba (the Act). The Credit Union complied with these capital requirements as at the year-end.

Capital management: The Credit Union's objectives when managing capital are:

- To ensure the long-term viability of the Credit Union and the security of member deposits by holding a level of capital deemed sufficient to protect against unanticipated losses.
- To comply at all times with the capital requirements set out in the Act.

The Credit Union measures the adequacy of capital using two methods:

- Total capital as a percent of total assets;
- Total capital as a percent of risk-weighted assets. Under this method the Credit Union reviews its loan portfolio and other assets and assigns a risk weighting using definitions and formulas set out in the Act and by the Credit Union Deposit Guarantee Corporation. The more risk associated with an asset, a higher weighting is assigned. This method allows the Credit Union to measure capital relative to the possibility of loss with more capital required to support assets that are seen as being higher risk.

The Credit Union management ensures compliance with capital adequacy through the following:

- Establishing policies for capital management, monitoring and reporting;
- Establishing policies for related areas such as asset liability management;
- Reporting to the Board of Directors regarding financial results and capital adequacy;
- Reporting to the Credit Union Deposit Guarantee Corporation on its capital adequacy; and
- Establishing budgets and reporting variances to those budgets.

The Credit Union is required under the Act to hold capital equal to or exceeding the greater of:

- 5% of total assets; and
- 8% of risk-weighted assets.



## Sunrise Credit Union Limited

### Notes to the Consolidated Financial Statements

*For the year ended December 31, 2009*

#### 10. Member shares

Authorized:

Unlimited number of Member shares, at an issue price of \$5.

Unlimited number of Surplus shares, at an issue price of \$1.

Issued:

	2009	<i>3 Months Ended 2008</i>
17,070 Member shares (2008 - 16,478)	85,350	82,390
7,433,856 Surplus shares (2008 - 8,010,868)	7,433,856	8,010,868
	<b>7,519,206</b>	<b>8,093,258</b>

Each member of the Credit Union has one vote regardless of the number of shares held. Surplus shares are established as a means of returning excess earnings to the members and at the same time increasing the Credit Union's equity base. The articles of incorporation for Sunrise Credit Union Limited disclose the conditions concerning the surplus shares.

During the year, the Credit Union issued 1,355 and redeemed 763 Member shares and redeemed 577,012 Surplus shares.

#### 11. Related party transactions

##### *Directors, management and staff*

Transactions with directors, committee members, management and staff are at terms and conditions as set out in the loan policies of the Credit Union.

Payments made for honoraria and per diems amounted to \$48,240 (2008 - \$23,836), reimbursement of expenses amounted to \$31,060 (2008 - \$8,239) and meeting, training and conference costs amounted to \$34,168 (2008 - \$14,211) for the year ended December 31, 2009.

Loans to directors and staff as at December 31, 2009 amounted to 3.48% (2008 - 3.66%) of assets of the Credit Union.

##### *Credit Union Central of Manitoba*

The Credit Union is a member of the Credit Union Central of Manitoba, which acts as a depository for surplus funds from, and makes loans to Credit Unions.

Interest earned on investments during the year ended December 31, 2009 amounted to \$2,911,994 (2008 - \$735,425).

Interest and charges paid on borrowings during the year ended December 31, 2009 amounted to \$2,791 (2008 - \$13,007).

Payments made for affiliation dues, liquidity assessment, research and development assessment, cheque clearing and data processing for the year ended December 31, 2009 amounted to \$934,460 (2008 - \$179,747).

##### *Credit Union Deposit Guarantee Corporation*

The Credit Union Deposit Guarantee Corporation is a deposit insurance company which protects the savings and deposits of all credit union members in every credit union within Manitoba.

The payments made to the Corporation during the year ended December 31, 2009 represent the net statutory annual assessment in the amount of \$370,440 (2008 - \$116,509).

##### *Celero Solutions*

The Credit Union has entered into an agreement with Celero Solutions to provide the delivery of banking system services and the maintenance of the infrastructure 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 Services Association and Credit Union Electronic Transaction Services.

**Sunrise Credit Union Limited**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2009*

**12. Liquidity requirements**

The Credit Union has met liquidity requirements at year end as prescribed in the regulations under the Credit Unions and Caisses Populaires Act.

**13. Loan commitments**

The Credit Union has authorized \$122,623,904 for line of credit loans, of which \$71,619,096 has not been advanced as of year end. In addition, \$9,579,753 in member loans have been authorized but have not been advanced as of the year end.

**14. Interest rate sensitivity reporting**

The Credit Union's primary source of income is financial margin, which is the difference between interest earned on investments and loans to members and interest paid to members on their deposits. The objective of managing the financial margin is to manage repricing or maturity dates of loans and investments and members' savings and deposits within policy limits that are intended to limit the Credit Union's exposure to changing interest rates. The differential represents the net mismatch between loans and investments and members' savings and deposits by maturity dates.

Amounts with variable interest rates, or due on demand, are classified as maturing within six months.

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.

Interest rate re-price

					3 Months Ended 2009	2008
	Assets	Average yield %	Liabilities	Average costs %	Differential	Differential
Interest sensitive:						
Variable (floating)	222,085,286	4.54 %	216,266,299	1.86 %	5,818,987	4,345,722
Maturing within 1 year	28,697,661	4.74 %	89,666,715	2.29 %	(60,969,054)	(62,152,626)
1 to 2 years	45,528,614	2.42 %	34,909,591	4.40 %	10,619,023	579,679
2 to 3 years	48,282,726	5.42 %	23,742,952	4.66 %	24,539,774	15,726,911
3 to 4 years	69,735,396	5.22 %	21,768,950	4.34 %	47,966,446	33,657,301
Over 4 years	93,334,010	4.54 %	30,835,711	2.86 %	62,498,299	51,880,593
Non-interest sensitive	27,960,176		118,433,651		(90,473,475)	(44,037,580)
	<b>535,623,869</b>		<b>535,623,869</b>		-	-

**15. Fair value of financial instruments**

Fair value is the consideration that would be agreed to in an arm's-length transaction between knowledgeable and willing parties with no compulsion to act. Estimates respecting fair values are based on subjective assumptions and contain significant uncertainty. Fair values represent estimates of value at a particular point in time and may not be relevant in predicting future cash flows or earnings. Potential income taxes or other expenses that may be incurred on actual disposition have not been reflected in the fair values disclosed.

## Sunrise Credit Union Limited

### Notes to the Consolidated Financial Statements

*For the year ended December 31, 2009*

#### 15. Fair value of financial instruments *(Continued from previous page)*

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

- a) the stated value for cash, short term investments, other assets, other liabilities, accrued income or expense and certain other assets and liabilities approximate their fair value.
- b) estimated fair values of investments are based on quoted market prices when available or quoted market prices of similar investments.
- c) for variable interest rate loans that are frequently re-priced, stated values are assumed to be fair values. Fair values of other loans are estimated using discounted cash flow calculations with market interest rates for similar groups of loans and maturity dates.
- d) fair value of deposits with no specified maturity term is its stated value. Fair value for other deposits is estimated using discounted cash flow calculations at market rates for similar deposits.

Estimated fair values of financial instruments are summarized as follows:

	<b>2009</b>			<i>3 Months Ended</i> <b>2008</b>		
	<i>Fair value</i>	<i>Book value</i>	<i>Fair value over book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value over book value</i>
<b>Financial assets</b>						
Funds on hand and deposit	17,462,273	17,462,273	-	6,155,451	6,155,451	-
Investments and accrued interest	87,416,466	87,416,466	-	108,667,962	108,667,962	-
Member loans receivable	423,936,426	416,716,373	7,220,053	354,621,610	350,435,696	4,185,914
	<b>528,815,165</b>	<b>521,595,112</b>	<b>7,220,053</b>	469,445,023	465,259,109	4,185,914
<b>Financial liabilities</b>						
Member deposits and accrued interest	506,382,114	499,110,720	7,271,394	449,563,188	441,526,008	8,037,180
Accounts payable	3,630,313	3,630,313	-	2,675,664	2,675,664	-
	<b>510,012,427</b>	<b>502,741,033</b>	<b>7,271,394</b>	452,238,852	444,201,672	8,037,180

#### ***Fair value hierarchy***

Following the recently updated CICA Handbook Section 3862, "Financial Instrument Disclosure", financial instruments measured at fair value on the balance sheet date have been classified within the fair value hierarchy.

At both December 31, 2009 and the prior year, December 31, 2008, all financial instruments measured at fair value on the balance sheet have been classified to Level 2; measured using inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly.

**16. Nature and extent of risk arising from financial instruments**

The Credit Union is exposed to the following risks as a result of holding financial instruments: credit risk, market risk and liquidity risk. The following is a description of those risks and how the Credit Union manages the exposure to them.

***Credit Risk***

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union. Credit risk arises principally as a result of the Credit Union's lending activities with members.

***Risk measurement***

The Credit Union employs a risk measurement process for its loan portfolio which is designed to assess and quantify the level of risk inherent in credit granting activities. Risk is measured by reviewing qualitative and quantitative factors that impact the loan portfolio.

***Credit quality performance***

Refer to Note 3 for additional information on the potential loss exposure related to the Credit Union's loan portfolio.

***Objectives, policies and processes***

The Credit Union is committed to the following principles in managing credit risk exposure:

- Credit risk assessment includes the establishment of policies and processes related to credit risk management and risk rating;
- Credit risk mitigation includes credit structuring, collateral, and guarantees;
- Credit risk approval limits includes establishing credit risk limits and reporting exceptions thereto;
- Credit risk documentation focuses on documentation and administration; and
- Credit risk monitoring and review.

The Credit Union's credit risk policies, processes and methodologies are reviewed annually to ensure they remain relevant and effective in managing credit risk.

***Market Risk***

Market risk arises from changes in interest rates that affect the Credit Union's net interest income. Exposure to this risk directly impacts the Credit Union's income from its loan and deposit portfolios. The Credit Union's objective is to earn an acceptable net return on these portfolios, without taking unreasonable risk, while meeting member-owner needs.

***Risk Measurement***

The Credit Union's risk position is measured and monitored each month to ensure compliance with policy. Management provides monthly reports on these matters to the Credit Union's Board of Directors.

***Objectives, policies and processes***

Management is responsible for managing the Credit Union's interest rate risk, monitoring approved limits and compliance with policies. The Credit Union manages market risk by developing and implementing asset and liability management policies, which are approved and periodically reviewed by the Board.

## Sunrise Credit Union Limited

### Notes to the Consolidated Financial Statements

*For the year ended December 31, 2009*

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#### 16. Nature and extent of risk arising from financial instruments *(Continued from previous page)*

The Credit Union's goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Credit Union's investment and asset liability management policies periodically to ensure they remain relevant and effective in managing and controlling risk.

##### ***Liquidity Risk***

Liquidity risk is the risk of having insufficient financial resources to meet the Credit Union's cash and funding requirements, statutory liquidity requirements, or both.

##### *Risk measurement*

- The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgment pertaining to current and prospective market conditions and the related investing and borrowing activities of members.

##### *Objectives, policies and processes*

The acceptable amount of risk is defined by policies that are approved by the Board of Directors.

The Credit Union manages liquidity by monitoring, forecasting and managing cash flows and the concentration of loans and deposits within approved policies. Management provides monthly reports on these matters to the Board of Directors.

Key features of liquidity management include:

- Daily monitoring of expected cash inflows and outflows and tracking and forecasting the liquidity position; and
- Consideration of the term structure of loans and deposits, with emphasis on deposit maturities, as well as expected loan funding and other commitments to ensure the Credit Union can maintain, required levels of liquidity while meeting its obligations.

## BRANCHES

BALDUR **ATM\***

Phone 535.5000

BOISSEVAIN **ATM\***

Phone 534.2421

BRANDON

Phone 727.5000

CYPRESS RIVER

Phone 743.2181

DELORAINÉ **ATM\***

Phone 747.2336

HARTNEY **ATM\***

Phone 858.2171

HOLLAND **ATM\***

Phone 526.6470

MELITA **ATM\***

Phone 522.3272

MINTO

Phone 776.2330

RESTON **ATM\***

Phone 877.3991

TREHERNE **ATM\***

Phone 723.3250

VIRDEN **ATM\***

Phone 748.2907

WASKADA

Phone 673.2774

**\*ATM access available 24 hours**



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