

MOMENTUM CREDIT UNION LIMITED

FINANCIAL STATEMENTS

For the year ended December 31, 2018

MOMENTUM CREDIT UNION LIMITED

For the year ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of Momentum Credit Union Limited

Opinion

We have audited the financial statements of Momentum Credit Union Limited (the 'Entity'), which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive income, changes in members' equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information – Annual Report

Management is responsible for the annual report. The annual report comprises the report of the board of directors, report of the CEO, and other management reports, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the annual report identified above when it becomes available and, in doing so, consider whether the annual report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

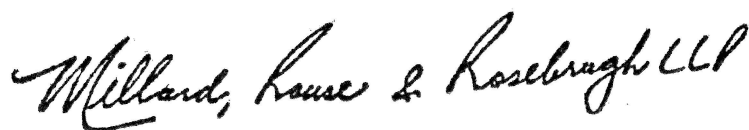
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



March 11, 2019
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

MOMENTUM CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION

As at December 31	2018	2017
ASSETS		
Cash and bank	6,695,634	16,123,038
Investments (Note 5)	14,590,187	16,184,809
Derivatives (Note 6)	20,021	40,075
Loans to members (Note 7)	175,732,627	174,655,123
Accounts receivable	137,988	42,471
Prepaid expenses	59,475	157,503
Income taxes recoverable	66,621	-
Property, plant and equipment (Note 9)	3,586,457	3,356,622
Intangible assets (Note 9)	343,750	398,027
Goodwill	996,473	996,473
Deferred income taxes (Note 17)	288,360	130,796
Deferred pension costs (Note 10)	28,800	3,500
	202,546,393	212,088,437
LIABILITIES		
Term loans (Note 11)	5,450,000	3,000,000
Members' deposits (Note 12)	184,348,490	194,619,430
Accounts payable and accrued liabilities	583,841	298,020
Accrued dividends	-	31,408
Derivatives (Note 6)	20,021	57,242
Income taxes payable	-	42,364
Obligation for post-retirement benefits (Note 10)	1,290,700	1,545,500
Shares (Note 13)	385,331	409,939
	192,078,383	200,003,903
MEMBERS' EQUITY		
Shares (Note 13)	3,084,907	3,290,783
Retained Earnings	4,961,539	6,568,740
Accumulated Other Comprehensive Income	(640,706)	(837,259)
Contributed Surplus	3,062,270	3,062,270
	10,468,010	12,084,534
	202,546,393	212,088,437

Approved on behalf of the Board of Directors:

..... *Director*

..... *Director*

See accompanying notes

MOMENTUM CREDIT UNION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2018	2017
Interest Revenue (Note 15)	7,131,632	6,436,429
Interest Expense (Note 16)	2,884,764	2,456,032
Interest Margin	4,246,868	3,980,397
Other income	1,020,007	939,202
Income Before Operating Expenses	5,266,875	4,919,599
Operating Expenses		
Employee salaries and benefits	2,767,560	2,454,946
Data processing	425,983	419,332
Administration	793,346	578,140
Insurance	269,815	230,862
Collection and bad debts	2,241,192	138,641
Occupancy	357,817	218,376
Staff and director expenses	64,196	97,004
Depreciation	205,373	191,038
	7,125,282	4,328,339
Loss Before Income Taxes	(1,858,407)	591,260
Income taxes - current (Note 17)	(45,884)	101,480
Income taxes - deferred (Note 17)	(205,322)	(531)
Net Loss	(1,607,201)	490,311
Other Comprehensive Income (Loss), Net of Income Taxes		
Change in unrealized gains (loss) on derivative instruments designated as cash flow hedges	9,610	(4,182)
Tax effect of unrealized gains on cash flow hedges	(1,441)	627
Actuarial gains and losses on post-retirement benefits	234,700	(187,100)
Tax effect of actuarial gains and losses	(46,316)	28,065
Other Comprehensive Income (Loss) for the Year	196,553	(162,590)
Comprehensive Income (Loss) for the Year	(1,410,648)	327,721

See accompanying notes

MOMENTUM CREDIT UNION LIMITED

STATEMENT OF CHANGES IN MEMBERS' EQUITY

	<u>Accumulated Other Comprehensive Income</u>					
	Post-retirement benefits	Cash Flow Hedge	Shares	Contributed Surplus	Retained Earnings	Total
Balance at January 1, 2017	(670,055)	(4,614)	3,509,033	3,062,270	6,197,256	12,093,890
Net Income	-	-	-	-	490,311	490,311
Adoption of IFRS 9 (net of tax) (Note 3)	-	-	-	-	(95,814)	(95,814)
Dividends declared on member shares	-	-	-	-	(23,013)	(23,013)
Distributions to members	-	-	24,102	-	-	24,102
Redemptions	-	-	(242,352)	-	-	(242,352)
Actuarial gains (losses) on pension and other post-retirement benefits	(159,035)	-	-	-	-	(159,035)
Change in unrealized gains (losses) on cash flow hedges	-	(3,555)	-	-	-	(3,555)
Balance at December 31, 2017	(829,090)	(8,169)	3,290,783	3,062,270	6,568,740	12,084,534
Net Loss	-	-	-	-	(1,607,201)	(1,607,201)
Distributions to members	-	-	31,408	-	-	31,408
Redemptions	-	-	(237,284)	-	-	(237,284)
Actuarial gains (losses) on pension and other post-retirement benefits	188,384	-	-	-	-	188,384
Change in unrealized gains / (losses) on cash flow hedges	-	8,169	-	-	-	8,169
Balance at December 31, 2018	(640,706)	-	3,084,907	3,062,270	4,961,539	10,468,010

See accompanying notes

MOMENTUM CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

For the year ended December 31	2018	2017
Cash Flows From Operating Activities		
Net loss	(1,607,201)	490,311
Adjustments for:		
Interest revenue	(7,131,632)	(6,436,429)
Interest expense	2,884,764	2,456,032
Interest received on member loans	6,649,919	5,981,514
Interest received on investments	414,400	538,509
Interest paid on member deposits	(2,925,613)	(2,150,909)
Depreciation	205,373	191,038
Deferred income taxes	(205,322)	(531)
Net change in non-cash working capital balances related to operations	93,542	(4,015)
	(1,621,770)	1,065,520
Cash Flows From Financing Activities		
Term loans	2,450,000	(8,000,000)
Member deposits and shares	(10,460,575)	34,933,622
	(8,010,575)	26,933,622
Cash Flows From Investing Activities		
Purchase of property, plant and equipment and intangibles	(380,932)	(62,399)
Loans and mortgages to members	(1,019,109)	(27,998,500)
Investments	1,604,982	5,481,777
	204,941	(22,579,122)
Net Decrease in Cash and Cash Equivalents	(9,427,404)	5,420,020
Opening Cash and Cash Equivalents	16,123,038	10,703,018
Closing Cash and Cash Equivalents	6,695,634	16,123,038

See accompanying notes

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. NATURE OF OPERATIONS

Reporting Entity

Momentum Credit Union Limited (the "Credit Union") is a company incorporated under the Credit Unions and Caisses Populaires Act, 1994 ("The Act") of Ontario. The Credit Union offers retail banking services to its members. The head office is located at 698 King Street East, Hamilton, Ontario.

These financial statements have been authorized for issue by the Board of Directors on March 11, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (the "IASB").

These financial statements were prepared under the historical cost convention, as modified by the revaluation of available-for-sale and fair-value-through-profit-and-loss financial assets and derivative financial instruments measured at fair value.

The Credit Union's functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Cash and Bank

Cash and bank includes cash on hand and deposits with banks. Cash and bank accounts are classified as measured at fair value through profit or loss.

Central 1 Deposits and Concentra Financial Investments

Deposits with Central 1 are initially measured at fair value plus transaction costs, and are subsequently measured at amortized cost.

Central 1 Credit Union and Concentra Financial Equity Instruments

Equity instruments are classified as measured at fair value through profit or loss.

Other Equity Instruments

Other equity instruments are classified as measured at fair value through profit or loss.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedges

The Credit Union periodically enters into derivative contracts to manage financial risks associated with movements in interest rates. The Credit Union does not enter into derivative financial instruments for trading or speculative purposes.

When derivatives are used to manage exposures, the Credit Union determines, for each derivative, whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a cash flow hedge of a specifically identified group of assets or liabilities. The Credit Union formally assesses and documents whether these derivatives are effective in offsetting changes in cash flows of hedged assets or liabilities.

These derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Gains and losses resulting from changes in fair value of the effective portion of the derivative instrument are recorded in other comprehensive income until the hedged item is recognized in income. The ineffective portion is recognized immediately in income as other income.

Market Based Deposits

The Credit Union has various deposits from members, whereby, interest will be paid based on certain market indicators. To offset exposure to fluctuations in these indicators, the Credit Union has entered into derivative contracts with Central 1, whereby, Central 1 will pay the interest on these deposits. In return, the Credit Union will pay a fixed rate of interest to Central 1 on these deposits. These derivative contracts are designated as at fair value through profit or loss and are measured at fair value both initially and subsequently.

Loans to Members

All loans to members are financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as measured at amortized cost. Member loans are initially measured at fair value, net of loan origination fees. Loans are subsequently measured at amortized cost using the effective interest rate method, less any impairment. An allowance for doubtful loans is deducted from the total of the loans on the balance sheet.

Property, Plant and Equipment and Depreciation

Property, plant and equipment assets are stated at cost. Depreciation is provided for in the accounts as follows:

Building	40 years straight line
Paved parking lots	4 years straight line
Furniture and fixtures	20% declining balance
Computer equipment	5 years straight line
ATM machine	10 years straight line

In the year of acquisition or disposal, depreciation is prorated based on the number of months in use.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill resulted from the amalgamation of Hamilton Community Credit Union and Twin Oak Credit Union. The carrying value of goodwill is valued annually to determine whether there has been a loss in value. This valuation is carried out by comparing the undiscounted existing and expected cash flows from operations with the unamortized balance of the excess at the valuation date.

Intangible Assets

Intangible assets consist of computer software, rights for the use of software, and costs incurred to acquire those rights. Intangible assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment (losses). Amortization is provided using the straight-line basis over 10 years.

Accounts Payable

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently are carried at amortized cost using the effective interest rate method.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable income will be available to allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities / (assets) are settled / (recovered).

Member Deposits

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Revenue Recognition

Interest on loans and investments is recognized as earned at the end of each month and when ultimate collection is reasonably assured. Other revenue consists of service charges and commissions, recognized as earned when the associated services are rendered.

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income.

Employee Benefits

The Credit Union's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Credit Union determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Credit Union's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Credit Union, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Credit Union recognizes them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, Amendments and Interpretations Not Yet Effective

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2019 or later periods that the Credit Union has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Credit Union are:

- (ii) IFRS 16 Leases was released in January 2016 by the International Accounting Standards Board (IASB) and was incorporated into Part 1 of the CPA Canada Handbook - Accounting by the Accounting Standards Board (AcSB) in June 2016. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis. Subsequently, lease assets and liabilities are measured similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

None of the other new standards, interpretations or amendments, which are effective for the Credit Union's accounting periods beginning after January 1, 2019 and which have not been adopted early, are expected to impact on the Credit Union's future financial statements.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. ADOPTION OF IFRS 9

The Credit Union adopted IFRS 9 on January 1, 2018. Financial assets and liabilities originally measured and classified under IAS 39 have been reclassified as follows:

Financial asset/liability	IAS 39 classification	Previous carrying amount	IFRS 9 classification	New carrying amount
Cash	Available for sale	16,123,038	FVTPL	16,123,038
Debt investments	Loans/ Receivables	13,741,932	Amortized cost	13,741,932
Equity investments	Available for sale	2,442,877	FVTPL	2,442,877
Accounts receivable	Loans/ Receivables	42,471	Amortized cost	42,471
Loans to members	Loans/ Receivables	174,767,845	Amortized cost	174,655,123
Derivatives	FVTPL	(17,167)	FVTPL	(17,167)
Accounts Payable	Other liabilities	298,020	Amortized cost	298,020
Member deposits	Other liabilities	194,619,430	Amortized cost	194,619,430
Member shares	Other liabilities	3,700,722	Amortized cost	3,700,722

IFRS 9 requires the Credit Union to use an 'expected loss' or 'forward-looking' impairment model instead of the previous 'incurred loss' model. The allowance for impaired loans on January 1, 2018 was recalculated under the new model and increased by \$112,722, resulting in a decrease in the net loan portfolio balance.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair Value of Financial Instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

Loan Loss Provision

In accordance with IFRS 9, the Credit Union uses an expected credit loss model to determine a loss allowance for its loan and mortgage portfolio. Under this model the Credit Union estimates the probability of default of a loan, and the expected loss given default. The Credit Union recognizes the expected losses over the next 12 months for loans that have not had significant deterioration in credit quality, and recognizes lifetime expected credit losses when there has been significant increases in credit risk since initial recognition.

Employee Future Benefits

The Credit Union sponsors defined benefit plans providing pension and other post-employment benefits to covered employees. The determination of expense and obligations associated with employee future benefits requires the use of assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, the expected mortality, the expected rate of future compensation and the expected healthcare cost trend rate. Because the determination of the cost and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process. Actual results will differ from results which are estimated based on assumptions. See Note 10 for further details.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

5. INVESTMENTS	2018	2017
Central 1 Liquidity reserve deposit	12,270,240	12,596,400
Central 1 term deposits	-	1,040,000
Concentra Financial mortgage investment pool	-	70,948
Accrued interest	44,944	34,584
	12,315,184	13,741,932
Equity Instruments		
Central 1 Credit Union - Class A	82,812	675,510
Central 1 Credit Union - Class E	534,600	712,400
Central 1 Credit Union - Class F	657,591	-
Concentra Financial - Class D	1,000,000	1,000,000
CUCO Cooperative Association	-	12,617
Co-Operators Group	-	42,350
Total Equity instruments	2,275,003	2,442,877
	14,590,187	16,184,809

As a condition of membership in Central 1, the Credit Union is required to maintain an interest bearing "liquidity reserve deposit" equal to 6% of its total assets at the end of each month. Except for possible refunds occasioned by future reductions in total assets, this deposit is refundable to the Credit Union only in the event of the Credit Union's dissolution or withdrawal from membership in Central 1.

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of Central 1's Board of Directors.

Central 1 Class A shares are subject to an annual rebalancing mechanism and are redeemable at the option of Central 1. There is no separately quoted market value for these shares, however fair value is determined to be equivalent to the par value.

Central 1 Class E shares are redeemable at \$100 per share. There is no separately quoted market value for these shares. The fair value is determined to equal the redemption value.

Concentra Financial Class D shares are redeemable at \$25 per share. There is no separately quoted market value for these shares. The fair value is determined to equal the redemption value.

CUCO Cooperative Association

The Credit Union holds 272,956,019 Class B Investment Shares of CUCO Cooperative Association, which represents 0.7825% of the total Class B Investment Shares outstanding. The investment is recorded at fair value through profit or loss. As at December 31, 2018, CUCO Cooperative Association has liquidated its investment portfolio and is in the process of windup.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

6. DERIVATIVES

The Credit Union has outstanding \$437,459 (2017 - \$605,215) in index linked term deposits to its members. The index linked term deposits are three and five year deposits that pay interest at the end of the term, based on the performance of a variety of indices. The embedded derivative associated with these deposits are presented in liabilities and have a fair value of \$20,021 (2017- \$40,075).

The Credit Union has entered into hedge agreements with Central 1 to offset the exposure to the indices associated with this product, whereby the Credit Union pays a fixed rate of interest for the term of each index linked term deposit on the face value of the deposits sold. At the end of the term, the Credit Union receives an amount equal to the amount that will be paid to the depositors, based on the performance of the indices. As at December 31, 2018, the Credit Union had entered into such contracts on index linked term deposits for a total of \$437,459. The agreements are secured by a general security agreement covering all assets of the Credit Union.

From time to time, in the ordinary course of business, the Credit Union enters into interest rate swaps in order to hedge against exposure to interest rate fluctuations. At December 31, 2018, the Credit Union was not party to any such agreement with Central 1 Credit Union (\$5,500,000 in 2017).

	2018	2017
Derivative Assets		
Index linked hedge receivable from Central 1	20,021	40,075
Derivative Liabilities		
Interest rate swaps	-	17,167
Index linked derivatives payable on member deposits	20,021	40,075
	20,021	57,242

These derivatives have a fair value that varies based on the particular contract and changes in interest rates. The purpose of these derivatives is to provide a cash flow hedge against interest rate fluctuations by improving the Credit Union's matching of its asset and liability positions.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

7. LOANS TO MEMBERS	2018	2017
		<i>(restated Note 3)</i>
Personal loans	5,331,134	5,910,730
Residential mortgages	142,970,157	141,904,879
Commercial loans	28,670,333	26,789,250
Accrued interest	369,064	310,669
	177,340,688	174,915,528
Less: allowance for impaired loans (Note 8)	1,608,061	260,405
Total Loans Receivable	175,732,627	174,655,123

Personal loans consist of term loans and lines of credit that are not real estate secured and, as such, have various repayment terms. Some personal loans are secured by wage assignments and personal property or investments, and others are secured by wage assignment only. Personal loans have fixed or variable interest rates and a maximum term of 5 years with an average rate of 9.08% at December 31, 2018 (2017 - 8.34%).

Residential mortgages are loans and lines of credit secured by residential property and are generally repayable monthly with blended payments of principal and interest. Residential mortgages have fixed or variable interest rates with an average rate of 3.74% at December 31, 2018 (2017 - 3.59%).

Commercial and syndicated loans consist of commercial lines of credit and mortgages to individuals, partnerships and corporations and have various repayment terms. They are secured by various types of collateral including mortgages on real property, general security agreements, and personal guarantees. These loans have fixed or variable interest rates with an average rate of 4.35% at December 31, 2018 (2017 - 4.27%).

Credit Quality of Loans

It is not practical to value all collateral as at the statement of financial position date due to variety of assets and conditions. A breakdown of the security held on a portfolio basis is as follows:

	2018	2017
Security on personal loans	564,045	618,685
Residential mortgages	138,975,205	137,373,625
Residential mortgages insured by government	2,242,079	2,636,570
Mortgages insured by other insurer	1,461,938	1,927,661
Loans secured by commercial property	28,670,333	26,756,273
	171,913,600	169,312,814

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

7. LOANS TO MEMBERS (continued)

Concentration of Risk

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments.

As at December 31, 2018 there are 25 loans (2017 - 28 loans) that exceed 10% of members' equity. The combined total of these loans is \$39,014,353 (2017 - \$47,904,584).

	2018	2017
Syndicated commercial loans	10,263,496	12,920,580
Residential mortgages	27,662,065	34,984,004
Commercial loans	1,088,792	-
	39,014,353	47,904,584

All member loans are with members located in Ontario.

8. ALLOWANCE FOR IMPAIRED LOANS

Total allowance for impaired loan provision comprises:

	2018	2017
		(restated Note 3)
Stage 1 and Stage 2 provision	1,219,767	181,968
Stage 3 provision	388,294	78,437
Total provision	1,608,061	260,405

The allowance for impaired loans is broken down as follows:

	Allowance for Impaired Loans		Aggregate Impaired Loans	
	2018	2017	2018	2017
Personal loans	51,379	69,792	51,379	74,886
Lines of credit	45,979	8,645	45,979	8,645
Non-specified loans and mtgs	1,219,767	181,968	-	-
Mortgages	290,936	-	2,371,850	1,970,555
	1,608,061	260,405	2,469,208	2,054,086

Of the \$2,469,208 of impaired loans, the Credit Union has security valued at \$2,371,850.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

8. ALLOWANCE FOR IMPAIRED LOANS (continued)

Movement in individual specific provision and collective provision for impairment:

2018	Stage 3 Provision	Stage 1 and 2 Provision	Total
Balance at January 1, 2018	78,437	181,968	260,405
Recoveries of loans previously written off	37,767	-	37,767
Provision charged to net income	1,201,956	1,037,799	2,239,755
	1,318,160	1,219,767	2,537,927
Loans written off	(929,866)	-	(929,866)
Balance at December 31, 2018	388,294	1,219,767	1,608,061

2017	Stage 3 Provision	Stage 1 and 2 Provision	Total
Balance at January 1, 2017	100,284	48,317	148,601
Recoveries of loans previously written off	34,694	-	34,694
Provision charged to net income	129,377	20,929	150,306
	264,355	69,246	333,601
Loans written off	(185,918)	-	(185,918)
Balance at December 30, 2017	78,437	69,246	147,683
Adoption of IFRS 9 adjustment (Note 3)	-	112,722	112,722
Adjusted Balance December 30, 2017	78,437	181,968	260,405

Key Assumptions in Determining the Allowance for Impaired Loans Collective Provision

All loans have a probability of default. The Credit Union uses historical loss ratios of loans with similar characteristics to estimate the probability and severity of loss on origination of new loans issued. At each reporting date, the Credit Union considers evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience.

For loans that have not increased in credit risk since origination, the Credit Union allows for 12 month expected credit losses (Stage 1 provision). For loans that have experienced significant increase in credit risk since origination, the Credit Union allows for lifetime expected credit losses (Stage 2 provision). Loans are considered to have significantly increased credit risk when payments are 30 days past due. Loans that are 90 days past due are specifically identified as impaired (Stage 3) and are evaluated individually for collateral and expected loss provision.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

9. PROPERTY, PLANT AND EQUIPMENT	Land	Building	Furnit. & Fixtures	Computer Equipment	ATM	Total	Intangibles
Cost							
Balance at December 31, 2016	1,044,882	2,766,085	589,317	808,088	102,919	5,311,291	542,764
Additions	-	29,719	626	32,053	-	62,398	163,416
Disposals	-	(19,719)	-	-	-	(19,719)	-
Balance at December 31, 2017	1,044,882	2,776,085	589,943	840,141	102,919	5,353,970	542,764
Additions	68,477	289,746	-	22,709	-	380,932	-
Balance at December 31, 2018	1,113,359	3,065,831	589,943	862,850	102,919	5,734,902	542,764
Accumulated Depreciation							
Balance at December 31, 2016	-	587,664	452,932	763,446	76,264	1,880,306	90,461
Depreciation	-	98,364	6,515	21,590	10,292	136,761	54,277
Disposals	-	(19,719)	-	-	-	(19,719)	-
Balance at December 31, 2017	-	666,309	459,447	785,036	86,556	1,997,348	144,737
Depreciation	-	109,492	5,379	25,934	10,292	151,097	54,277
Balance at December 31, 2018	-	775,801	464,826	810,970	96,848	2,148,445	199,014
Net Book Value							
December 31, 2016	1,044,882	2,178,421	136,385	44,642	26,655	3,430,985	452,303
December 31, 2017	1,044,882	2,109,776	130,496	55,105	16,363	3,356,622	398,027
December 31, 2018	1,113,359	2,290,030	125,117	51,880	6,071	3,586,457	343,750

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

10. EMPLOYEE BENEFITS

The Credit Union sponsors a registered pension plan that has a defined benefit component and a defined contribution component. The defined benefit component is non-contributory and was closed to new participants on January 1, 2009. The plan was closed to existing participants on March 31, 2014. The Credit Union makes contributions to the fund, based on periodic valuation reports prepared by an independent actuary, in accordance with regulatory requirements.

The Credit Union also pays certain medical and dental benefits on behalf of its eligible retired employees. Certain active employees prior to 2009 who retire from full-time employment after the attainment of age 55 years and completion of ten years of continuous service, will qualify for post-retirement medical and dental benefits under current provisions. Employees after 2009 who retire from full-time employment after the attainment of age 55 years and completion of 20 years of continuous service, will qualify for reimbursement of approved expenses to a maximum of \$1,500 per year. The Credit Union recognizes these post-employment costs in the period in which employees' service was rendered. There are no assets in this plan and therefore this plan is unfunded.

The changes in these defined benefit plans during the year are as follows:

Reconciliation of Funded Status	Pension Plans		Post Retirement Benefits		Total	Total
As of December 31	2018	2017	2018	2017	2018	2017
Fair value of plan assets	2,499,300	2,588,700	-	-	2,499,300	2,588,700
Present value of plan obligations	(2,470,500)	(2,585,200)	(1,290,700)	(1,545,500)	(3,761,200)	(4,130,700)
Net plan obligations	28,800	3,500	(1,290,700)	(1,545,500)	(1,261,900)	(1,542,000)

Movement in the present value of defined benefit obligations

	Pension Plans		Post Retirement Benefits		Total	Total
Actuarial Plan Obligation	2018	2017	2018	2017	2018	2017
Opening defined benefit obligation	2,585,200	2,469,300	1,545,500	1,419,800	4,130,700	3,889,100
Current service cost	-	-	11,200	9,300	11,200	9,300
Interest cost	85,600	91,300	51,700	53,100	137,300	144,400
Actuarial (gain) loss	(66,600)	158,300	(243,100)	128,600	(309,700)	286,900
Benefits paid	(133,700)	(133,700)	(74,600)	(65,300)	(208,300)	(199,000)
Closing defined benefit obligation	2,470,500	2,585,200	1,290,700	1,545,500	3,761,200	4,130,700

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

10. EMPLOYEE BENEFITS (continued)

Movement in the fair value of plan assets

Fair Value of Plan Assets	Pension Plans		Post Retirement Benefits		Total	Total
	2018	2017	2018	2017	2018	2017
Opening fair value of plan assets	2,588,700	2,475,400	-	-	2,588,700	2,475,400
Expected return	86,300	92,600	-	-	86,300	92,600
Actuarial gains (losses)	(75,000)	99,800	-	-	(75,000)	99,800
Contributions by employer	33,000	54,600	-	-	33,000	54,600
Benefits paid	(133,700)	(133,700)	-	-	(133,700)	(133,700)
Closing fair value of plan assets	2,499,300	2,588,700	-	-	2,499,300	2,588,700

Assets of the defined benefit pension plan are held by CUMIS and invested in pooled mutual funds. Investment funds are diversified across Canadian equities (25.2%), U.S. equities (20.06%), International equities (16.2%), bonds (35.84%), and cash equivalents (2.69%).

Expenses recognized in profit or loss	Pension Plans		Post Retirement Benefits		Total	Total
	2018	2017	2018	2017	2018	2017
Current service cost	-	-	11,200	9,300	11,200	9,300
Interest cost	85,600	91,300	51,700	53,100	137,300	144,400
Defined benefit plan expense	85,600	91,300	62,900	62,400	148,500	153,700

These plans expose the Credit Union to actuarial risks, such as longevity risk, interest rate risk, an market (investment) risk.

Contributions

In 2019, the Credit Union expects to contribute \$Nil to the Defined Benefit Plan in accordance with normal funding policy. Additionally, the Credit Union does not anticipate having to make material special contributions to its pension plans in 2019.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

10. EMPLOYEE BENEFITS (continued)

Actuarial Assumptions

The weighted average actuarial assumptions were as follows:

	Pension Plans		Post Retirement Benefits	
	2018	2017	2018	2017
Discount rate	3.80 %	3.40 %	3.80 %	3.40 %
Rate of increase in salaries	- %	- %	2.00 %	2.00 %
Rate of medical cost escalation	- %	- %	5.00 %	5.00 %
Rate of dental cost escalation	- %	- %	3.00 %	3.00 %
Expected rate of return on assets	3.80 %	3.40 %	- %	- %

Sensitivity Analysis

A 1% increase or decrease in the discount rate would cause the pension benefit obligation to decrease or increase approximately \$243,100 and \$269,600 respectively. A 1% increase or decrease in the discount rate would have resulted in a decrease and increase to the benefit obligation for post-retirement benefits of approximately \$141,600 and \$159,000 respectively. Changes in the salary rate growth will not impact the pension benefit obligation as the pension has been closed.

Medical Cost Trend

The medical cost trend is based on the Credit Union's actuarial medical claims experience and future projections of medical costs. The average medical cost trend rate used was 5% in 2018. The dental cost is expected to stay static at 3%. A 1% increase or decrease in the trend rate would have resulted in an increase or decrease in the benefit obligation for post retirement benefits of approximately \$107,800 and \$99,500 respectively at December 31, 2018.

11. TERM LOANS

The Credit Union has authorized line of credit and term loan facilities with Central 1 Credit Union totaling \$8,300,000. Security given is a general security agreement covering all assets of the Credit Union.

Term loans in existence at year end are as follows:	2018	2017
Term loan with interest at 1.80%, maturing January 22, 2018	-	3,000,000
Term loan with interest at 2.60%, maturing January 14, 2019	1,250,000	-
Term loan with interest at 2.66%, maturing January 23, 2019	1,750,000	-
Term loan with interest at 2.73%, maturing February 26, 2019	750,000	-
Term loan with interest at 2.769%, maturing March 12, 2019	1,700,000	-
	5,450,000	3,000,000

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

12. MEMBER DEPOSITS	2018	2017
Chequing accounts	39,881,713	45,240,765
Savings accounts	22,094,490	23,506,580
Term deposits	60,244,267	58,724,439
Tax free savings accounts	12,517,679	13,178,491
Registered retirement savings plans	30,586,050	34,419,031
Registered retirement income funds	17,777,317	18,262,301
Accrued interest	1,246,974	1,287,823
	184,348,490	194,619,430

Chequing and savings accounts are due on demand.

Term deposits have fixed rates of interest for terms up to five years, or pay a return based on market indexes. Interest can be paid monthly, annually, or upon maturity. At December 31, 2018, the average interest rate on term deposits was 2.59% (2017 - 2.34%).

Registered retirement savings plans and tax free savings accounts can be fixed or variable rate, or pay a return based on market indexes. Fixed rate deposits have similar terms and rates as the term deposits described above.

Registered retirement income fund accounts can be fixed or variable rate with terms similar to those of registered retirement savings plan accounts described above. Members may make withdrawals from RRIFs on a monthly or annual basis according to individual needs and statutory requirements.

Concentration of Risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments.

The total value of individual or related groups of members deposits which exceed 1% of member deposits is \$16,873,520 in 2018 (2017 - \$22,410,942). All member deposits are with members located in Ontario.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

13. SHARES		2018		2017
	Liability	Equity	Liability	Equity
Class A shares	116,804	1,051,235	126,012	1,134,106
Class B shares	225,964	2,033,672	239,631	2,156,677
Membership shares, voting	42,563	-	44,296	-
	385,331	3,084,907	409,939	3,290,783

Class A shares are non-cumulative, non-voting and non-participating and rank in priority to Class B shares and membership shares. Class A shares are redeemable in any fiscal year after the first five years subsequent to issuance, to the extent of 10% of the total Class A shares outstanding at the end of the previous fiscal year, or at any time after the death of the shareholder.

Class B shares are non-cumulative, non-voting shares ranking in priority to membership shares. Class B shares are redeemable at the issue price after the first five years subsequent to issuance. Redemption in any fiscal year may not exceed 10% of the Class B shares outstanding at the end of the previous fiscal year.

Members are required to own one membership share with a par value of \$5 per share. Amounts paid for shares may be withdrawn upon termination of membership or after the death of the shareholder. As at December 31, 2018 the Credit Union had 11,166 members.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

14. CAPITAL MANAGEMENT

The Credit Union maintains policies and procedures relative to capital management so as to ensure that capital levels are sufficient to cover the risks inherent in the business. The Credit Union considers its capital to comprise cash resources, membership shares, Retained earnings, reserves, and the general allowance against doubtful loans.

The Credit Unions and Caisses Populaires Act, 1994 requires that the Credit Union maintain regulatory capital of 4% of total assets and 8% of a risk weighted equivalent value. The Credit Union has also approved an internal policy for capital requirements of 5% of total assets and 9% of risk weighted equivalent values. The risk weighted equivalent value is calculated by applying risk weight percentages as prescribed by the Act to various assets, operational and interest rate risk criteria.

Regulatory Capital	2018	2017
Tier 1 Capital		
Membership shares	42,563	44,296
Class A and Class B shares	3,084,907	3,290,783
Retained earnings	4,961,539	6,568,740
Contributed surplus	3,062,270	3,062,270
Goodwill	(996,473)	(996,473)
Deferred pension costs	(28,800)	(3,500)
Tier 2 Capital		
Redeemable portion of Class A and Class B shares	342,768	365,643
Actuarial losses in Accumulated Other Comprehensive Income	(640,706)	(829,090)
General allowance for doubtful loans	1,219,767	181,968
	11,047,835	11,684,637
Percentage of total assets	5.48%	5.54%
Risk weighted equivalent value	99,590,619	98,249,925
Percentage of risk weighted assets	11.09%	11.89%

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

14. CAPITAL MANAGEMENT (continued)

The Act also requires that the Credit Union maintain prudent levels of liquidity sufficient to meet its cash flow needs. Assets held for liquidity purposes include:

	2018	2017
Cash	6,695,634	16,123,038
Liquidity deposits with Central 1 Credit Union	12,270,240	12,596,400
	18,965,874	28,719,438
% of member deposits and borrowings	10.06%	14.63%

15. INTEREST REVENUE

	2018	2017
Personal loans	457,159	512,209
Mortgages	4,998,851	4,327,175
Commercial and syndicated loans	1,252,304	1,228,905
Investments	423,318	368,140
	7,131,632	6,436,429

16. INTEREST EXPENSE

	2018	2017
Chequing and savings accounts	243,924	230,339
Term deposits	1,495,116	1,112,615
Tax free savings accounts	208,259	192,954
Registered retirement savings plans	610,368	608,890
Registered retirement income funds	327,097	311,234
	2,884,764	2,456,032

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

17. INCOME TAX	2018	2017
The income tax provision was calculated as follows:		
Income per statement before income taxes	(1,858,407)	591,260
Capital cost allowance in excess of depreciation	32,302	(32,671)
Adjust allowance for doubtful loans to allowance for tax purposes	(71,996)	(92)
Pension and post-retirement benefits	(105,400)	(58,800)
Investment income	-	353,012
Other adjustments	4,629	(54,875)
Taxable income (loss)	(1,998,872)	797,834
Tax at prescribed rate of 26.50% (2017 - 26.50%)	-	211,426
Small business deduction	-	(57,500)
Utilization of prior year losses	-	(52,445)
Recovery of prior year taxes	(46,193)	-
Under (over) provision of prior years	309	-
	(45,884)	101,480
Deferred Tax Expense	2018	2017
Origination and reversal of temporary differences	(194,227)	(531)
Reduction in tax rate	(11,095)	-
Total income tax expense (recovery)	(205,322)	(531)

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

17. INCOME TAX (continued)

The movement in deferred tax liabilities and assets are:

2018	Opening Balance	Recognized in Income	Recognized in OCI	Closing Balance
Investments	1,892	(189)	-	1,703
Derivatives	(1,441)	-	1,441	-
Loans to members	(2,215)	(5,276)	-	(7,491)
Property, plant and equipment	111,268	(15,488)	-	95,780
Defined benefit plans	(240,300)	23,627	46,316	(170,357)
Tax losses available	-	(207,996)	-	(207,996)
	(130,796)	(205,322)	47,757	(288,361)

2017	Opening Balance	Recognized in Income	Recognized in OCI	Closing Balance
Investments	54,844	(52,952)	-	1,892
Derivatives	(814)	-	(627)	(1,441)
Loans to members	(2,229)	14	-	(2,215)
Property, plant and equipment	106,368	4,900	-	111,268
Defined benefit plans	(230,055)	17,820	(28,065)	(240,300)
Tax losses available	(29,687)	29,687	-	-
	(101,573)	(531)	(28,692)	(130,796)

Expected settlement of deferred tax liabilities and assets are:

	2018	2017
Settled within 12 months	(26,694)	26,623
Settled after more than 12 months	(261,667)	(157,419)
	(288,361)	(130,796)

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

18. RELATED PARTY TRANSACTIONS

The Credit Union entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

Compensation	2018	2017
Salaries and other short-term employee benefits	758,326	765,713
Total pension and other post-employment benefits	39,899	44,838
	798,225	810,551

Loans to Key Management Personnel and Directors	2018	2017
Aggregate value of loans and lines of credit approved	1,120,400	602,400
Total value of loans outstanding at year end	1,092,595	957,638
Interest received on loans advanced	12,976	15,098
Total value of lines of credit outstanding at year end	1,834,860	1,955,324
Interest received on lines of credit advanced	46,718	49,597
Unused value of lines of credit	238,550	375,477

The Credit Union's policy for lending to key management personnel is that the loans are approved on the same conditions which apply to members, with discounted interest rates being offered up to defined thresholds.

Deposits from Key Management Personnel and Directors	2018	2017
Aggregate value of term and savings deposits	610,899	598,285
Total interest paid on term and savings deposits	11,544	2,744

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which apply to Members for each type of deposit. There are no benefits or concessional terms and conditions applicable to key management personnel or close family members.

Included in staff and director expenses are honoraria totaling \$54,680 (\$49,424 - 2017).

The Act requires the disclosure of remuneration paid to the five highest paid officers and/or employees whose total remuneration for the year exceeds \$150,000.

	Base Salary	Variable Compensation	Value of Benefits
Jordan Rosenbaum, CFO	139,462	2,692	16,753

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

19. FINANCIAL INSTRUMENTS

The following table represents the carrying amount by classification.

	2018	2017
Assets at Fair Value Through Profit and Loss:		
Cash	6,695,634	16,123,038
Derivative assets	20,021	-
Equity investments	2,275,003	2,442,877
	8,990,658	18,548,748
Assets at Amortized Cost:		
Debt investments	12,315,184	13,741,932
Loans	175,732,627	174,655,123
Accounts receivable (other)	137,988	42,471
	188,185,799	188,439,526
Liabilities at Fair Value Through Profit or Loss:		
Derivative liabilities - hedges	-	(17,167)
Derivative liabilities	(20,021)	(40,075)
	(20,021)	(57,242)
Liabilities at amortized cost:		
Member deposits	184,348,490	194,619,430
Member shares	385,331	409,939
Accounts payable	583,841	298,020
	369,280,821	389,536,880

The amounts set out below represent the fair values of the Credit Union's financial instruments where fair value differs from carrying cost. Assets that are not considered financial instruments, such as property, plant and equipment, prepaid expenses and deferred income taxes, are also excluded.

Fair value of variable rate loans and member deposits are assumed to equal the book value as the interest rates on these loans and deposits repriced to market on a periodic basis.

Fair value of fixed rate investments, fixed rate loans, and fixed rate member deposits is determined by discounting the expected future cash flows of these investments, loans, and deposits at current market rates for products with similar terms and credit risks. Contractual cash flows are assumed to represent expected cash flows.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

19. FINANCIAL INSTRUMENTS (continued)

December 31, 2018	Fair Value	Book Value	Fair Value Over (Under) Book Value
Assets			
Central 1 liquidity reserve	12,318,884	12,270,240	48,644
Loans and mortgages	175,850,503	177,340,688	(1,490,185)
Liabilities			
Member deposits	186,335,237	184,348,490	1,986,747

December 31, 2017	Fair Value	Book Value	Fair Value Over (Under) Book Value
Assets			
Central 1 liquidity reserve	12,656,658	12,596,400	60,258
Central 1 term deposits	1,041,930	1,040,000	1,930
Other investments	70,948	70,948	-
Loans and mortgages	175,148,771	174,915,528	233,243
Liabilities			
Member deposits	195,120,643	194,619,430	501,213

Financial Instruments Measured At Fair Value

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1

Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2

Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3

Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

19. FINANCIAL INSTRUMENTS (continued)

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of three levels.

December 31, 2018

Financial Instruments

Measured at Fair Value	Level 1	Level 2	Level 3	Total
Cash and bank	6,695,634	-	-	6,695,634
Derivative assets	-	-	20,021	20,021
Equity investments	-	2,275,003	-	2,275,003
Derivative liabilities	-	-	20,021	20,021
Total fair value investments	6,695,634	2,275,003	-	8,970,637

December 31, 2017

Financial Instruments

Measured at Fair Value	Level 1	Level 2	Level 3	Total
Cash and bank	16,123,038	-	-	16,123,038
Derivatives assets	-	-	40,075	40,075
Equity investments	-	2,430,260	12,617	2,442,877
Derivative liabilities	-	-	57,242	57,242
Total fair value investments	16,123,038	2,430,260	(4,550)	18,548,748

Reconciliation of Level 3 financial instruments

	2018	2017
Balance January 1	(4,550)	399,870
Gains (losses) included in the statement of income as investment income	4,550	(6,649)
Gains (losses) included in Other Comprehensive Income	-	(4,182)
Distributions received	-	(393,589)
Balance December 31	-	(4,550)

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

20. RISK MANAGEMENT

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function. The Board of Directors receives reports, at least quarterly, from senior management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit Risk

The Credit Union is exposed to the risk of loss related to loans and mortgages receivable. The Credit Union invests in loans as its primary source of revenue. Credit is granted through consideration of the member's character, credit history, capacity for debt, and value of collateral available to secure the loan. Mortgages are secured by real property. Term loans and lines of credit are secured by other assets equivalent to the approved balance on the loan.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans monthly.

A sizeable portfolio of the loan book is secured by residential property in Hamilton, Oakville, and Brampton, Ontario. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio (LVR) cover should the property market be subject to a decline. The risk of (losses) from loans undertaken is primarily reduced by the nature and quality of the security taken.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity Risk

Liquidity risk consists of the risk that the Credit Union is unable to generate sufficient cash to meet commitments as they come due. The Credit Union maintains a liquidity reserve with Central 1 Credit Union as described in Note 5. The Credit Union is also required by statute to maintain a prescribed amount of liquid assets to mitigate liquidity risk. Liquidity requirements based on expected maturity of member deposits, and the corresponding maturity of investments in loans, is described in the chart under Interest Rate Risk below. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency Risk

Currency risk relates to the Credit Union operating in different currencies and converting non Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

20. RISK MANAGEMENT (continued)

The Credit Union's foreign exchange risk is related to deposits and investments denominated in United States dollars. The Credit Union limits its holdings in foreign currency to a maximum net open position of \$300,000 in that same currency in accordance with its investment policy. Foreign currency changes are continually monitored for effectiveness of its foreign exchange mitigation activities and holdings are adjusted when offside of the investment policy.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending.

The Credit Union is required to establish policies and procedures to limit its exposure to interest rate risk. These policies must ensure that the Credit Union's net earnings before income taxes are not impacted by an amount greater than 0.15% of the Credit Union's total assets based on interest rate fluctuations that may reasonably be expected to occur. Measurement and management of exposure of interest rate sensitivity is done through a combination of income simulation and maturity gap analysis. The Credit Union's interest rate risk results from the fact that the maturity or repricing dates for interest rate sensitive assets differs from that for the interest rate sensitive liabilities.

The Credit Union is exposed to interest rate price risk as a result of fixed rate financial instruments. The Credit Union is exposed to interest rate cash flow risk as a result of its variable rate financial instruments.

Fixed rate financial instruments maturity dates substantially coincide with interest adjustment dates.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union's risk due to changes in interest rates determined that an increase in interest rates of 0.5% could result in a increase to net income of \$136,000 while a decrease in interest rate of 0.5% could result in an decrease to net income of \$124,000.

The tables below identifies the maturity dates of interest rate sensitive financial instruments, excluding accrued interest.

2018						
	Variable	Within 3 months	4 to 12 months	Greater than 1 year	Not rate sensitive	Total
Assets						
Cash and bank	5,523,726	-	-	-	1,171,908	6,695,634
effective rate %	1.90	-	-	-	-	
Loans	38,268,181	905,275	4,955,046	132,218,259	624,863	176,971,624
effective rate %	5.41	3.66	3.39	3.61	-	
Investments	-	474,390	4,245,850	7,550,000	2,275,003	14,545,243
effective rate %	-	1.70	1.89	2.28	-	
Liabilities						
Member deposits	71,638,307	10,529,343	39,379,365	60,694,116	860,385	183,101,516
effective rate %	0.24	1.74	2.14	2.60	-	

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

20. RISK MANAGEMENT (continued)

	2017					Total
	Variable	Within 3 months	4 to 12 months	Greater than 1 year	Not rate sensitive	
Assets						
Cash and bank	14,991,866	-	-	-	1,131,172	16,123,038
effective rate %	1.40	-	-	-	-	
Loans	42,721,495	379,878	590,390	130,139,455	773,640	174,604,858
effective rate %	4.30	2.90	3.44	3.34	-	
Investments	-	2,800,550	1,040,000	9,866,798	2,442,877	16,150,225
effective rate %	-	0.95	1.93	1.55	-	
Liabilities						
Member deposits	77,446,500	12,156,270	39,272,235	62,917,645	1,538,956	193,331,606
effective rate %	0.24	1.60	1.71	2.01	-	

21. COMMITMENTS

Mortgages and Loans

Outstanding commitments for future advances on mortgages and loans are \$6,270,611 (2017 - \$7,151,893).

Credit Lines

Unused lines of credit available to members are \$21,130,527 (2017 - \$21,534,302).

Credit Letters

Outstanding letters of credit are \$497,716 (2017 - \$631,414).

The Credit Union's obligations under operating leases for its banking system and other contracts requires monthly minimum payments of \$21,869.

The Credit Union has entered into a 7 year office lease agreement effective January 1, 2018 with monthly lease payments of \$7,258 for the first three years with costs increasing 2% annually after the third year.

22. CONTINGENT LIABILITY

The Credit Union has been named in a statement of claim related to employment matters. This matter is being vigorously defended, and the outcome cannot be determined at this time.